

Maryland Mortgage Program (MMP): HomeStart

Maryland Department of Housing and Community Development
Homeownership: Empowering New Buyers

HFA Staff Contact

Brandi de Benedictis

brandi.debenedictis@maryland.gov

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

2024 NCSHA Annual Awards Submission

ENTRY NAME:

Maryland Mortgage Program (MMP): HomeStart

ENTRY CATEGORY:

Homeownership: Empowering New Buyers





Maryland Department of Housing and Community Development
Maryland Mortgage Program (MMP): HomeStart
Category: Homeownership
SubCategory: Empowering New Buyers

The Maryland Department of Housing and Community Development's Community Development Administration (CDA) has significantly diversified products available through the Maryland Mortgage Program (MMP) in the past 7 years. By expanding its array of mortgages and down payment assistance, including regional specials and innovative programs like **HomeStart**, the program achieved record-breaking performance, reaching \$1 billion in reservations in 2019 and almost every year since then.

Background and Innovation

Stable, invested homeowners are one of the important factors in a community's success and sustainability; and promoting and preserving homeownership is a key facet of the Maryland Department of Housing Community Development's mission. For over 40 years, the Maryland Mortgage Program has been the department's high-profile homeownership program.

One of the newest (2 years) innovative products under the Maryland Mortgage Program umbrella, **HomeStart** offers Maryland first-time homebuyers with an income at or below 50% of the Area Median Income (AMI) a Maryland Mortgage Program (MMP) first mortgage with a competitive interest rate and a 6% Down Payment and Closing Cost Assistance (DPA) loan with a 0% interest rate, 30 year term, repayment deferred for the life of the first mortgage.

HomeStart was inspired by FHFA's Duty to Serve mission and focused on very low income (below 50% AMI) borrowers who are supported with competitive interest rates and a robust DPA up to 6% of the first mortgage.

HomeStart launched in July 2022 and it has now almost 2 fiscal years of proven success highly appreciated FNMA and Freddie Mac.

In calendar year 2023, 17% of borrowers in our portfolio were at or below 50% of Area Median Income. And the FNMA and Freddie Mac's announcement in March 2024 of the \$2,500 credit for conventional loans below \$250,000 matched perfectly our product: MMP used this opportunity and discounted the interest rate for all conventional HomeStart loans by 1/8%.

The HomeStart loan product gives homebuyers from underserved populations a tailored chance they never previously had to get a jumpstart on building home equity.

Replicable

Maryland Mortgage Program loan terms are competitive with other private mortgage products on the market and provide homebuyers with the added security of a mortgage backed by the State of Maryland. What makes the program unique is the range of associated financial incentives and other assistance that, for many homebuyers, means the difference between being able to purchase and continuing to rent. This includes tax incentives, partner-matching programs, and down payment and closing cost assistance in the form of loans. While traditionally designed to serve first-time homebuyers, the program now offers options for repeat or move-up buyers.

HomeStart is the product that focused on the “very-low-income population” as defined by FHFA. The assistance (down payment, closing costs and interest rate) provided by HomeStart to the very low-income homebuyers proved to be at the same time the preferred product for minorities as illustrated in Attachment D.

Our lenders understood that even though the program had income restraints, there continue to be areas of the state where the housing was available at affordable prices. Making sure the network of lenders is on board is a key aspect for any HFA looking to replicate this program.

As its popularity and usefulness have expanded, the HomeStart offering has also continued to grow its statewide network of participating mortgage lenders and real estate professionals. These efforts, combined with a constantly evolving, user-friendly, program website, have enabled potential homebuyers in all parts of Maryland to conveniently learn about and apply for the HomeStart assistance.

Respond to An Important State Housing Need

Nationwide housing affordability like Maryland, is not improving any time soon, and it is of paramount importance that we help first-time homebuyers free up rental space and help more people start building equity through home value appreciation. Although almost every demographic faces challenges with homeownership, we built the HomeStart program to target a very specific niche of potential homebuyers: very low-income people who live in all cost categories’ areas.

Use Data, Research, and Analysis to Demonstrate Measurable Benefits to HFA Targeted Customers and Underserved Markets

The program was a success from its launch. Every single loan went to a very low-income borrower (below 50% of Area Median Income). Additionally, MD DHCD’s distribution of MMP loans significantly outperformed both the African-American and Latino homeownership rates in the state.

Have a Proven Track Record of Success in the Marketplace

Since its launch, in less than 2 years, we helped over 220 very low-income borrowers purchase their home in Maryland for a total of \$45 million.

Attachment A shows how HomeStart loans trail 30% behind the MMP as far as average purchase price and average loan amount are concerned. However, that occurs while the down payment and closing cost assistance for HomeStart loans are up to 20% higher than the assistance obtained by borrowers with

higher income. This evidentiates the importance and unicity of this product for the very low-income cohort.

While these borrowers are working to access the respective affordably priced housing stock (albeit harder and harder), HomeStart helps them achieve their American homeownership dream at sustainable levels.

Provide Benefits that Outweigh Costs and Demonstrate Effective Use of Resources

A quick look at HomeStart demographic data on page four will show that we hit all our targets for race and ethnicity, in addition to ensuring that loans were spread across the state (Attachment D) covering the state's targeted areas and the designated areas of chronic economic distress as approved by HUD and IRS.

In addition, over 40% of MMP homebuyers are solo borrowers and more than 98% of MMP loans go to first-time homebuyers.

Effectively Employ Partnerships

In addition to its core of flexible mortgage and down payment assistance combinations, Maryland Mortgage Program growth has been supported by innovative initiatives that promote homeownership in specific demographics and regions. The program routinely partners with local governments for regional initiatives which often provide borrowers with extra incentives and assistance to purchase homes in specific communities.

Achieve Strategic Objectives

In line with the overall MMP, HomeStart proudly continued to meet our mission goals. More than 60% of our loans go to minority borrowers. At a time when the spotlight is directed at our industry to identify and rectify disparities such as redlining and appraisal gaps, the Maryland Mortgage Program has demonstrated a solid history of program utilization by minorities. (See Attachment D)

Conclusion

The HomeStart loan program was life-changing for more than 220 very low-income Marylanders, giving them a tool to leap from renting to homeownership. That's 220 families with a stable place to live, 220 families who have their own yards and garages, 220 families who are in a house they can call a home and that in less than 2 years. And these 220 families and many more to come, had a head start on building wealth through homeownership for future generations. This program has been and continues to be a success and illustration of the state of Maryland's commitment to enhance its long-term financial investment in low and very low-income areas to expand housing affordability in underserved communities.

HomeStart Demographics: A Model Portfolio!

(As of April 2024)

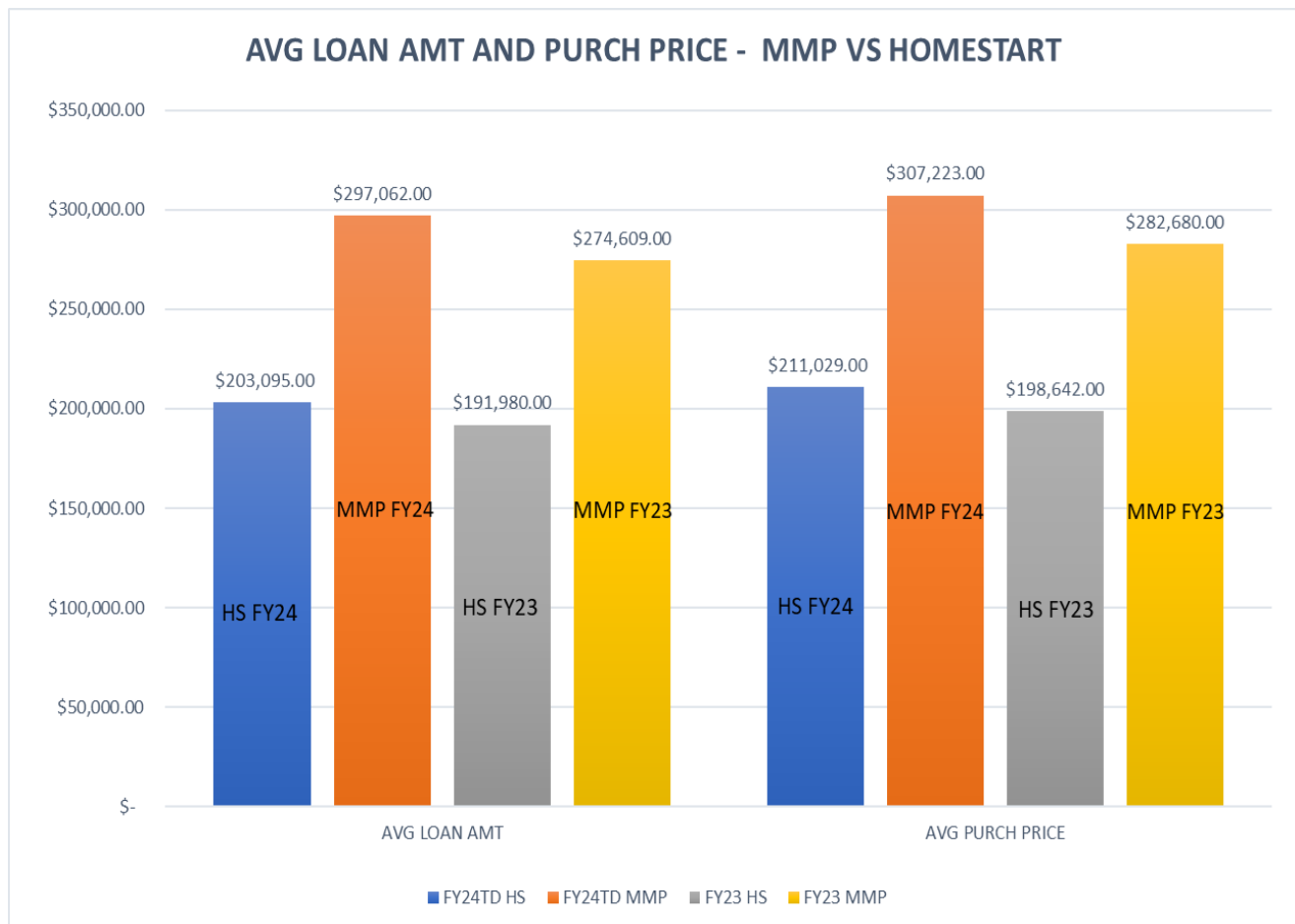
HomeStart Loan Data	FY24	FY23
# of Loans	126	101
Total Loan Amount	\$25,589,995	\$19,389,968
Average Loan Amount	\$203,095	\$191,980
Average Purchase Price	\$211,029	\$198,642
Average LTV	96%	94%
Total DPA Amount	\$1,535,359	\$1,163,364
Average DPA Amount	\$12,185	\$11,518
Weighted Average Int Rate	7.140%	7.072%
GOV%	80%	59%
CONV%	20%	41%
% of Loans in a Targeted Area	36%	49%

Borrower Profile	FY24	FY23
Average Borrower Age	38	37
Average Borrower Income	\$52,333	\$49,229
Average Household Income	\$60,430	\$58,860
Average Credit Score	711	712
Average Household Size	2	2
% First Time Homebuyer	98%	100%
% of Minority Borrowers	66%	77%

Attachments Provided:

- Attachment A - MMP vs HomeStart Comparison
- Attachment B - HomeStart Flyer
- Attachment C - HomeStart Fact Sheet
- Attachment D - HomeStart Ethnicity Demographics and Spread

A. MMP vs HomeStart Comparison



B. HomeStart Flyer



6% Down Payment Assistance Loan

For borrowers with income at or below 50% Area Media Income (AMI). Comes with a 0% interest, 30 year deferred down payment loan equal to 6% of the MMP total loan amount (first lien).

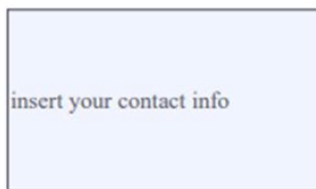
(Must be first time homebuyer*)

*A first-time homebuyer is defined as not having owned a home for three years, or is purchasing in a Targeted Area, or is a veteran using their exemption for the first time.

To learn more about this product, visit

mmp.maryland.gov/Pages/1stTimeAdvantage.aspx

Disclaimer: The following partners are not directly affiliated with MMP.




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C. HomeStart Fact Sheet

**FACT SHEET:
HOMESTART 6% DPA LOAN**
(For borrowers ≤50% AMI)

UPDATED
8/16/2023



MARYLAND MORTGAGE
Making Homeownership Affordable

PURPOSE	To offer Maryland first-time homebuyers with an income at or below 50% of the Area Median Income (AMI) a Maryland Mortgage Program (MMP) first mortgage with a competitive interest rate and a 6% Down Payment and Closing Cost Assistance (DPA) loan with a 0% interest rate, 30 year term, repayment deferred for the life of the first mortgage. This specific product will require a <u>full loan documentation pre-closing compliance package (#1)</u> .
START DATE	July 5, 2022
DOWNPAYMENT & CLOSING COST ASSISTANCE	The HomeStart 6% Loan product includes a 0% interest, 30 year deferred DPA loan equal to 6% of the MMP total loan amount (first lien). The assistance loan is to be used for the down payment and/or closing costs of the mortgage loan and home purchase at closing. If the 6% exceeds the total down payment and closing costs needed for the transaction, the excess funds will be applied by the lender to a principal curtailment. The loan available for this product is strictly 6% and no higher or lower percentages are allowed. Funding: Just like for the regular MMP DPA, the lender will advance the assistance loan funds at closing and the Community Development Administration (CDA) will reimburse the lender after the loan is purchased by US Bank (see Directive 2018-16). (Reminder: Except for SmartBuy, CDA assistance programs cannot be used with conventional financing for purchase of a DHCD-owned REO.)
PARTNER MATCH PROGRAM AND REFINANCING PRODUCTS	Not available. Assistance from employers, builders, non-profits, etc. may be utilized by the borrower in combination with this product (as long as all guidelines are met) but will not be matched by CDA funds.
MARYLAND HOMECREDIT	Not available.
INTEREST RATE	The interest rates for this product will be on the Interest Rate Notification and published on the MMP website.
ELIGIBLE BORROWERS*	The product is open to eligible MMP first-time homebuyers whose income is at or below 50% of the AMI. Eligible borrowers must qualify for an MMP loan, i.e., income limitations, credit score and purchase price limits. See https://mmp.maryland.gov/Lenders/Pages/Income-and-Purchase-Limits.aspx for 50% AMI chart and regular income/purchase limits chart. Borrower(s) may not own other real property at time of closing. As with all MMP purchase loans, the HomeStart 6% Loan requires homebuyers to take a Homebuyer Education class before they close the MMP loan. This education class must be approved by HUD, NIS, Fannie Mae or Freddie Mac. If funds from another source are being used, their requirements also must be met. mmp.maryland.gov/Pages/Homebuyer-Education-Classes.aspx Please refer to underwriting guidelines for US Bank & insurers in addition to any MMP Program guidelines.
FIRST-TIME HOMEBUYER REQUIREMENT	This product is only available for first time homebuyers with the following exceptions: <ul style="list-style-type: none"> Borrower is purchasing in a targeted area (for more information on targeted areas: https://mmp.maryland.gov/Pages/Targeted-Areas.aspx); or 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 a Veteran First Time Homebuyer Exemption form must be completed.

Disclaimer: The terms and conditions are subject to change until a borrower qualifies for the loan and locks in the interest rate. A borrower should contact their lender for further information concerning a loan and applying for a loan (see www.mmp.maryland.gov). In connection with the Maryland Mortgage Program (MMP), the Maryland Department of Housing & Community Development makes no promises, representations or warranties to any party, including any borrower about the actual benefit an MMP loan might provide to a specific homeowner. Each homeowner's situation is different, and homeowners should seek the advice of a financial advisor, attorney or housing counselor before entering into any loan transaction.



For more information, please visit:

mmp.Maryland.gov

Single Family Housing - Community Development Administration
Maryland Department of Housing and Community Development
7800 Harkins Road • Lanham, MD • 20706
SingleFamilyHousing.dhcd@maryland.gov
Toll Free (Maryland Only): 800-756-0119



D. HomeStart Ethnicity Demographics and Spread

