

# From First Home to Forever Home

## **Idaho Housing and Finance Association**

Homeownership: Home Improvement and Rehabilitation

### **HFA Staff Contact**

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## ***“From First Home to Forever Home”***

### **Overview**

For the past five years Idaho has been ranked among the fastest growing population states in the U.S. While growth is good in many ways, the growing pains of increased home prices have been pronounced in the state. Property values have increased 87% since 2019. This ranks Idaho #1 in percentage increase in property values in the entire country. Combine sky-rocketing housing prices with an aging housing supply and there becomes a clear need for a loan program that allows existing homeowners to stay in their current home and make the necessary repairs and renovations to make their first home their “forever” home.

Idaho Housing and Finance Association (IHFA) plays a crucial role in providing affordable housing solutions for Idaho residents. Recognizing the need for home renovations to maintain and enhance property values, as well as improve living standards, IHFA stood up a Home Renovation Loan Program.

### **Filling the Void – Program Overview/Benefits**

Given the need for an affordable loan program that allows current homeowners to make necessary repairs to remain in their current home without having to sell, lose equity due real estate commissions, closing costs and high home prices, IHFA decided that there needed to be an alternative for its existing loan customers to stay in their current home and make repairs and/or renovations as needed.

In 2022 IHFA launched a pilot program to do just that. The program was self-funded from IHFA’s balance sheet with \$4M to be used primarily for renovations and home repairs with a focus on deferred maintenance and health and safety issues. The program was an immediate hit in the first year and it has received funding for a second year with an additional \$4M. The Home Renovation Loan Program aims to provide accessible financing options for homeowners in Idaho seeking to renovate their properties. The program offers a below market fixed rate of 7% on a 10-year term with varying amortization periods of 10, 15 or 20 years and loan amounts can range from \$10,000 - \$100,000.

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### **Primary uses for the program can include:**

1. Structural repairs
2. Energy efficiency upgrades
3. Kitchen and bathroom renovations
4. Roof replacements
5. HVAC
6. Plumbing
7. Foundation repairs
8. Water/mold remediation
9. Additional living space/Accessory Dwelling Units
10. Accessibility modifications for aging in place

### **Key Program Features:**

1. Low-Interest Rates: The program will offer competitive interest rates to make renovation financing affordable for homeowners.
2. Flexible Terms/Disbursements: Flexible disbursement terms are available to accommodate different repair/project needs. Funds under \$25k are disbursed directly to the borrower. Funds over \$25k can be directed at closing to the licensed contractor, or be given in incremental draws. Final inspection is required upon project completion.
3. Streamlined Application Process: Since the program is limited to current IHFA borrowers, a simplified application process was implemented to ensure quick approval and disbursement of funds, allowing homeowners to begin renovations promptly.
4. Education and Support: IHFA has 15 HUD certified housing counselors on staff dedicated to its servicing customers. It offers counseling services that include budgeting and loss mitigation should a customer have difficulty making payments.

### **Benefits**

1. Preservation of Property Values: By facilitating home renovations, the program contributes to maintaining and enhancing property values in Idaho communities.

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2. Improved Quality of Life: Renovations funded through the program improve the livability and comfort of homes, enhancing the quality of life for the homeowner(s).

3. Energy Efficiency: By promoting energy-efficient upgrades, the program helps homeowners reduce utility costs and contributes to environmental sustainability.

4. Economic Stimulus: The program stimulates economic activity by creating opportunities for local contractors and suppliers, supporting job growth and economic development.

## **Conclusion**

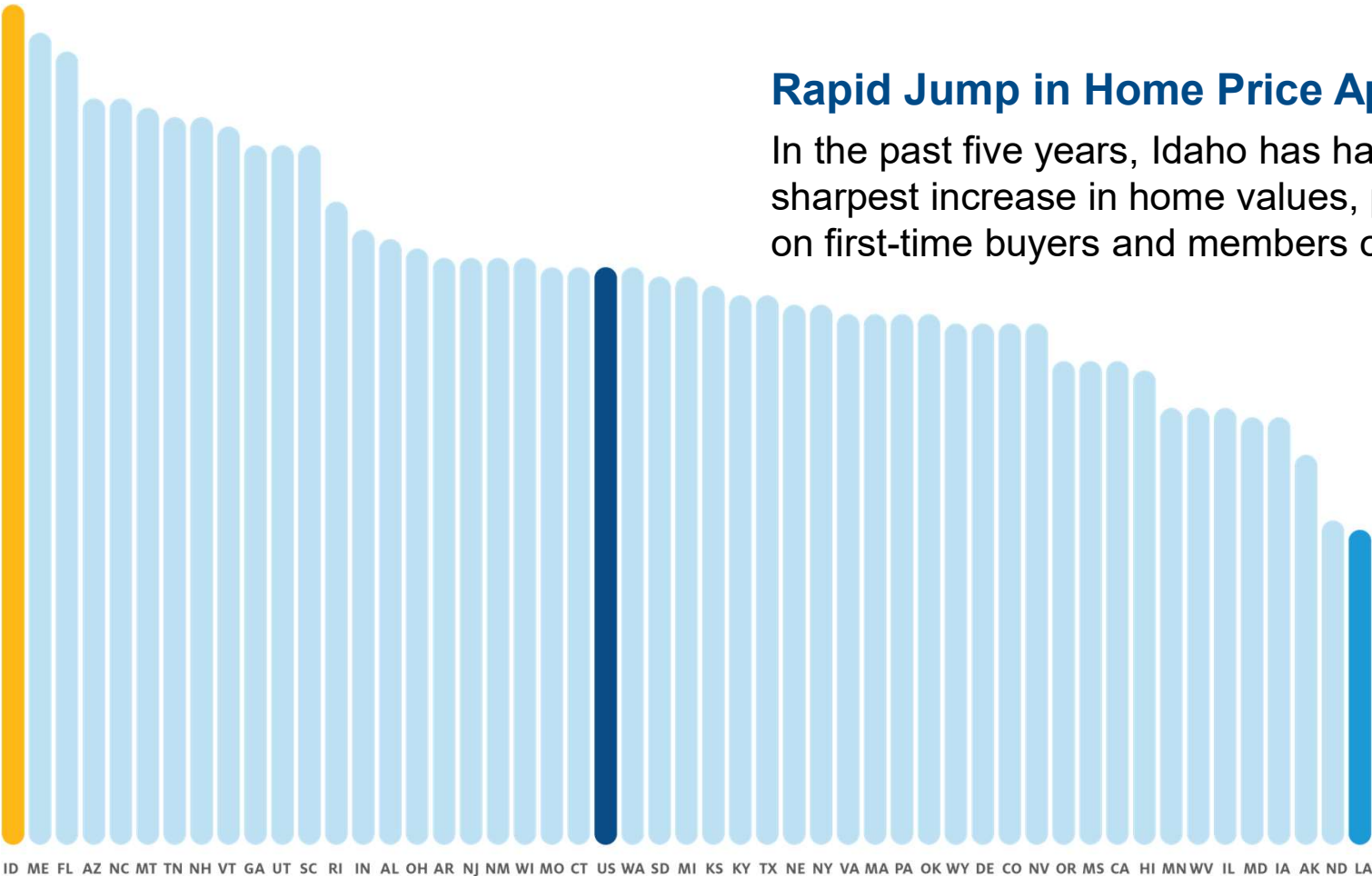
The Home Renovation Loan Program represents a proactive approach to addressing both the demand for housing and the renovation needs of homeowners in Idaho. By offering accessible financing options and support services, the program will empower homeowners to enhance their properties, improve their quality of life, and contribute to vibrant and sustainable communities across the state.



# Visual Aids

### Rapid Jump in Home Price Appreciation

In the past five years, Idaho has had the nation's sharpest increase in home values, putting pressure on first-time buyers and members of the workforce.



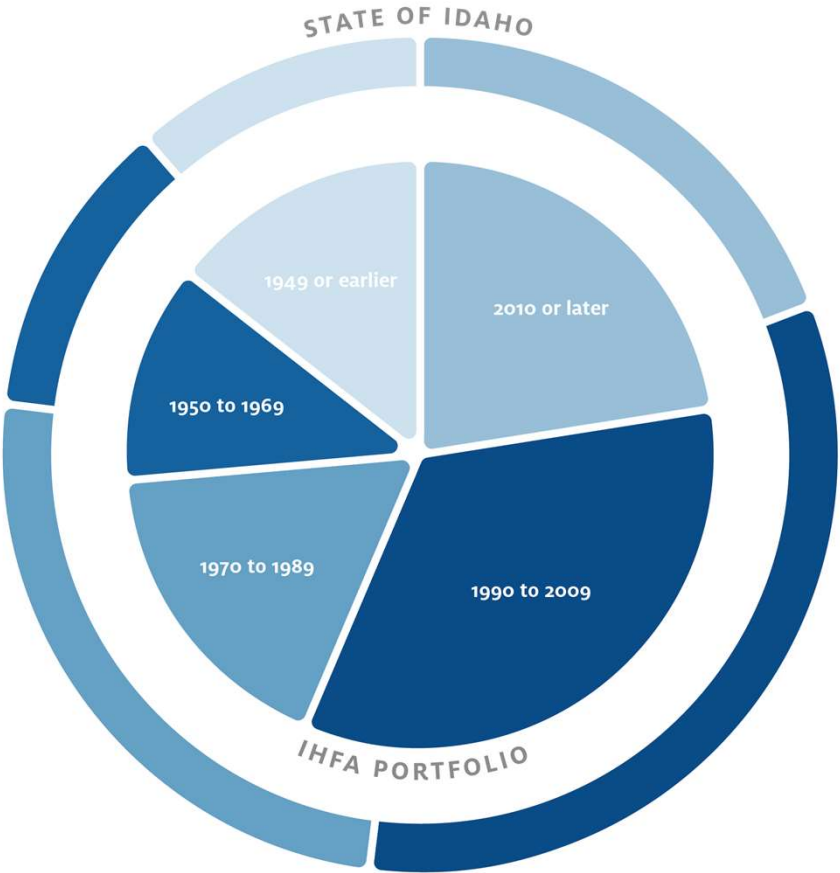
#1  
IDAHO  
87%

AVG.  
UNITED STATES  
59%

#50  
LOUISIANA  
31%

### Aging Housing Stock

- Almost half (43.9%) of the homes in IHFA's loan portfolio were built before 1989, mirroring the statewide percentage of 47.9%.
- Nationwide, 62% of homes were built before 1989.



## 115 Idaho homeowners helped since 2022

### ‘From First Home To Forever Home’

- Idaho's housing stock hasn't kept pace with the state's rapid population growth and record-setting housing costs. As a result, single-family homes are more scarce and more expensive. This program helps address those challenges by giving homeowners the financial resources to improve, maintain and remain in their existing home.

### Highlights

- Program is a self-funded appropriation from IHFA's balance sheet.
- \$4,287,181 in loans issued to date.
- Available only to existing Idaho Housing borrowers.



### **Borrowers must be:**

- Primary resident of the home (i.e. owner-occupied)
- United States citizen
- Permanent resident



### **Properties can be:**

- One- to four-unit residential homes
- Condominium
- Townhouse



### **Improvements can include:**

- Roofing, siding, HVAC, plumbing, flooring, windows, decking, foundation repair, remediation, etc.
- Other issues related to health and safety.

## Key Terms and Features



### Lien Position

- Subordinate to Idaho Housing first liens

### Qualifying Payment

- Principal and interest at the prevailing rate amortized over a term of the loan to calculate DTI.

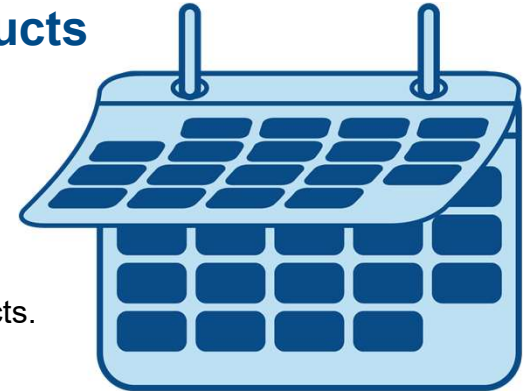
### Borrower Payment

- Principal and interest payments repaid through a 10-year term.

### Available Products

- 10-year
- 15-year
- 20-year

Prepayment period is 10 years for all products.



### Interest Rate

- Fixed at 7%

**\$10,000**  
MINIMUM LOAN AMOUNT



**\$100,000**  
MAXIMUM LOAN AMOUNT

### Credit

- **Maximum Housing Ratio:** 85%
- **Maximum Debt Ratio:** 45%
- **Credit Report:** A triple-merge report required for all borrowers. Mid-score utilized for the qualifying borrowers.
- **Minimum FICO:** 620
- **Minimum Tradelines:** A minimum of three tradelines, open or closed, evaluated for at least 12 months.
- **Mortgage lates:** No 30-day lates in the past 12 months. If late payments occurred before 12 months, a letter of explanation is required.

### Income and Employment

- **Employment History:** Verification of start/end dates for all employers from the most recent two years and an explanation of any employment gaps greater than 30 days. Self-employment permitted with two-years of tax returns and year-to-date profit-and-loss statement.
- **Base Income:** Pay stubs covering a minimum of 30 days.
- **Variable Income and Other Income Types:** Standard Fannie Mae income verification required.

### Disbursements, Completion & Loan Management

- Funds under \$25k or where work is being completed by the borrower are disbursed directly to the borrower. Funds over \$25k can be directed at closing to the contractor, or given in separate draws to the borrower.
- A final inspection is completed once project is finished. If property is vacant, we require a certificate of occupancy after project is finished.
- IHFA services their loans in-house. In this scenario, IHFA would be the servicer of record for the 1<sup>st</sup> and 2<sup>nd</sup> lien.

### Impact

- IHFA has been able to disburse a total of 115 home renovation loans for approx. \$4.3M.
- There was an initial allocation of \$4M in FY23, and that was matched again in the FY24 budget allocation
- **Testimonial** – *“The loan we took helped us get a new HVAC system in our home. Our AC broke and it made for a pretty uncomfortable end to our summer. With our plan we were able to replace the system and upgrade to a more efficient system. It kept us cool all summer and warm during these storms! We appreciate the ability to take the loan and provide a warm home for our family.” - The Villarreal Family*
- The program is limited in scope due to it is only available to IHFA borrowers and funding is limited to \$4M per fiscal year.

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# Visual Aids

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## RENOVATION FINANCING PROGRAM TERMS

As of April 2, 2024

PROGRAM OVERVIEW	
<b>State HFA</b>	Idaho Housing and Finance Association (IHFA)
<b>Program Name</b>	Home Improvement Loan
<b>Program Description</b>	Available only for borrowers with an IHFA first mortgage to provide them an opportunity to access their home equity for home improvements. Structured as a home equity loan subordinate to the IHFA first. (Note: Home Improvement Loans are underwritten separately at time of their application as they do not close concurrently with the first mortgage.)
<b>Program Purpose</b>	Allows borrowers to access their equity for home improvements specifically. Also helps to meet IHFA’s statewide housing priorities, including preserving older existing housing stock to maintain affordability.
<b>Source of Program Funding</b>	Balance sheet
<b>Participating Lenders</b>	No new originations through lenders; offered only on existing IHFA mortgages.
<b>Program Longevity</b>	Began in June 2022
<b>Number and \$ Value of Loans Outstanding</b>	<ul style="list-style-type: none"> <li>• Year one (ending 6/30/23): \$3.4 million in home renovation loans</li> <li>• 7/1/23 to 11/30/23: \$1.3 million in home renovation loans</li> <li>• 115 loans to date</li> </ul>
LOAN TERMS	
<b>Maximum Loan Amount</b>	<ul style="list-style-type: none"> <li>• \$100,000</li> </ul>
<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>• \$10,000</li> </ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>• 7%</li> <li>• Fixed rate</li> </ul>
<b>Maximum Repayment</b>	<ul style="list-style-type: none"> <li>• 10 years</li> <li>• Loan amortized either 10, 15, or 20 years</li> </ul>

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<b>Minimum Repayment</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>Refinance</b>	<ul style="list-style-type: none"> <li>• Yes; may be refinanced with another Home Renovation Loan if additional repairs are needed.</li> </ul>
<b>Assumption</b>	<ul style="list-style-type: none"> <li>• No</li> </ul>
<b>Collateral / Security</b>	<ul style="list-style-type: none"> <li>• Subordinate to IHFA/HomeLoanServ first liens</li> <li>• Secured by a recorded lien in the form of a mortgage</li> </ul>
<b>Costs and Fees</b>	<ul style="list-style-type: none"> <li>• Title search paid by borrower</li> <li>• No other fees</li> </ul>
<b>BORROWER ELIGIBILITY</b>	
<b>Maximum household income</b>	<ul style="list-style-type: none"> <li>• Per IHFA mortgage guidelines, currently \$150,000</li> </ul>
<b>Maximum household assets</b>	<ul style="list-style-type: none"> <li>• Asset required for closing costs must be stated on the loan application (1003)</li> <li>• Asset reserves not required</li> <li>• No minimum borrower contribution</li> </ul>
<b>Ownership Interest and Documentation</b>	<ul style="list-style-type: none"> <li>• Must have 100% ownership interest in the property</li> <li>• No non-person entities (e.g., LLCs); trusts by exception only</li> </ul>
<b>Occupancy Requirements</b>	<ul style="list-style-type: none"> <li>• Owner occupied</li> <li>• Primary residence</li> </ul>
<b>Other General Borrower Criteria</b>	<ul style="list-style-type: none"> <li>• At least one borrower from original first lien loan</li> <li>• Must have IHFA first lien mortgage; no standalones and not available to non-IHFA customers</li> <li>• US Citizens</li> <li>• Permanent Residents</li> </ul>
<b>PROPERTY &amp; LOAN USE ELIGIBILITY</b>	
<b>Eligible Properties</b>	<ul style="list-style-type: none"> <li>• 1-4 Unit Residential, PUD, Cond, Townhouse</li> </ul>
<b>Ineligible Properties</b>	<ul style="list-style-type: none"> <li>• Manufactured homes</li> </ul>
<b>Eligible Improvements /</b>	<ul style="list-style-type: none"> <li>• Help expanding families with home remodel or addition</li> <li>• Updates to the home that improve property and IFHA’s interest in it</li> </ul>

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<b>Uses</b>	<ul style="list-style-type: none"> <li>Deferred maintenance and/or repairs with an emphasis on health and safety issues</li> </ul>
<b>Ineligible Improvements</b>	<ul style="list-style-type: none"> <li>Luxury projects (including, but not limited to, swimming pools)</li> </ul>
<b>Contractor Selection</b>	<ul style="list-style-type: none"> <li>Borrower chooses the contractor.</li> <li>For projects \$25,000 or greater, IHFA must review contractor bid.</li> </ul>
<b>Bids and Estimates for Improvements</b>	<ul style="list-style-type: none"> <li>Borrower must obtain estimates and, for approval, must show purpose and for what funds are to be used.</li> </ul>
<b>Local Ordinances and Plans</b>	<ul style="list-style-type: none"> <li>Project requiring permits—framing, plumbing, electrical, HVAC—required to be performed by licensed contractor and must have proof of inspection passed</li> </ul>
<b>Homeowner Labor</b>	<ul style="list-style-type: none"> <li>Allowed; must be licensed if work requires as noted above</li> </ul>
<b>Time to complete</b>	<ul style="list-style-type: none"> <li>No required timeline</li> </ul>
<b>Disbursement</b>	<ul style="list-style-type: none"> <li>Funds disbursed to homeowner or IHFA may disburse to contractor if project / improvement deemed significant.</li> <li>Significant projects / improvements may be disbursed in three payments, with up to 40% in first payment and two subsequent draws.</li> </ul>
<b>Completion Inspection</b>	<ul style="list-style-type: none"> <li>Required for significant projects / improvements; IHFA obtains</li> </ul>
<b>Escrow Management</b>	<ul style="list-style-type: none"> <li>N/A—loans serviced in-house as part of first mortgage; no separate escrow management policies</li> </ul>
<b>Excess Proceeds</b>	<ul style="list-style-type: none"> <li>Applied to curtailment of the principal balance of the Home Improvement Loan</li> </ul>
<b>UNDERWRITING</b>	
<b>Credit Requirements</b>	<p>Note: Loans underwritten to Agency guidelines</p> <ul style="list-style-type: none"> <li>Minimum FICO: 620</li> <li>A triple merge credit report required for all borrower(s)</li> <li>Mid-score utilized for qualifying the borrower(s)</li> <li>A minimum of three (3) tradelines, open or closed, evaluated for at least twelve (12) months is required</li> <li>Mortgage lates: 0x30 in the last 12-months, if late payments occurred prior to 12-months, a letter of explanation is required</li> </ul>

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<b>Debt to Income</b>	<ul style="list-style-type: none"> <li>• 45% (management exceptions allowed)</li> <li>• HOA dues to be added to DTI</li> </ul>
<b>Bankruptcy</b>	<ul style="list-style-type: none"> <li>• Not permitted</li> </ul>
<b>Foreclosure</b>	<ul style="list-style-type: none"> <li>• Not permitted</li> </ul>
<b>Tax Liens / Liabilities</b>	<ul style="list-style-type: none"> <li>• Tax liens must be paid prior to/at closing</li> <li>• Management exceptions allowed on other liabilities paid to qualify</li> </ul>
<b>Loan Documentation</b>	<ul style="list-style-type: none"> <li>• Required documents for underwriting submission:             <ul style="list-style-type: none"> <li>○ 1003/disclosures</li> <li>○ AS400 – loan info/pay history</li> <li>○ Credit Report</li> <li>○ AVM</li> <li>○ Title</li> <li>○ WVOE &amp; income docs                 <ul style="list-style-type: none"> <li>▪ Verification of start/end dates for all employers from the most recent two years and explanation of any employment gaps greater than 30-days (written verification of employment required)</li> <li>▪ Self-employment permitted with two-years of tax returns and year-to-date (YTD) profit and loss statement</li> <li>▪ Base income: paystub(s) covering a minimum of 30-days</li> <li>▪ Variable income and other income types: paystub(s) covering a minimum of 30-days</li> </ul> </li> </ul> </li> </ul>
<b>Housing Counseling</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>Loan to Value</b>	<ul style="list-style-type: none"> <li>• 85% (CLTV)</li> </ul>
<b>Valuation</b>	<ul style="list-style-type: none"> <li>• Automated Valuation Model (AVM), FNMA/FHLMC accepted value, tax assessment or appraisal to determine value</li> <li>• Twelve (12) months seasoning. If the home was purchased less than 6 months ago, will use the lower of the purchase price or the appraisal value to determine the CLTV. A new valuation will be required if the original appraisal is expired.</li> </ul>
<b>Combined Loan Balance / Loan Consolidation Limits</b>	<ul style="list-style-type: none"> <li>• 85%</li> </ul>
<b>Prepayment</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>

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<b>Penalty</b>	
<b>Other Loan Eligibility Requirements</b>	<ul style="list-style-type: none"> <li>• NMLS/MERS/OFAC Search for fraud</li> <li>• Power of Attorney (POA): POA must be specific to the transaction and must state both the first and second transaction separately. Cash out transactions not permitted. A copy of the POA must be reviewed and approved by the underwriter prior to CTC and recorded at closing.</li> </ul>
<b><u>CLOSING, DELIVERY &amp; FUNDING</u></b>	
<b>Loan Submission &amp; Approval</b>	<ul style="list-style-type: none"> <li>• Loans reviewed and underwritten by IHFA program manager and staff</li> </ul>
<b>Commitment</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>Loan Repurchases</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b><u>LENDER COMPENSATION</u></b>	
<b>Lender Compensation</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b><u>DOCUMENTATION</u></b>	
<b>Application and Qualifying Documentation</b>	<ul style="list-style-type: none"> <li>• See Loan Documentation, above</li> </ul>
<b><u>SERVICING</u></b>	
<b>Servicer</b>	<ul style="list-style-type: none"> <li>• Idaho Housing and Finance Association</li> </ul>
<b>Servicer Compensation</b>	<ul style="list-style-type: none"> <li>• Serviced as part of first mortgage loan</li> </ul>
<b>Payment Application</b>	<ul style="list-style-type: none"> <li>• Serviced as part of first mortgage loan</li> </ul>
<b>Credit Bureau Reporting</b>	<ul style="list-style-type: none"> <li>• Reported as with first mortgage loan</li> </ul>
<b>Delinquent / Defaulted Loan Management</b>	<ul style="list-style-type: none"> <li>• Managed as with first mortgage loan</li> </ul>
<b>Portfolio Performance</b>	<p>As of 11.30.2023:</p> <ul style="list-style-type: none"> <li>• 115 loans funded</li> <li>• 30+ days delinquent: 2</li> </ul>

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<b>OTHER</b>	
<b>Program Marketing and Outreach</b>	<ul style="list-style-type: none"><li>• Leverage IHFA marketing group and first mortgage servicing portfolio for targeted outreach through email</li><li>• Servicing customer agents trained to discuss product</li></ul>