NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

Deadline: Wednesday, June 15, 2016

Visit ncsha.org/awards to view the Annual Awards Call for Entries.

Instructions: Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact awards@ncsha.org or 202-624-7710.

Fill out the entry name *exactly* as you want it listed in the program.

Entry Name: "You've Earned It!"

HFA: Maryland Department of Housing and Community Development

Submission Contact: (Must be HFA Staff Member) Tanya Jones-Austin **Email:** tanya.jones-austin@maryland.gov

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

The "You've Earned It" initiative of the Maryland Mortgage Program assists new Millennial homebuyers with significant student loan debt.

Use this header on the upper right corner of each page:

HFA: Maryland Department of Housing and Community Development

Entry Name: "You've Earned It!"

Select the appropriate subcategory of your entry and indicate if you are providing visual aids.

Communications	Homeownership	Legislative Advocacy	Management Innovation
○ Annual Report ○ Creative Media ○ Promotional Materials and Newsletters	● Empowering New Buyers ○ Encouraging New Production ○ Home Improvement and Rehabilitation	○ Federal Advocacy ○ State Advocacy	○ Financial ○ Human Resources ○ Operations ○ Technology
Rental Housing	**Special Needs Housing**	**Special Achievement**	Are you providing visual aids?
○ Encouraging New Production ○ Multifamily Management ○ Preservation and Rehabilitation	○ Combating Homelessness ○ Housing for Persons with Special Needs	○ Special Achievement	● Yes ○ No

"YOU'VE EARNED IT!"

Overview of Program

The Maryland "You've Earned It!" initiative under the Maryland Mortgage Program (MMP) began in May 2015 and was so successful that a second phase of the program was launched immediately following and is still ongoing. The program is designed to assist Millennial homebuyers with significant student loan debt achieve the dream of owning their own home by offering a combination of a low mortgage rate and down payment assistance that eases the barriers to homeownership for this customer base. An additional facet of the "You've Earned It!" program was to offer the incentive in designated Sustainable Communities that are on the cusp of economic revitalization.

Phase I of the program offered a low, fixed mortgage rate of 2.75% and $10,000 in down payment assistance in the form of a 0% deferred loan. Phase II offers a quarter point off the current MMP interest rate, $5,000 in down payment assistance, and waiving of the fee for a Mortgage Credit Certificate (MCC) federal tax credit.

Background

This past year marked the pivot point when the Millennial generation (adults ages 18-34) eclipsed "Baby Boomers" and "Generation X" as the largest segment in both the workforce as well as the general population nationwide. Millennials are poised to boost homeownership by 4.3 million households in the next ten years, as they enter their thirties and start families (according to the Mortgage Bankers Association).

The main barrier that appears to deter Millennials from owning their first home is debt, most notably *student loan debt*. This challenge for Millennials is backed by numerous studies, including the 2015 Harvard University Joint Center for Housing report, which indicates that from 2004 to 2013, 25-to-34-year-olds paying more than 30% of their income for housing has increased to almost half that age group, with *the average amount of debt increasing by 50%* over the same time period. A 2015 NeighborWorks America study found that an astounding 57% of adults stated student loan debt to be an obstacle to home purchase. The most glaring impact of this increasing amount of debt for the Millennial generation is the inability to save for a home. According to the May 2016 Pew Research Center report, in 2014, for the first time in more than 130 years, adults ages 18 to 34 were more likely to be living in their parents' home than they were to be living with a spouse or partner in their own household. Part of the reason for this trend is the economic difficulty Millennials face saving the down payment and settlement costs associated with purchasing a home.

In Maryland, home prices have been lower than they have been in the past, particularly in designated Sustainable Communities around the state – older neighborhoods that have existing transportation, water and other infrastructure, but are eligible for state funds to revitalize the area. With lower home prices and record low mortgage rates, an ideal situation exists for Millennial first-time homebuyers, especially in Sustainable Communities. To meet the needs of both first-time homebuyers that have been precluded from purchase due to burdensome student loan debt, and respond to a state housing need to revitalize older neighborhoods, the Maryland Department of Housing and Community Development (the Department) created the "You've Earned It!" initiative.

Under this initiative, first-time homebuyers with $25,000 or more in student loan debt were provided $10,000 in down payment assistance (through a 0% deferred loan) and a low 2.75% interest rate to keep mortgage payments competitive with rental prices, so that Millennials could manage the upfront costs and still afford their payments over the life of the loan. Homebuyer education was also mandatory to ensure "You've Earned It!" customers understood the physical and financial responsibilities of owning their own home. To address the state's interest in revitalizing older neighborhoods, the "You've Earned It!" program was offered only in the state's designated Sustainable Communities, bringing young residents to areas already developed and in need of revitalization.

The $20 million program was announced by Secretary Kenneth Holt on May 4, 2015 at the Annual Affordable Housing Conference of Montgomery County; he followed up later that week with remarks at the Maryland Mortgage Bankers Association's Annual Conference. Lender and realtor partners were specially trained on the program, and were enthusiastic about getting the word out. Program information was shared with the counseling agencies. The program was so well received that it was completely subscribed within six weeks.

Outcomes from "You've Earned It" Program

The Department was able to ignite a timid Millennial market in Maryland to purchase homes ***now*** rather than deferring that decision much further down the road. By mitigating the barrier to save significant amounts for down payment/closing costs for those with student loan debt, the Department could get these customers into a home. Through a low interest rate and homebuyer education, these customers were given the tools to sustain their homeownership.

The $20 million for the program leveraged $18.2 million in home purchases throughout the state and in neighborhoods that needed care, assisting 83 homebuyers with an average loan purchase amount of $206,291 using $830 thousand in down payment and closing cost assistance. To meet the demand for "You've Earned It!," the second phase of the program was launched immediately following the full utilization of phase one, providing $5,000 in down payment assistance, a quarter point off the regular MMP interest rate and in addition, waiving the Department's fee for a Mortgage Credit Certificate (federal tax credit). Homebuyer education is mandatory for these loans, as well as all other Maryland Mortgage Program purchase loans. As of June 2016, the second phase helped an additional 76 homebuyers purchase homes for a total of $14.8 million in home loans in Sustainable Communities.

To establish that the program met its intended purposes, a number of measures were achieved as follows:

- The median purchaser age compared to the median MMP customer decreased to 30 years, putting the customer range squarely within the Millennial generation.
- With the educational attainment of this customer base, an increase in average household income of more than $5,000 was seen, along with an average loan amount increase of $13,000 compared to the average MMP borrower. Credit scores jumped by seven points as well.
- Since all loans were provided in Sustainable Communities, the average home age for the "You've Earned It!" customers increased by a remarkable 25 years compared to the average MMP customer, indicating that this cohort of customers truly purchased in well-established neighborhoods.

Conclusion

The Maryland "You've Earned It!" program was successful in achieving its strategic objectives, not only in helping one of the state's struggling targeted customer base – Millennials with significant student loan debt – but also responded to a vital need in the state to revitalize older neighborhoods with an infusion of new residents. Meeting these objectives provides long term benefit to the homebuyers, the community, and to the state.

Through the combination of economic /market research and meeting the needs of our housing partners on the ground, the Department forged an innovative initiative to directly address the needs of Millennials who struggle with student loan debt, while also providing a channel of young, new residents to neighborhoods in the state that could use a bit of regeneration. The beauty of this program is that the Millennial customer base is prevalent and growing in all states and the "You've Earned It!" initiative is replicable by applying the appropriate amount of down payment and interest rate along with homebuyer education tailored to meet the housing market of each state.

The "You've Earned It!" program has been extremely successful in encouraging young families to move to the older, more developed areas of the state designated as Sustainable Communities, which would not have occurred but for this program. The quick uptake on the program indicates a healthy appetite for incentives that provide a benefit for both the new homeowner and their new community. The success of the program was highlighted in the 2016 *Baltimore Business Review* academic journal, published by the Certified Financial Advisors Society Baltimore and Towson University's College of Business and Economics.

Attachments Provided:

- 2016 *Baltimore Business Review* Article: Breaking Down the Student-Loan Barrier to Homeownership in Maryland for Millennials
- "You've Earned It!" Flyer & Fact Sheet
- Blog post of program announcement

DHCD Secretary Holt to Bankers: Expanding Our Lending Portfolio Expands YOUR Lending Portfolio

by mdhousing

Rockville, MD – Governor Larry Hogan and Secretary Kenneth Holt this week announced a $20 million initiative aimed at members of the Millennial Generation that will give a boost to otherwise qualified buyers who have been unable to move into homeownership because of significant student debt.

Through the "You've Earned It!" initiative, the Maryland Mortgage Program is offering a 2.75 percent fixed rate, 30-year mortgage and $10,000 in down payment assistant to qualified homebuyers with more than $25,000 in student loan debt. The program is open for a limited time to families purchasing a home in one of Maryland's 82 Sustainable Communities. Maryland's Sustainable Communities program seeks to strengthen reinvestment and revitalization in the state's older communities through state, local and private sector partnerships. There is at least one designated Sustainable Community in each of Maryland's 23 counties and Baltimore City.

"Encouraging young families to establish roots in our state through homeownership is one of the best ways to grow our economy. Owning a home helps families create a financial legacy for their children, it stabilizes and brings new economic life into the state's communities, and it puts the power of the housing market to work to revitalize the state's economy," Governor Hogan said.

Secretary Holt announced the initiative in Rockville Monday at the annual Affordable Housing Conference of Montgomery County as he delivered the keynote address on behalf of Governor

Hogan, who was unable to attend because of events in Baltimore.

On Thursday, Secretary Hogan told the Maryland Mortgage Bankers Association at their annual meeting in Annapolis that expanding the capacity of the Maryland Mortgage Program through innovative approaches such as "You've Earned It!" is one of the new administration's three housing and community development goals. The Hogan administration also plans to significantly expand DHCD's small business lending program and expand resources available to local government through the Local Government Infrastructure Finance program.

"We cannot do this without you," Secretary Hogan told the mortgage bankers. "We look forward to expanding not only our lending portfolio but *your* lending portfolio."

mdhousing | May 7, 2015 at 6:52 PM | Categories: Community Development, First-Time Homebuyers, Homeownership, Maryland Mortgage Program, Small Business Development | URL: http://wp.me/pVATC-1Z4

2.75%
MORTGAGE RATE*
LIMITED TIME ONLY

YOU'VE EARNED IT!

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
MARYLAND MORTGAGE PROGRAM
Invest in home. Invest in you.

In the market for your first home, and carrying a student loan?

The Maryland Mortgage Program is offering a **2.75%** mortgage rate* and closing cost assistance up to **$10,000** to qualified applicants with student loan debt. Please visit mmp.maryland.gov/EarnedIt today for more information… *We think you've earned it!*

MARYLAND
Larry Hogan, *Governor*
Boyd K. Rutherford, *Lt. Governor*

DHCD
Maryland Department of Housing and Community Development
Kenneth C. Holt, *Secretary*

**APR (Conventional) - 3.159%; APR (FHA) - 3.738%; APR (VA) - 2.914%. Please contact a participating lender for further details on the APR.*

FACT SHEET: **YOU'VE EARNED IT INITIATIVE**

PURPOSE

To help reduce the overall housing expense for borrowers with a minimum of $25,000 of existing student loan debt (which can be in repayment or deferred status) who are purchasing a home in a Sustainable Community in Maryland.

DATE

4 May, 2015

DOWN PAYMENT AND CLOSING COST ASSISTANCE

$10,000 DPA loan in the form of a zero percent deferred loan. No DPA for Conventional loan on a DHCD-owned foreclosed property (FNMA requirement for REO properties).

PARTNER MATCH PROGRAM

Available with this program, if eligible for DPA

MARYLAND HOMECREDIT PROGRAM (MHCP)

Not available with this program

ELIGIBLE PROPERTIES

A single-family, one-unit residence located in a Sustainable Community in Maryland:

- including townhouses; detached or semi-detached homes; FHA or Fannie Mae - approved condominium units; modular homes.
- If loan is a 95.01% to 97% LTV conventional loan, condominiums are not eligible
- Second homes, rental properties or manufactured houses are not eligible.

INTEREST RATE

- Fixed interest rate of 2.75%* for conventional and government insured loans.
- This special interest rate cannot be used in conjunction with the Maryland Homefront Program, refinances or any other MMP loan product.

ELIGIBLE BORROWERS

- The program is open to eligible MMP homebuyers purchasing an "eligible property" located in a Sustainable Community in the state of Maryland. To ascertain whether a specific property is located in a Sustainable Community, please use DHCD interactive map at www.bit.ly/dhcd_scmap.
  Note for the lenders reserving loans under this program: it is the lenders' sole repsonsibility to ensure that the properties they reserve loans for under this program are located in sustainable communities as identified and confirmed by the map available at the above web link. If a property reserved under this program is not within a sustainable community area, the loan will be subject to the regular mmp terms and conditions (regular mmp interest rate and $5,000 dpa).
- Specific requirements for borrowers with existing student loan debt:
  - ✔ Minimum remaining balance of student loan debt: $25,000. The student loan has to be in the name of the borrower for the borrower's education.
  - ✔ The student loan may be in repayment or deferred status.
  - ✔ A monthly statement or verification from the student loan lender/servicer verifying the amount of the indebtedness must be in the loan file.
- All customary loan underwriting standards and requirements related to student debt apply and they will be used to qualify the homebuyers.
- Eligible borrowers must qualify for an MMP loan, i.e. credit score, total debt-to-income (DTI) ratio, loan-to-value (LTV) ratio, income and purchase price limitations, asset limitations etc.
- All borrowers must complete approved homebuyer education and have their loan originated by a lender on the approved lender list at http://mmp.maryland.gov/Pages/Find-A-Lender.aspx.
- For more information on general MMP requirements, go online: mmp.maryland.gov/Lenders/Pages/Fact-Sheets.aspx or browse the MMP website, mmp.maryland.gov

FIRST TIME HOMEBUYER REQUIREMENT

While MMP loans generally are limited to first-time homebuyers, the requirement is waived if:

- Borrower is purchasing in a targeted area (see http://mmp.maryland.gov/Pages/Targeted-Areas.aspx for more information on targeted areas) and sold their current home prior to closing on the new property;
- It has been more than three years since borrower has owned a principal residence; or
- Borrower is an honorably discharged veteran who has not previously used the first-time homebuyer exemption. This is in accordance with the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended. A DD-214 form must be submitted to document veteran status, and an Attachment V - Veteran First Time Homebuyer Exemption form (located at http://mmp.maryland.gov/Lenders/Pages/Loan-Documentation.aspx under First Mortgage Pre-Closing/Documents That Are Sometimes Required) must be completed.

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