

HOMENow

New Mexico Mortgage Finance Authority
Homeownership: Empowering New Buyers

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HOMENow**Helping Lower-Income Homebuyers in Rural Areas Realize the Dream of Homeownership**

NCSHA 2019 Annual Awards Entry

Homeownership: Empowering New Buyers

Innovative use of funds

Almost 99 percent of homebuyers who use a New Mexico Mortgage Finance Authority mortgage loan program to purchase their homes also receive down payment assistance. With a 25 percent increase in mortgage loan production over the last two years, the demand for down payment assistance from MFA has increased dramatically. In order to keep up with this increased demand, MFA needed to inject new capital into its affordable housing fund. The decision was made to submit an application to the U.S. Department of the Treasury for funding from its Community Development Financial Institutions Capital Magnet fund.

In March 2018, MFA was notified that it had been awarded \$3.6 million from the CDFI Capital Magnet Fund. Out of 120 applicants, MFA was one of only five Housing Finance Agencies to be given an award that year. Of the five HFAs awarded funds, MFA is the only HFA who chose to use the funding to provide down payment assistance. Typically, Capital Magnet Fund monies are used to finance the development, rehabilitation, purchase and preservation of rental housing.

Replicability

The Capital Magnet Fund awards competitive grants to HFAs, CDFIs and non-profit housing organizations that are used to promote economic revitalization and community development. Because MFA structured the grant request so that funds would go to its affordable housing fund, the request fell within the Capital Magnet Fund application parameters. Because HFAs may apply for Capital Magnet Fund awards and because a precedent has been set to use the award to capitalize down payment assistance programs, all HFAs could apply for funds to use in this manner.

An important state housing need

At 20.9 percent, New Mexico has the second-highest poverty rate in the United States. In addition, New Mexico's median household income is \$45,674 compared to the national average of \$55,322. New Mexico is the fifth largest state geographically, but has a population of just over two million. Two-thirds of the state's population resides within four Metropolitan Statistical Areas.

Needless to say, large swaths of the state are sparsely-populated rural areas. Many of these rural New Mexico counties have even lower household incomes and higher poverty rates than the state as a whole. And while many communities across the country struggle to have an adequate, affordable inventory of homes for sale, it is especially difficult for prospective home buyers in smaller New Mexico communities to find quality homes that they can afford. Given these challenges, it is not surprising that

providing homeownership opportunities to low-income, rural households is one of the state's most pressing housing needs.

MFA used the Capital Magnet Fund award to create a homeownership program, *HomeNow*, which is specifically designed to help the lowest-income households in some of the most economically distressed areas of the state. It is used in conjunction with and subordinate to MFA's first mortgage program for first-time homebuyers, *FirstHome*. It is available to borrowers at or below 80 percent of the area median income.

The *HomeNow* program offers up to \$8,000 to help cover down payment and closing costs through a non-amortizing, 0 percent interest rate, second mortgage loan. There is no monthly payment required from the borrower, and they will not incur additional cost due to interest accrual. In addition, the *HomeNow* loan will be forgiven if the borrower occupies the home for 10 years.

Benefits to MFA targeted borrowers

Without \$8,000 in down payment assistance, many low-income borrowers would never be able to save enough to purchase a home. And because there is no payment required on the *HomeNow* second mortgage loan, there is no additional expense added to the qualifying debt ratio, which is significant for the low-income borrowers the program targets.

For example, the average payment on an MFA down payment assistance second loan is about \$40. Because of their low incomes, our target borrowers may be limited to less than \$300 per month in secondary debt payments. An additional \$40 per month in secondary debt could keep potential homebuyers from qualifying for a mortgage loan.

In addition, eliminating \$40 in housing expenses could allow the borrower to qualify for a home with a \$8,000 higher sales price. This is an important consideration in rural New Mexico, where lack of inventory is driving up sales prices.

The *HomeNow* second mortgage loan can also be used for down payment assistance when purchasing manufactured homes that are attached to a permanent foundation and assessed as real property. This is enormously important in New Mexico, where manufactured homes are a widely-used form of affordable housing -- particularly in regions where families own land but lack the resources to build a home. Almost 16 percent of homes in New Mexico are mobile homes compared to the national average of 5.7 percent. In 10 New Mexico counties, manufactured homes represent more than 30 percent of the housing stock. Because it provides down payment assistance for manufactured housing, the *HomeNow* program reaches an important segment of MFA's target demographic.

Track record of success

After being notified of the Capital Magnet Fund award in March of 2018, MFA's homeownership staff spent the next several months designing the *HomeNow* program. The program was rolled out in September 2018, and reservations began coming in in October. The first loans were closed in December.

In the four months of production since the first loans closed, we have originated 173 HomeNow loans for over \$1.2 million. HomeNow loans made up 14 percent of the total loans that closed during that time period.

As part of the Capital Magnet Fund grant agreement, MFA committed to use 25 percent of the funds in economically distressed areas and 10 percent in non-metro counties. MFA is currently at 56 percent of its goal for economically distressed areas and 46 percent of its goal for funds used in non-metro areas.

Benefits that outweigh costs

In four months, 173 New Mexico families have become homeowners thanks to the down payment assistance offered through the HomeNow program. The benefits of a safe, stable home are well-documented and priceless. The administrative fees included in the grant have covered the cost of running the program. MFA did not need to add additional staff.

Effective use of resources

The Capital Magnet Fund award funds will be available for re-use for many years as loans are paid back through equity when homes are sold or refinanced prior to the 10 year affordability period. Additional homebuyers can then benefit from the use of these funds through another round of down payment assistance. Because the award becomes self-generating, the impact of the funding is multiplied several times over. If the funds had been used for larger first mortgage loans, significantly fewer buyers would have benefited.

Employing and expanding partnerships

The partnership between MFA and the CDFI Capital Magnet Fund has created a new way to inject public funds into communities and economies through homeownership. It represents the best of a federal/local partnership. The HomeNow program has also helped strengthen partnerships between MFA and the lenders and REALTORS who work in rural areas of the state. These partners now have a tool designed specifically for their lower-income clients, and they are grateful to MFA for providing it to them.

Achieving strategic objectives

MFA's mission is to provide quality affordable housing opportunities to **all** New Mexicans. Providing these opportunities in remote, economically-disadvantaged areas of the state is challenging, and is always in the forefront of MFA's strategic thinking and planning.

The Capital Magnet Fund award allowed MFA to create a mechanism through which this target population can be served. In addition to eliminating the need for a down payment – a significant barrier to homeownership – more families in areas with rising home prices can now afford to buy a home. MFA anticipates helping hundreds more New Mexicans become homeowners through the HomeNow program in the coming years, helping to build stronger families, neighborhoods and communities throughout our state.

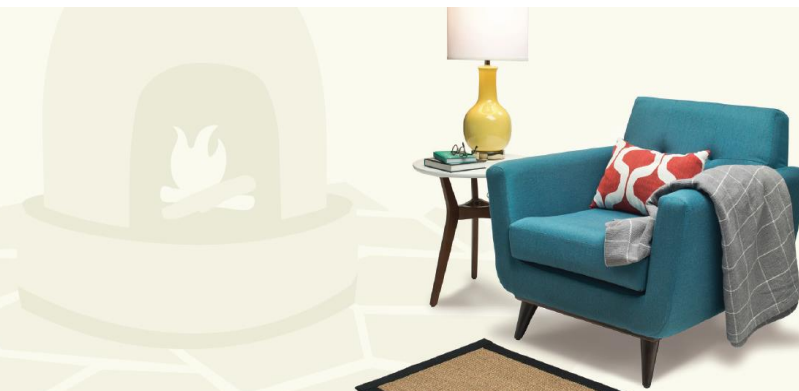
YOU CAN OWN A HOME

MFA can help.

You could qualify for up to \$8,000 in down payment assistance through the HOMENow program.



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New Mexico Mortgage Finance Authority

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MFA RECEIVES \$3.6 CAPITAL MAGNET FUND AWARD

Funds to provide down payment assistance to low-income homebuyers

ALBUQUERQUE: The U.S. Department of the Treasury has awarded the New Mexico Mortgage Finance Authority \$3.6 million from its Community Development Financial Institutions (CDFI) fund, MFA announced today. A total of \$120 million in grants were awarded to 40 CDFIs and non-profit housing organizations, which were selected from 120 applicants. MFA was one of only five state housing finance agencies to receive funding.

Capital Magnet Funds must be used to support the development, purchase and preservation of affordable housing and to finance related economic development and community service facilities. MFA will use the \$3.6 million award to capitalize its affordable housing fund, which provides down payment assistance to low-income homebuyers in the state. MFA is on track to see a 25 percent increase in the number of down payment assistance that has been provided in the last two calendar years.

“A record-breaking number of New Mexicans have used MFA’s down payment assistance programs to buy homes over the last two years,” said Jay Czar, executive director of MFA. “We are extremely pleased that we can now expand those programs to help even more New

Mexicans become homeowners. These families will experience the financial and emotional security that comes with being a homeowner.”

Through MFA’s new Capital Magnet-funded program, HomeNow, qualifying low income first-time homebuyers in economically distressed communities can receive up to \$8,000 to help cover down payment and closing costs. There is no monthly payment required, and the loan is forgiven after 10 years if the borrower has occupied the home during that time and has not sold or refinanced. Borrowers must occupy the home as their primary residence, and must successfully complete a homebuyer education class.

“One of the most exciting things about the HomeNow program is that it provides down payment assistance to low income homebuyers who would probably not be able to buy a home on their own,” said Jeff Payne, MFA’s senior director of homeownership. “And we know that for many families, homeownership can be a transformative tool that helps them stabilize and become financially secure.”

Households with incomes at or below 80 percent of the area median income are eligible for down payment assistance through the HomeNow program. While area median income levels vary by county, the average income for a New Mexico family of four earning 80 percent of the area median income is approximately \$43,000.

About MFA

The New Mexico Mortgage Finance Authority is a quasi-governmental entity created in 1975 to provide financing for housing and other related services for low- and moderate-income New Mexicans. Using funding from housing bonds, tax credits and other federal and state resources, MFA creates new affordable housing, makes existing homes more energy efficient and supports affordable rental housing. The organization also provides funding for emergency housing for people experiencing homelessness, supportive housing for individuals with special needs, and rent and utility assistance.

MFA is self-supporting and receives no operational money from the state of New Mexico. In 2017, MFA provided more than \$552 million in low-interest financing and grants for affordable housing and housing services throughout the state. The organization manages an average of \$2.9 billion in assets.

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It Started With Pizza

Susan Shining-Star was coming out of a Bible study class in the community center of the public housing complex where she lived in Truth or Consequences, New Mexico, when some boxes of pizza crossed her path. The pizza was heading into the community center, where another meeting was about to begin. That meeting was led by Teri Baca, a homeownership representative from MFA, who was there to talk to residents about MFA's down payment assistance programs. Teri invited the Bible study group to help themselves to a slice of pizza.

*"Without the HOMENow program, Susan could not have purchased a home."
Cindy Levora, lender*

"It was 4 p.m., almost time for dinner, and I decided that pizza sounded good," said Susan, who had lived in the Truth or Consequences public housing complex for nine years." And then it occurred to me that it would be rude to have pizza and get up and leave, so I stayed for the presentation."

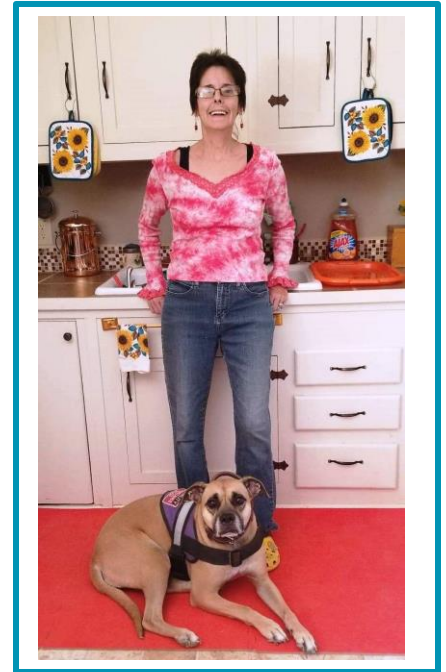
Susan couldn't believe what she heard. With help from MFA's down payment assistance program, HOMENow, she learned she could be a homeowner! As a single, older person with a disability, it almost seemed too good to be true.

Susan had to work for a few months to pay off some debt in order to qualify for the program, but she was determined to make it happen. And she did. In January 2019, she moved into her very own home in the small town of Truth or Consequences – the first home she had ever owned.

“Without the HOMENow program, Susan could not have purchased a home,” said Cindy Levora, the Homeowners Financial Group lender who worked with Susan. “She had no other options. It was a dream come true for her, and it meant everything to me to help make this happen.”

Susan, who has a master’s degree in adult education, was recently hired as an on-line teacher. She said her large second bedroom, which serves as her office/classroom, and the quiet that comes from living in a single-family home, allows her to hold down a job for the first time in many years.

“I feel so much safer now,” Susan said. “My big backyard is perfect for my two service dogs, and I can work from home. I’m so glad I had that pizza!”



Susan Shining-Star and her dog Stachi

“As a single, older person with a disability, safe and stable housing is extremely important to me.”

Susan Shining-Star, homeowner