

PHI



ENIXX

2024

**Preserving Single-Family
Affordable Housing**



Panelists

Jed Guenther

Senior Vice President, Head of Community Lending | Lakeview Loan Servicing, LLC

Chuck Kracht

Vice President of Homeownership Lending and Servicing | Idaho Housing and Finance Association

Heather Johnson

Assistant Director of Mortgage Loan Servicing | Tennessee Housing Development Agency

Nicki Pecori Fioretti

Director, Community Affairs | Illinois Housing Development Authority

Discussion Leader

Angela Fuson

Director of Single-Family Programs | Wyoming Community Development Authority



Preserving Single-Family Affordable Housing: **FHA Limited 203(k) Program Enhancements**

September 30, 2024

Jed Guenther, Lakeview Loan Servicing
jedguenther@lakeview.com
(704)904-0618



Disclosure

Guild Mortgage is non-affiliated entity that has approval and participates in the various state HFA programs for which Lakeview is the master servicer. The information provided in this presentation is for informational purpose for the FHA 203(k) program and does not guarantee HFA approval or production results. This presentation is provided for information purposes only and does not contain material information about Lakeview Loan Servicing, LLC ("LLS" or together with its related companies, "Lakeview" or the "Company"), including important disclosures and risk factors associated with the business therein. This presentation is not intended to be, nor should it be construed or used as, an offer to sell or a solicitation of any offer to buy any securities, which offer may only be made at the time a qualified offeree receives a confidential private placement memorandum describing an offering (a "Memorandum"). In the event of any conflict between the information contained herein and the information contained in a Memorandum, the information in a Memorandum will control and supersede the information contained herein. The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. The recipient hereof should make an independent investigation of the information described herein, including consulting its own tax, legal, accounting and other advisors about the matters discussed herein.

This presentation may include certain statements, estimates, targets and projections provided by Lakeview with respect to the Company's business. Such statements, estimates, targets and projections reflect significant assumptions and subjective judgments by the Company's management concerning anticipated results. The information contained herein is subject to change. Factors which could cause actual results to differ materially from historical results or those anticipated include, but are not limited to: competitive and general business, economic, market and political conditions in the United States and abroad from those expected; reduction in government support of homeownership; the level and volatility of interest rates; changes in interest rate paths; changes in generally accepted accounting principles or in the legal, regulatory and legislative environments in the markets in which the Company operates; different assets in a fund's portfolio; and the ability of management to effectively implement the Company's strategies.

This material is confidential and cannot be reproduced in any manner. By its acceptance hereof, each recipient agrees (in addition to any obligations it may have under a confidentiality agreement with Company or its affiliates) that neither it nor its agents, representatives, directors or employees will copy, reproduce or distribute to others this presentation, in whole or in part, at any time without the prior written consent of the Company and that it will keep permanently confidential all information contained herein not already in the public domain and will use this presentation for the sole purpose of deciding whether to proceed with a further investigation of the Company. This presentation shall remain the property of the Company. The Company reserves the right to require the return of this presentation (together with any copies or extracts thereof) at any time.

Neither the Company nor its advisors nor any of their respective directors, partners, employees or advisers nor any other person, (i) shall be liable for any direct, indirect or consequential loss or damages suffered by any person as a result of relying on any statement in or omission from this presentation and any such liability is expressly disclaimed, (ii) you should seek the advice of your legal counsel, compliance counsel, or professional advisor on matters related or as they apply to you and (ii) no such party undertakes any obligation to update any of the information contained herein or to correct any inaccuracies, whether as a result of new information, future events or otherwise. Except where otherwise indicated, this presentation speaks as of the date hereof.





Market Backdrop and Renovation Lending

- Three Years of High Prices, High Rates & Low Inventory
- Low Inventory - Renovating older/foreclosed housing stock is one solution
- What are the rehab loan options available to borrowers?
 - FN HomeStyle Renovation Loans and FR CHOICE Renovation Mortgages
 - Tough for HFA borrowers to qualify
 - **FHA renovation via 203(k)**
- In a low-inventory market, 203(k) is great for FTHB/borrowers who want to make improvements NOW and make the house their own instead of waiting for the perfect home.
 - This can all be done via a traditional FHA Limited 203(k) loan.





Lender Feedback on HFA 203(k) financing

Historical uptake of 203(k) from HFA lenders has been meager. Why?

- Standard 203(k)
 - Not offered by many HFAs (complicated for lenders and borrowers)
 - FTHB don't want a renovation project with their first mortgage
 - Not enough lender comp in HFA SRP to make a good return
 - Shortage of 203(k) Consultants (not enough comp)
 - Aside: 3 years ago, HUD required all 203(k) consultants to re-apply. 40% of them did not (per CCM).
- Limited 203(k)
 - Less complicated, but ideally lenders want HFA loans to be turnkey
 - \$35K not enough to compensate for cost of materials
 - Hard to keep contractors interested in small project
 - Not enough lender comp in HFA SRP to make a good return

HUD heard these concerns and went about an overhaul of 203(k)!



Mortgagee Letter 2024-13

On July 9th, HUD announced revisions to the 203(k) Rehabilitation Mortgage Insurance Program. Revisions become effective with FHA case #'s assigned on or after 11/4/24.

So, what are the most significant enhancements to the Limited 203(k) program?

- Increases the maximum cost of rehabilitation from **\$35,000 to \$75,000**
- Work schedule for repairs extended from **6 months to 9 months**
- The time a repair prevents the Borrower from occupying the house has been extended from **15 days to 30 days** during rehabilitation
- If Borrower uses a 203(k) Consultant, **the Consultant fees may be financed**
- **Increased Consultant Fees** (first time in 30 years!!!) across the board
 - Feasibility Study – from **\$100 to \$375**
 - Work Write-Up – from **\$400/\$500 to \$1,000/\$1,200**
 - Draw Inspection Fee – from **\$350 to \$375**
 - Change Order Fee – from **\$100 to \$120**
 - Reinspection fee – from **\$50 to \$225**
 - **All these fees can now be financed**



Great news, right? Mostly, but hangover remains...

Here's some lender feedback:

- “Lenders prefer the Limited product for its easier underwriting and faster closing times compared to the Standard 203(k)...I believe they will emphasize the increase...to \$75k in their promotions to clients.” – Rate (formerly G-Rate)
- “You’re going to be able to get at least \$60k...\$65k worth of work...That is a huge help to a lot of inventory.” – Planet Home
- “...the flexibility to finance a consultant...can’t be understated.” – Planet Home
- “We do not participate in the 203K products through the HFA because the timelines are unrealistic to get a loan purchased...The (upcoming) changes are incredibly impactful.” - PrimeLending
- “We don’t allow renovation on any HFA program. Some of this is risk related not only from the manufacturing side, but...also the delivery processes and risk of repurchase that would exist depending on this.” – Movement
- “Economics is our #1 concern. Risk is not worth the reward in HFA space.” - CCM





And then I called my friend, Erin...

- Erin Watts, VP – Product Strategy @ Guild Mortgage Company
 - 512-939-1567
 - ewatts@guildmortgage.net
- Guild – Staunch advocate of HFAs/affordable lending & Top 10 203(k) lender
- Guild is VERY EXCITED about the HUD changes to FHA Limited 203(k)
- As such, we had an idea to jump-start Limited 203(k) production in HFA



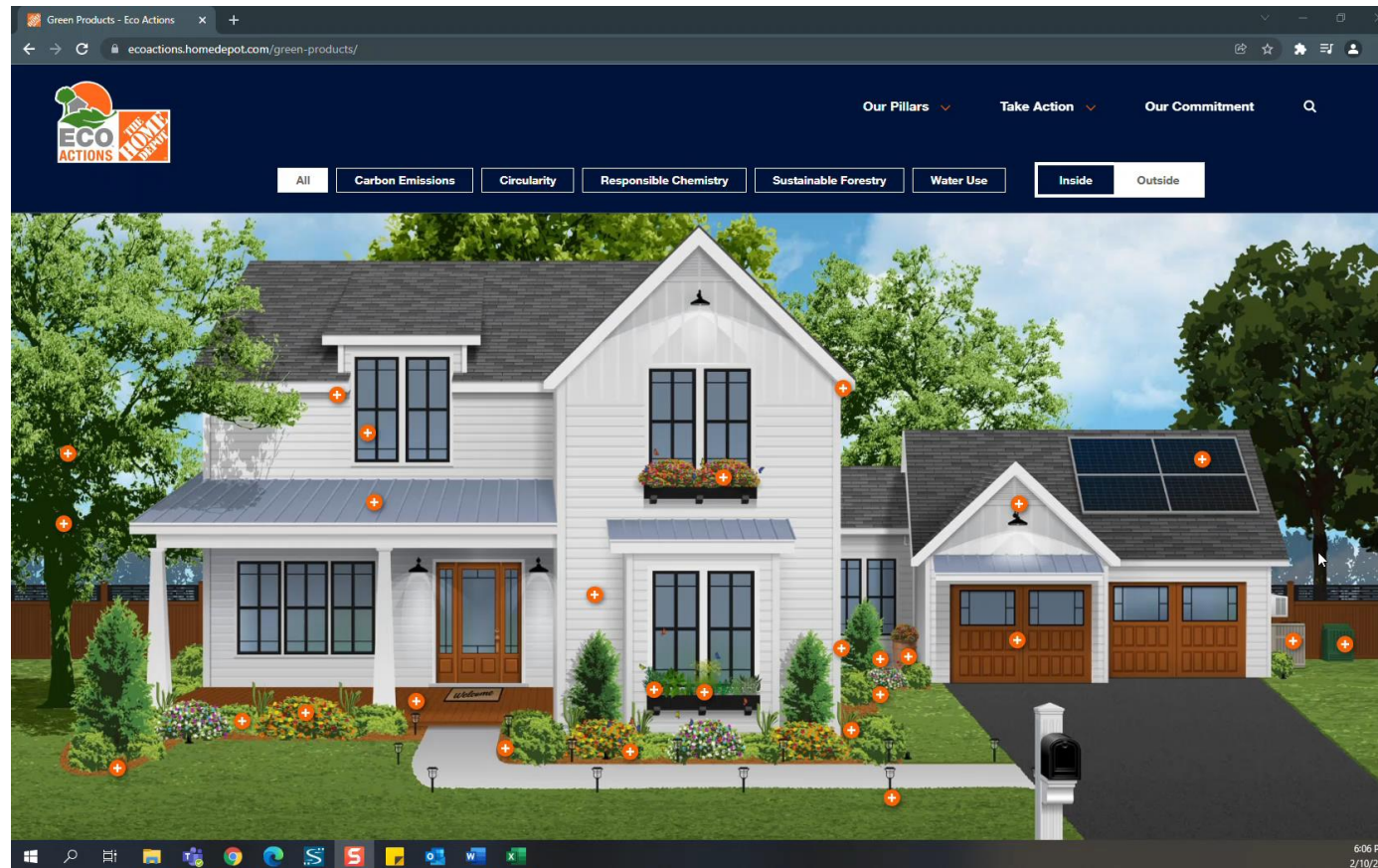
Lakeview and Guild Mortgage are working together to bring Guild's GreenSmart Limited 203(k) program to the HFA Community!



The GreenSmart Advantage Program



GreenSmart Advantage Home Depot FHA 203(K) Limited



The GreenSmart Advantage Program



GreenSmart Advantage Home Depot FHA 203(K) Limited

- **Utilize Limited 203(k) as base product**
- **Finance everyday appliance:**
 - Refrigerator, Dishwasher, Washer/Dryer, Smart Thermostat
 - The Home Depot (THD) full package runs about \$5-6k
- **Loan Officer qualifies borrower and sends them to shop for appliances**
- **Borrower sends list to Guild, who orders the appliances with THD national account team**
- **Appliance cost added to escrow account**
- **At funding, Guild works with THD to contact the borrower to set up delivery and install**
- **No final inspection is needed (Delivery/Install notice documents the completion)**
- **Close out in FHA Connection**





How does GreenSmart remove 203(k) obstacles?

Erin and I think we have answers to the two most pressing limited 203(k) issues presented by lenders, realtors, and borrowers.

COMPLICATION - Remove the FHA Limited 203(k) stigma with realtors, sellers

- No draws
- Non-Invasive: No contractors, no additional inspections
- THD delivers and installs appliances in one fell swoop
- Guild provides marketing cover sheet to realtors, sellers

COMPENSATION – Guild requires 2.5% lender comp

- Plus a supplemental origination fee of \$250-750, based on loan size

THE BORROWER BENEFITS

Fixed rate loan with Downpayment/Closing Cost Assistance

New, energy-efficient appliances soon after closing w/o contractor

Finance cost in mortgage versus high-rate credit card debt



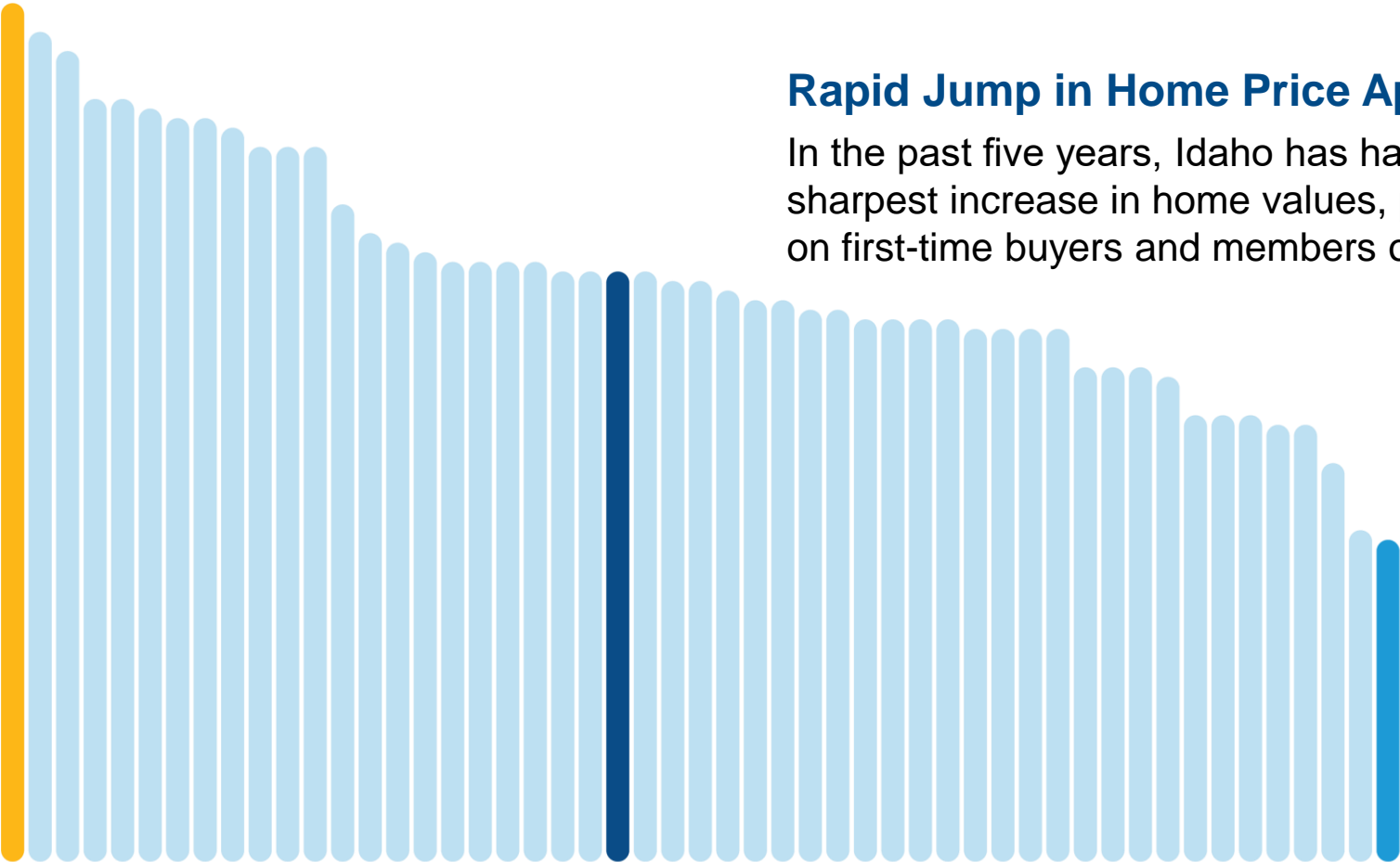


**From First Home
To Forever Home**

Idaho Housing's Home Renovation Loan Program

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.



ID ME FL AZ NC MT TN NH VT GA UT SC RI IN AL OH AR NJ NM WI MO CT US WA SD MI KS KY TX NE NY VA MA PA OK WY DE CO NV OR MS CA HI MN WV IL MD IA AK ND LA

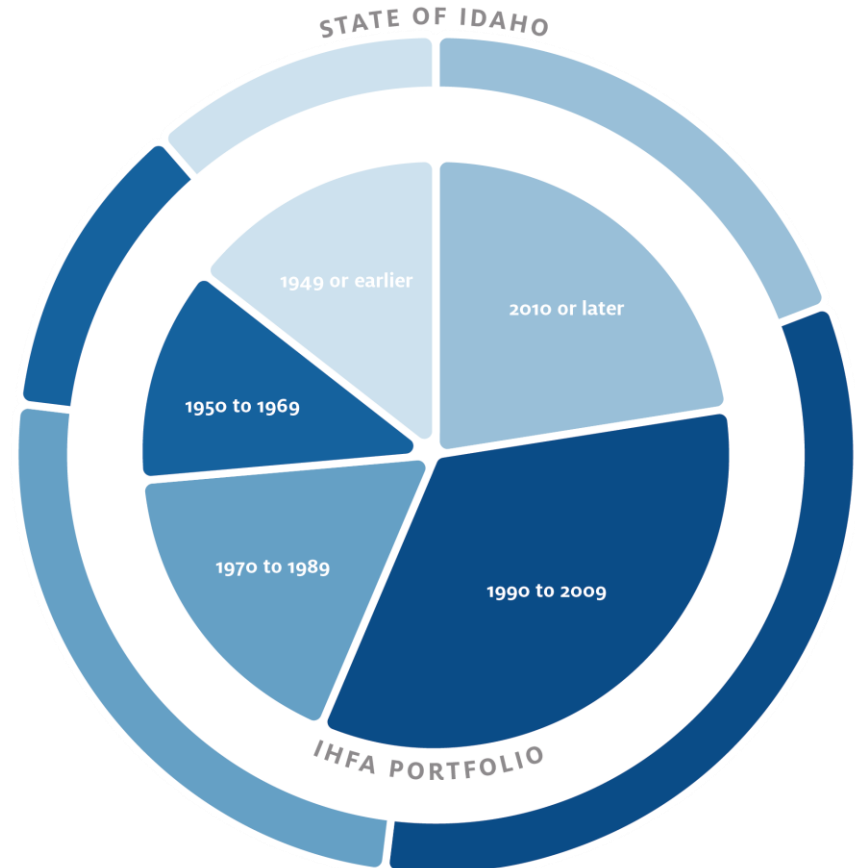
#1
IDAHO
87%

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, the median age of homes is 40 years old (1984).



159 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.
- \$5,584,455 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.



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.

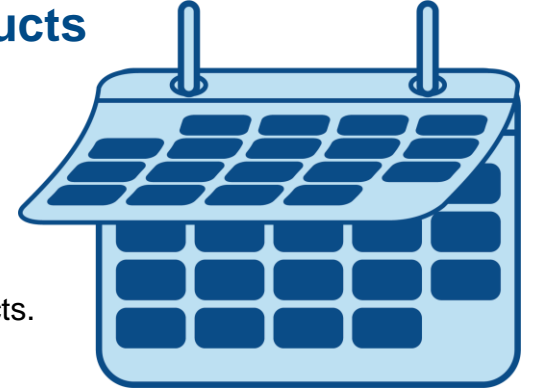
Borrower Payment

- 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 1st and 2nd lien.

Impact

- IHFA has been able to disburse a total of 159 home renovation loans for approx. \$5.5M.
- 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.

Next Steps

- **Green initiatives**
 - IHFA would like to market more towards those seeking to make energy efficient upgrades to their home.
- **Enhanced marketing activities**
 - IHFA plans to ramp up it's targeting marketing campaign by using predictive analytics.



THDA First Time Home Buyers: REO Rehabilitation Program

Presented by: Heather Johnson

September 2024

State of Tennessee

- Population Growth Increasing faster than National Average
- Increase in owner-occupant housing
- Median Sales Price \$325,000 in 2022; \$370,000 in July 2024
- Median Income \$58,516
- Only 43% of homes sold in TN are affordable for the median income
- Mobile Homes make up 9% of TN housing stock; and 19-32% of housing stock in Eastern TN
- Average Age of Housing is 36 years; median year built 1985; 26% of housing built since 2000

*https://thda.org/images/Housing-Market-at-a-Glance-2023_Final.pdf



THDA Servicing Portfolio



- Service in-house: Volunteer Mortgage Loan Servicing
- 27,157 Sr Lien Mortgages; \$3.5b
- Median UPB \$128,769
- 80% FHA; 10.16% Conv; 6.35% USDA
- 0.2% In Foreclosure; Average 5.6 foreclosure sales per month
- 62.61% Sell 3rd Party; 37.39% to THDA with Median Sale Price \$127,511
- 23 Properties in REO

Provide safe, updated and affordable housing to first time homeowners through repairing the THDA REO Portfolio.

- Sell REO properties instead of convey or auction
- Fully repair and update properties
 - Foundation to Roof
 - HVAC
 - Mold remediation
 - Flooring
 - Kitchen/Bathrooms
 - Exterior & Decks
- List properties for sale with local Realtors
- Exclusive Listing Period for First Time Homebuyers & Owner Occupant



Rockwood Before



Rockwood Before



Rockwood Before



Rockwood After



Rockwood After



Rockwood After



Rockwood After



Rockwood After



Rockwood, TN

- Foreclosure Total Debt: \$43,244
- Foreclosure Appraisal Value: \$65,000
- Repairs: \$104,538
- Repaired BPO: \$235,000
- Listed: \$215,000
- Sales Price: \$215,000
- Profit: \$42,197

Elizabethton Before



Elizabethton Before



Elizabethton After



Elizabethton After



Elizabethton After



Elizabethton, TN

- Foreclosure Total Debt: \$59,499
- Foreclosure Appraisal Value: \$120,000 (exterior)
- Repairs: \$62,167
- Listed: \$175,000
- Sales Price: \$177,000
- Profit: \$23,770

Kingsport Before



Kingsport Before



Kingsport During



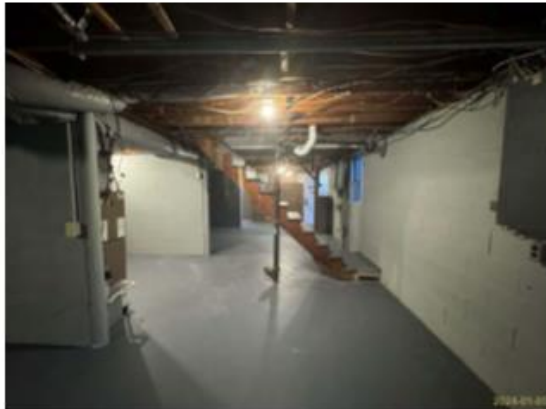
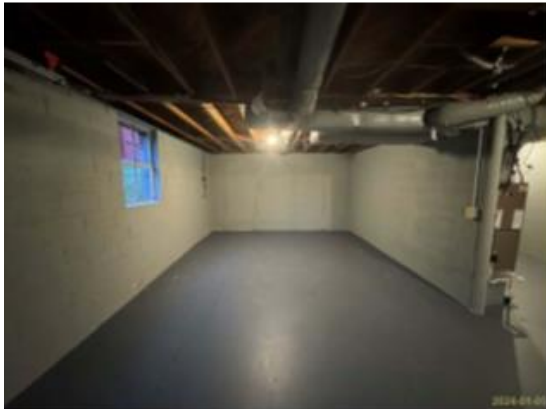
Kingsport After



Kingsport After



Kingsport After



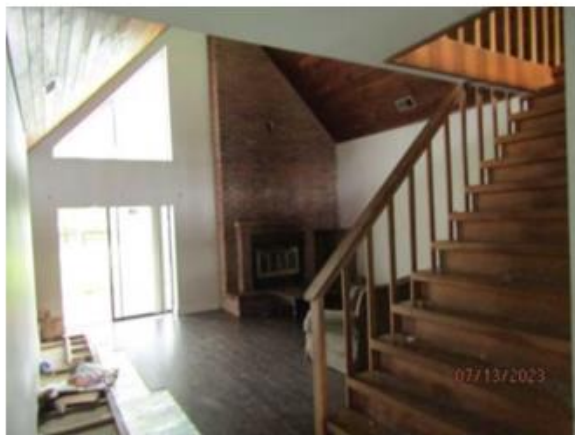
Kingsport, TN

- Foreclosure Total Debt: \$80,787
- Foreclosure Appraisal Value: \$140,000 (exterior)
- Repairs: \$63,137
- Repaired BPO: \$250,000
- Listed: \$195,000
- Sales Price: \$202,000
- Profit: \$28,619

Whiteville Before



Whiteville Before



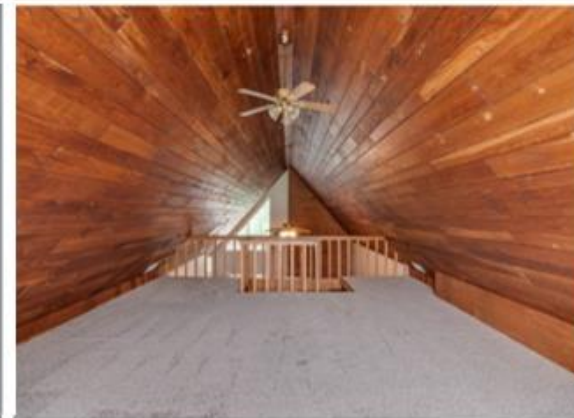
Whiteville Before



Whiteville After



Whiteville After



Whiteville, TN

- Foreclosure Total Debt: \$133,385
- Foreclosure Appraisal Value: \$215,000
- Loss Draft: \$30,942.20
- Repairs: \$102,595
- Listed: \$285,000
- **Estimated Profit: \$5,000**

HUD REO Bluff City, TN



Previous Property

Next Property

\$185,000 





Preserving Single-Family Affordable Housing: IHDA Land Bank Technical Assistance Program

Nicki Pecori Fioretti

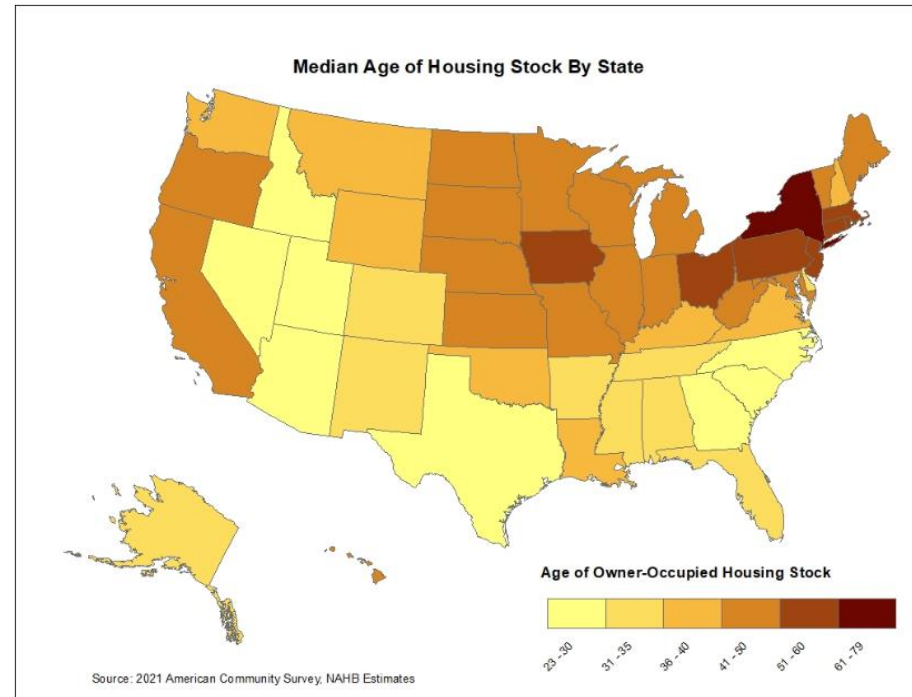
Community Affairs Director

September 30, 2024 – 2:45 PM

NCSHA Annual Conference – AC24 Session



IHDA Land Bank Technical Assistance Program



Illinois

 **#34** in Affordability
#38 in Best States Overall
#40 in Opportunity



#35 Cost of Living

#29 Housing Affordability



IHDA Land Bank Technical Assistance Program

- provide targeted support, advise, and training to units of local governments presently in, or interested in, forming, or joining a land bank
- creates a platform to address older homes
- home improvement and broader community revitalization
- Benefits transcend home improvement - reduces crime, increases public safety, increased tax revenues for community services

Decatur Tribune

HOME NEWS CITY BEAT E-EDITION SUBSCRIBE PHOTOS EVENTS REGIONAL NEWS WEATHER RADAR

Land Bank Finishes 2nd Rehab Project with City Support

July 24, 2024 | 0



With support from the City of Decatur's American Rescue Plan funds, the Central Illinois Land Bank Authority (CILBA) has completed another home rehabilitation project located at 1652 N Edward St, Decatur.

This is the second home completed in the Abandonment to Rehab program. The program is a partnership between the City and CILBA that takes vacant/abandoned homes that would otherwise likely become demolition candidates and rehabilitates.



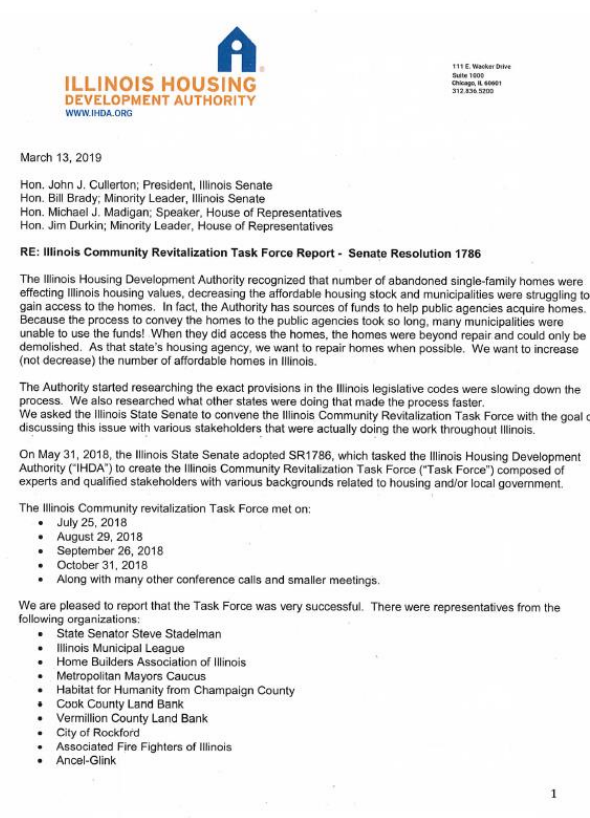
IHDA Land Bank Technical Assistance Program Background

"It is crucial for municipalities to have the tools they need to address blight, due to the significant economic, social, and safety issues of blight."

"Blight affects all types of communities – rural, urban, and suburban."

"Although blight by its nature affects local communities, policies at the state level can have a positive impact."

Key observations from the 2019
Illinois Community Revitalization Task Force
Final Report





What is a Land Bank?

An intergovernmental entity charged with revitalizing vacant and abandoned properties:

- Advance reinvestment and redevelopment goals of their members (municipalities and counties)
- Pursue property acquisition through abandonment, tax sales, tax foreclosures, and donations
- Can purchase, hold, rehab, and resell properties.

With the goal of:

- Converting these properties into productive assets (clear liens, reset property taxes)
- Connecting these properties to owners that will rehab, maintain them, and pay taxes
- Clearing out structures beyond repair
- Partnering with local economic development agencies to help achieve vision for future growth.



A NEW PROCESS FOR PROPERTY DISPOSITION

EXISTING CYCLE





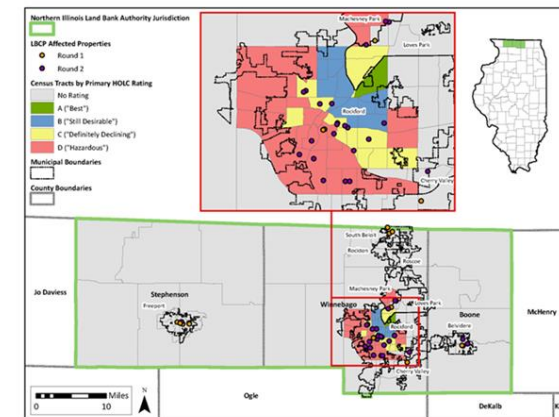
Why Land Banks are needed: History and Program Objectives

Vacant and abandoned properties destabilize neighborhoods, create public safety hazards, drive down property values and drain local tax dollars.

There are over 200 land banks nationally with a goal to take vacant and abandoned properties and create assets for neighborhoods and neighbors.

We can overcome and rebuild weak housing markets and promote equity by investing in distressed housing markets and redressing decades of disinvestment.

IHDA created the Land Bank Capacity Program in 2018 to assist communities outside the Chicago metro area by providing funding to help empower local and regional revitalization efforts.





Land Bank Technical Assistance Summary History and Outcomes

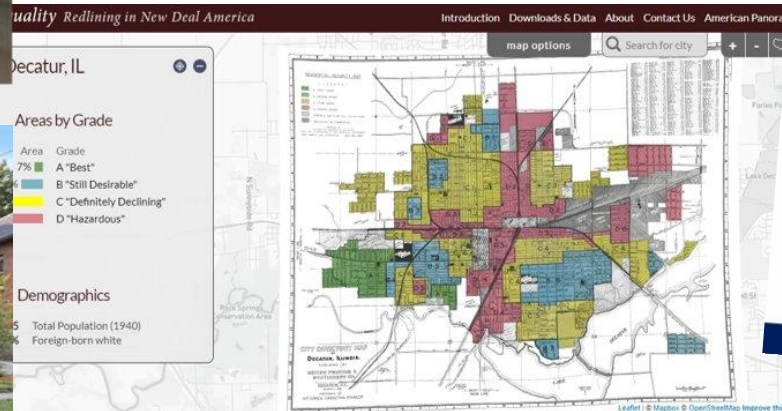
- September 2017: IHDA executes agreement with funder creating LBCP
- February 2018: IHDA board approves Round 1 of the LBCP
- May 2018: State Senate adopts SR1786 with IHDA leading Community Revitalization Task Force
- June 7, 2018: IHDA hosted Land Bank Technical Assistance Workshop in Peoria
- 2018-2020: TA network completes 7 feasibility studies* and provides technical assistance
- **December 2018: Creation of NILBA**
- **March 2019: IHDA releases Community Revitalization Task Force Report**
- **September 2019: Creation of CILBA**
- November 2019: IHDA board approves LBCP Round 2
- August 2020: IHDA board approves Trust Fund TA network
- **April 2021: Creation of Kankakee County LBA**
- **May 2021: Creation of City of Peoria LBA**
- **June 2021: Creation of Two Rivers LBA (based in Quincy, IL)**
- June–Oct. 2021: IHDA hosts five Monthly Land Bank Virtual Round Table peer sharing sessions
- **April 2022: Creation of Illinois Quad Cities Land Bank**
- August 2022: LBCP Round 1 & 2 conclude
- August 2022: IHDA board approves Trust Fund TA Network Round 2
- November 2023: NILBA secures option to purchase land helping to save major employer
- February 2024: Quad Cities & Kankakee Land Bank boards adopt Strategic Plans
- March 2024: CILBA closed on sale of first vacant to rehabbed home (nine more in progress)



Land Bank Technical Assistance Partners

DENZIN
DENZIN SOLTANZADEH LLC

teska



City of Decatur, IL HOUSING STRATEGY RECOMMENDATIONS

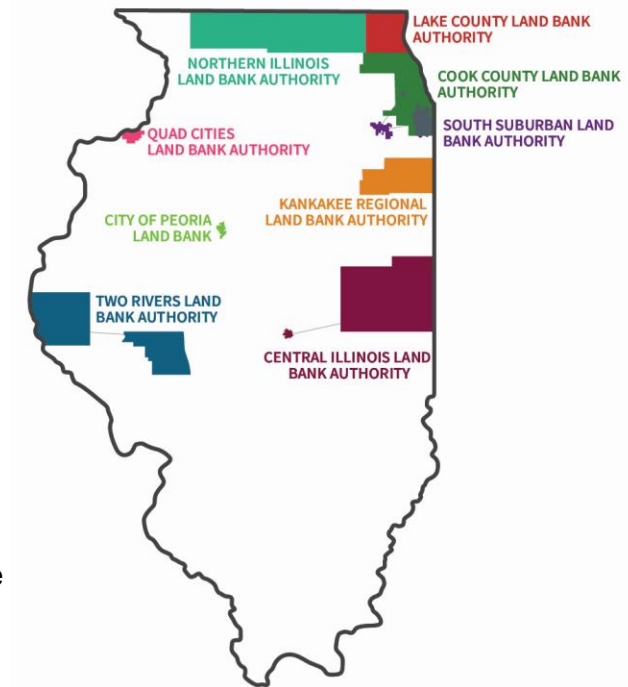


PREPARED BY TESKA ASSOCIATES, INC.
March 15, 2022



IHDA Land Bank Technical Assistance Program Results

- Provide local government partners skills on how to acquire, renovate, and market distressed properties to new owners.
- Promote equity by reinvesting in distressed housing markets that have witnessed severe decline.
- Overcome and rebuild weak housing markets by reinvesting in sustainable neighborhoods.
- In 2023, IHDA's investment in land banks through LBTA have let to the acquisition and rehabilitation of more than 100 abandoned houses in communities across the state.
- NILBA's work with its county tax trustee program and municipal abandonment program has helped acquire and repurpose nearly 1,000 properties to date.
- Jacksonville in Two Rivers Land Bank received approval from the EPA for a Phase I and Hazardous Materials Survey. This first step for site redevelopment is a direct result from virtual convenings we created and hosted during the pandemic to bring stakeholders together.
- CILBA sold its first single family home as part of Decatur's "Abandonment to Rehab" initiative at a cost far below new construction with several more in queue.





Land Bank Technical Assistance Successes

FEATURED

City & Land Bank partner to renovate abandoned homes

Alyssa Patrick Sep 15, 2023 Updated Sep 15, 2023



How a \$17M land option landed Belvidere the deal of a lifetime with Stellantis

Jeff Kolkey
Rockford Register Star

Published 4:07 a.m. CT Nov. 8, 2023 | Updated 4:07 a.m. CT Nov. 8, 2023



With a [\\$4.8 billion investment](#) and thousands of jobs hanging in the balance, Illinois Gov. JB Pritzker's office in March placed an urgent call to local officials: At least 300 acres were needed for there to be any hope of saving the Belvidere Assembly Plant.

The land would give Stellantis — maker of Chrysler, Dodge, RAM and Jeep — the space it needed for expansion and construction of a battery production facility.

They turned to the [Northern Illinois Land Bank Authority](#) to secure what turned out to be a \$17 million option to purchase a pair of parcels west of the Belvidere facility, said Region 1 Planning Council Executive Director Mike Dunn Jr.

First Jacksonville property hits land bank auction

By [Dave Dawson](#), Reporter
Feb 9, 2023



Brian Nyberg, community development director for the city of Jacksonville, stands in front of a house at 1000 Hardin Ave. that is the first Jacksonville property to be listed for auction with the Two Rivers Land Bank Authority.

https://www.wandtv.com/news/city-land-bank-partner-to-renovate-abandoned-homes/article_3ae0678e-5432-11ee-be20-9b3b4d9d8ee3.html



Land Bank Technical Assistance Program Looking Ahead

- The Land Bank Technical Assistance Program nominated for a 2024 NCSHA award
- **"No Home Stands Alone"** – Consider: An average individual abandoned house will:
 - Contribute \$0 in tax revenue
 - Cost taxpayers \$2,000-3,000 per year in board up, grass cutting and debris removal
 - Decrease property values on neighboring property (within 500 feet) by 4%-15%
 - Decrease quality of life for neighboring families, increase crime
 - Discourage investment in surrounding properties
 - A dollar invested in land bank initiatives is a 'money multiplier' for local housing and revitalization work.

A NEW PROCESS FOR PROPERTY DISPOSITION

EXISTING CYCLE





Panelists

Jed Guenther

Senior Vice President, Head of Community Lending | Lakeview Loan Servicing, LLC

Chuck Kracht

Vice President of Homeownership Lending and Servicing | Idaho Housing and Finance Association

Heather Johnson

Assistant Director of Mortgage Loan Servicing | Tennessee Housing Development Agency

Nicki Pecori Fioretti

Director, Community Affairs | Illinois Housing Development Authority

Discussion Leader

Angela Fuson

Director of Single-Family Programs | Wyoming Community Development Authority