

2023
BOSTON

**SPCPs and Other Homeownership
Equity Programs**

DISCUSSION LEADER

Scott Shaw, Assistant Director of Homeownership Lending | Oregon Housing and Community Services

SPEAKERS

Brenda Hayden, Assistant Director, Homeownership | Rhode Island Housing

Lisa DeBrock, Homeownership Director | Washington State Housing Finance Commission

Kenneth Willis, Senior Vice President – Director of Housing and Community Investment | Federal Home Loan Bank of Boston

Tamela Thurman, Director, Equitable Housing | Freddie Mac



FirstGen Home RI Program



FirstGen Home RI

- Multi-generational inequities in accessing homeownership and narrowing wealth gap in Rhode Island
- Limiting eligibility to homebuyers was created by identifying areas with highest levels of need to increase homeownership opportunities, and residents with the greatest barriers to access homeownership



FirstGen Home RI: Pilot Program Eligibility

- Qualify as a **first-generation homebuyer**, self-certify
- **Currently reside** in eligible area

- Purchasing a 1-4 family home
- Minimum credit score: 660
- Meet RIHousing purchase price and income limits
- Complete a HUD-approved first-time homebuyer education course
- Obtain a RIHousing-funded first mortgage through RIHousing's Loan Center
- Purchase and occupy the home as your primary residence



FirstGen Home RI

Loan Amount

- \$25,000 – Used towards Down payment and closing costs

Terms

- 0% interest, No monthly payments, Forgivable after 5 years

Mortgage Reserve Account

- Complete post purchase education
- Establishes emergency fund reserve equal to 3 months of PITI for a period of 3 years from the closing date.
- Homeowners may have funds directed to their mortgage payment if they experience a *temporary financial emergency* event during the 3-year term.
- After 3 years, unused funds reduce the outstanding first mortgage balance.



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Special Purpose Credit Program Lift Up Homeownership Pilot Program

Kenneth Willis, Senior Vice President
NCSHA Annual Conference Boston
October 16, 2023



Agenda

- Federal Home Loan Bank of Boston Mission
- Racial Disparities in New England
- Lift Up Homeownership Pilot Program
 - Objective and Development Process
 - Design and Preliminary Results
- Questions & Answers

Our Mission

- To provide highly **reliable wholesale funding, liquidity**
- Deliver the best **financial products, services, and expertise**
- Support **home financing, affordable housing, and community development**, including programs targeted to lower-income households

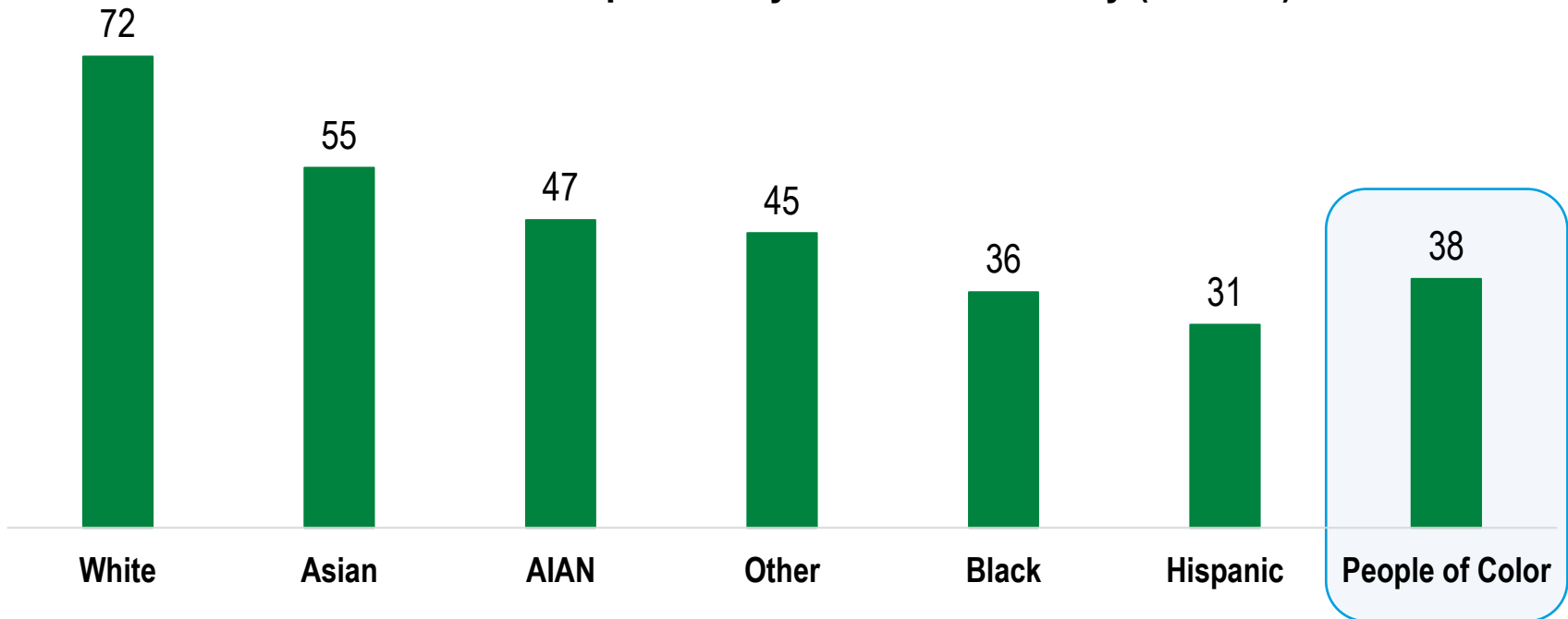


Racial Homeownership Disparities in New England



People of Color are Less Likely to Own Homes in New England than White Households

Homeownership Rates by Race and Ethnicity (Percent)

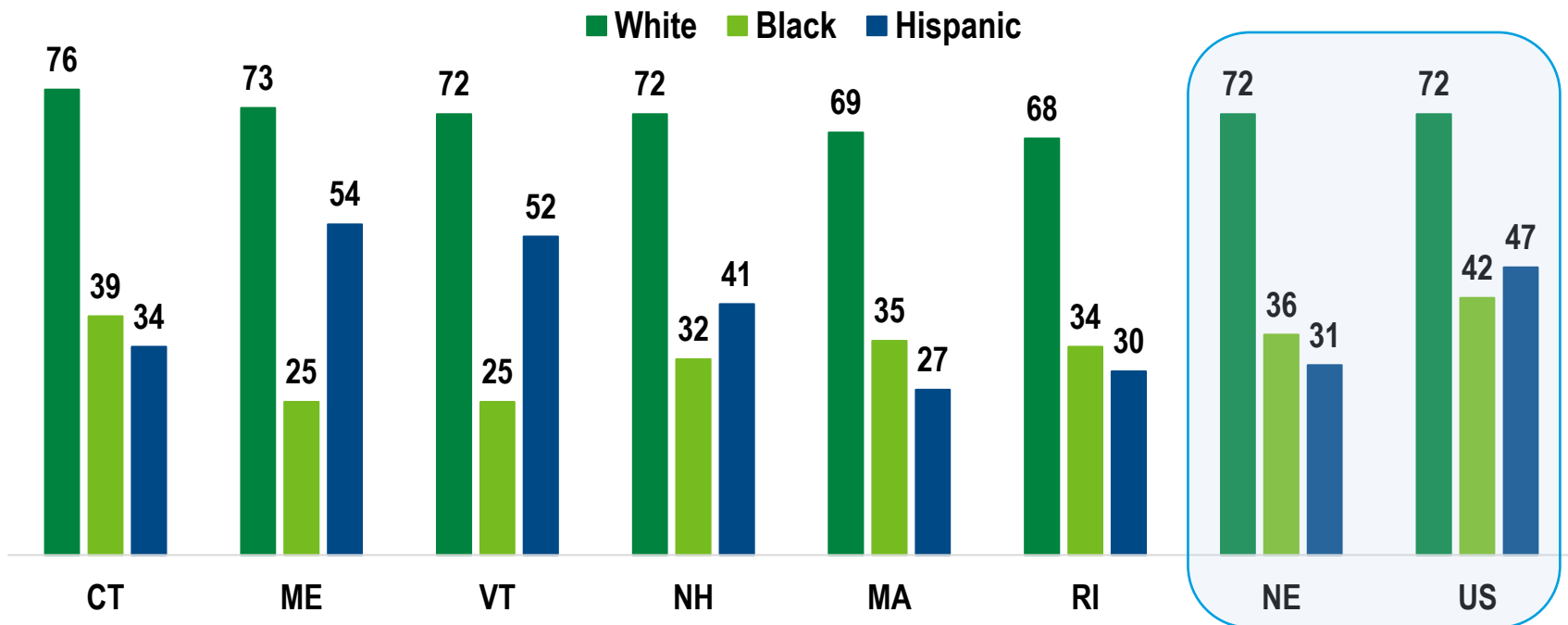


- Notes: White, Asian, AIAN, and Black householders are non-Hispanic. Hispanic householders may be of any race(s).
- Source: JCHS tabulations of US Census Bureau, 2019 American Community Survey 5-Year Estimates.



Homeownership Rates were Lowest for Black and Hispanic Households in All Six States

Homeownership Rates by Race and Ethnicity (Percent)

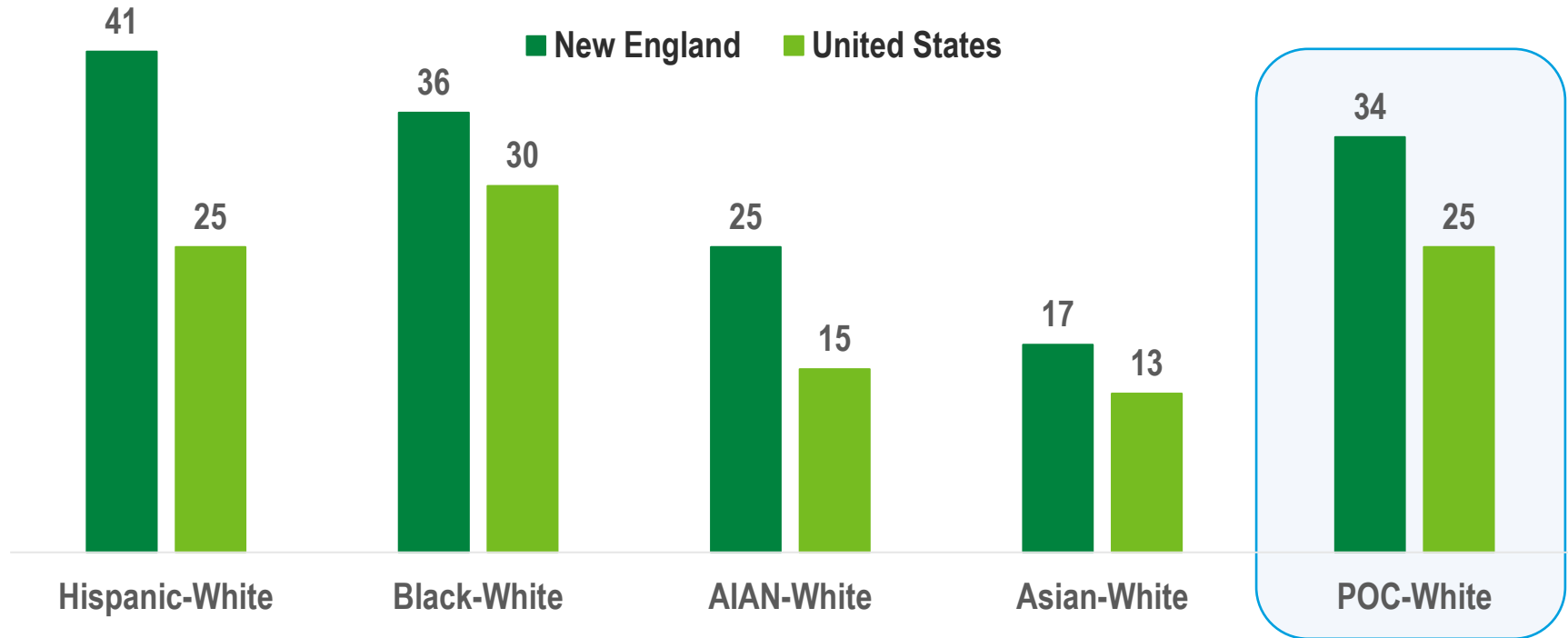


- Notes: White, Asian, AIAN, and Black householders are non-Hispanic. Hispanic householders may be of any race(s).
- Source: JCHS tabulations of US Census Bureau, 2019 American Community Survey 5-Year Estimates.



Racial Homeownership Gaps are Wider in New England than in the US

Homeownership Rate Gaps (Percent)



- Notes: Notes: White, Asian, AIAN, and Black householders are non-Hispanic. Hispanic householders may be of any race(s).
- Source: JCHS tabulations of US Census Bureau, 2019 American Community Survey 5-Year Estimates.



Lift Up Homeownership Objective

Increase opportunity for people of color purchasing their first homes in New England through a people-based, race-based SPCP



Incentivize members' mortgage lending to minority populations by providing access to enhanced down payment and closing cost assistance funds

Members will opt into the Bank's umbrella SPCP and provide first mortgage financing



Definition of people of color is based on research conducted by the Harvard Joint Center for Housing Studies and includes:

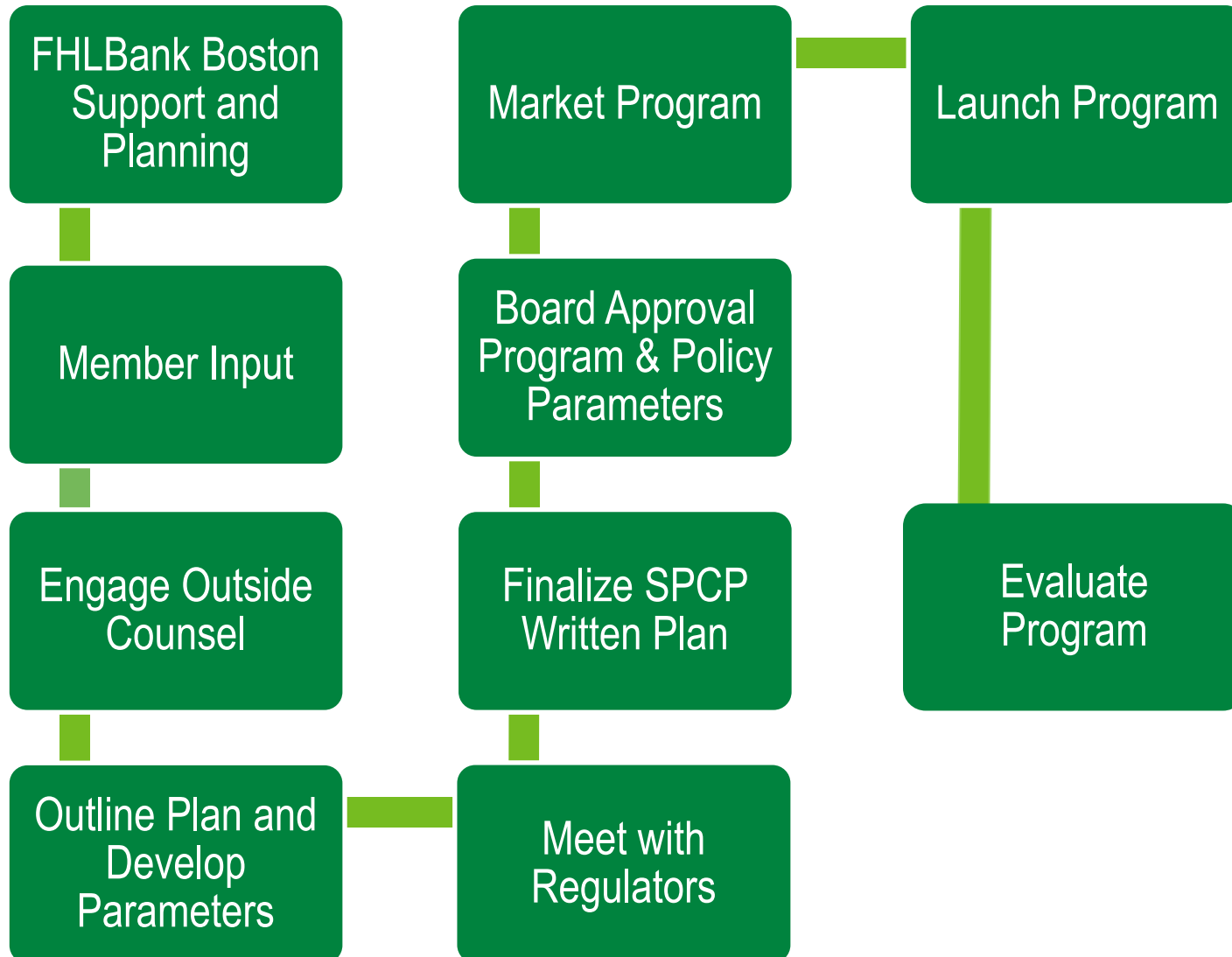
Black or African American

American Indian or Alaska Native

Asian (Native Hawaiian or Pacific Islander)

Hispanic or Latino

Development Process



Program Design



- **Launched on June 1, 2023**
- **Up to \$50,000** per household
- **Eligible use of funds:** down-payment and closing-cost assistance
- **Borrower Requirements:**
 - Household Income \leq 120% AMI
 - First-time Homebuyer
 - Race/Ethnicity self-certification

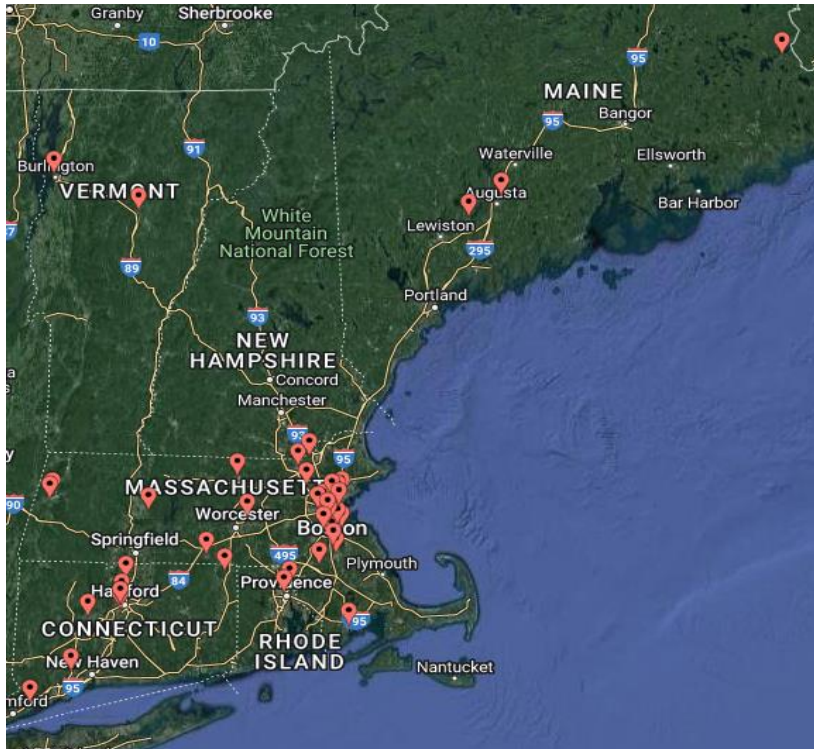
Program Design (cont'd)

Program Allocation	\$2.5 million
Per Member Limit	Up to \$250,000
Borrower Requirements	<ul style="list-style-type: none"> • First-time homebuyer • Person of Color as defined by FHLBank Boston in its written plan • Sign a self-certification • \$1,000 homebuyer contribution • First-time homebuyer education/counseling • First mortgage financing through member financial institutions
Eligible Property Type	Condominiums, 1-4 family homes, and manufactured housing purchased in New England
Repayment of Funds	Five-year affordability retention period

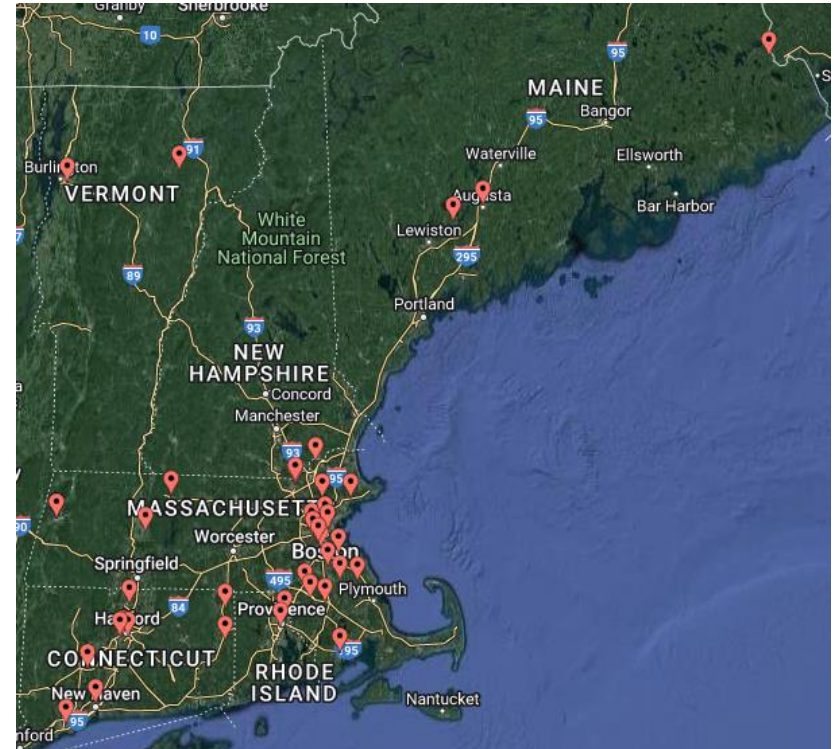
Program Results 10-04-23

Indicator	Result	Notes
Funds Allocated	\$2,500,000	
Funds Enrolled	\$2,500,000	
Funds Disbursed	\$1,521,000	
Households of Color Assisted	51	
Participating Members	23	
Avg. Household Income	\$92,507	
Avg. Household Income % AMI	87%	
Avg. Grant Amount	\$49,020	
Avg. APR	6.42%*	
Avg. Mortgage Amount	\$287,729	
Avg. Sales Price	\$365,270	
<i>Avg. Earnest Money Deposit</i>	\$12,250	
<i>Avg. Cash to Close</i>	\$24,975	
<i>Avg. Front End Ratio</i>	31%	

Lift Up Geographic Distribution



Past Addresses



Current Addresses

Demographic Correlations

Race / Ethnicity	Household Count	% of Total	Avg HH Income	Avg Purchase Price
American Indian or Alaskan Native	1	2.0%	\$76,708	\$264,900
Asian	10	19.6%	\$102,489	\$486,550
Black or African American	21	41.2%	\$92,308	\$341,624
Hawaiian or Pacific Islander	0	0	NA	NA
Hispanic or Latino	19	37.3%	\$88,306	\$332,856

Area Median Income Analysis

% Area Median Income	Count	% of Total
<60%	6	12%
60-80%	9	18%
81-100%	23	45%
101-120%	14	27%
Total	51	100%

*% of total adds up to more than 100% due to rounding



Questions?





Freddie Mac
Single-Family

Freddie Mac BorrowSmartSM Access and Market Analysis

September 26th, 2023

Today's Topics



-
- Freddie Mac BorrowSmartSM Access

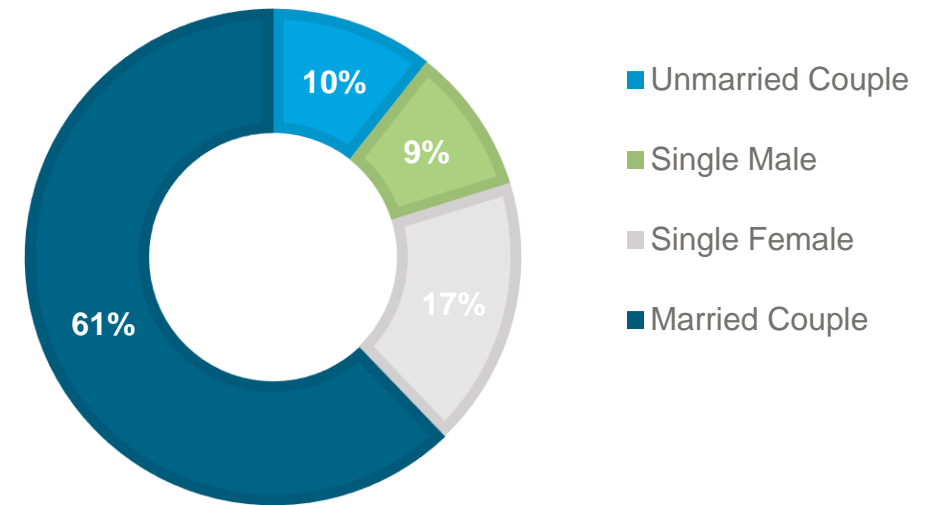
 - Q&A

 - Next Steps

First-Time Homebuyers

First-Time Homebuyer Demographics

- **FTHB made up 26 percent of all home buyers, down from last year's 34 percent. This is the lowest share of first-time buyers since the data collection began.**
- 70 percent Younger Millennials and 46 percent of Older Millennials were first-time home buyers. Behind these groups, 21 percent of Gen Xers were also first-time home buyers.
- At 25 percent, Gen Xers made up the largest generational group of buyers, with a median age of 50, followed by Younger Boomers at 23%, who have a median age of 63.
- Gen Xers had the highest household incomes of any generation at \$114,300 in 2022, followed by Older Millennials who had a median household income of \$102,900.
- Gen Xers continue to be the most racially diverse group of buyers in 2022. Twenty-three percent of this group of buyers identified as Hispanic / Latino, Black / African American, or Asian / Pacific Islander.



Down Payment is the Top Homeownership Barrier for Renters Ages 25-45, and Few are Aware of Assistance Options

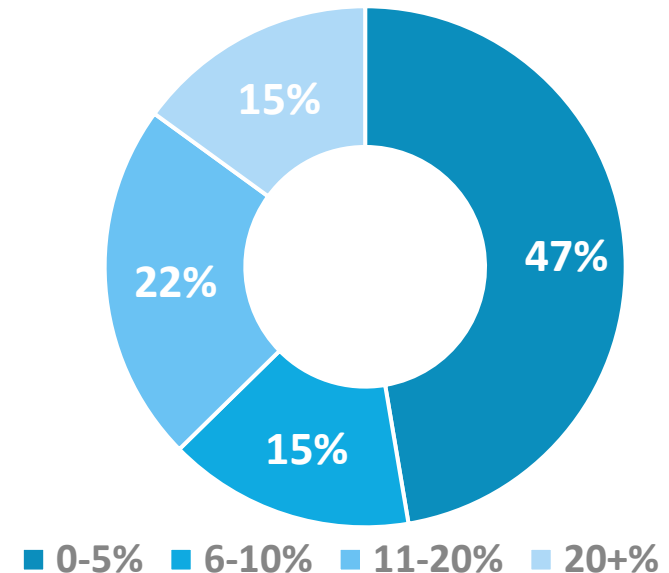
67% of renters (ages 25-45) perceive down payment as the biggest barrier to homeownership



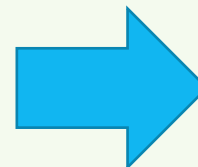
Familiarity with

- Down payment assistance programs **30%**
- Different type of mortgage products **33%**

2020 FTHB Millennial Down payment % Distribution



42% Believe that they are required to put a 20% down payment on a home... or ... they were unsure



2020 Median Down Payment
12% for all homebuyers
6% for first-time home buyers

Freddie Mac BorrowSmart Access

Special Purpose Credit Program



Freddie Mac has created BorrowSmart Access, an SPCP that will address racial/ethnic homeownership gaps.

As defined by the Consumer Financial Protection Bureau, SPCPs:

- Are expressly authorized by Federal or state law for the benefit of an economically disadvantaged class of persons;
- Are offered by a not-for-profit organization, as defined under section 501(c) of the Internal Revenue Code of 1954, as amended, for the benefit of its members or for the benefit of an economically disadvantaged class of persons; or
- Are offered by a for-profit organization, or in which such an organization participates to meet special social needs, if:
 - The program is established and administered pursuant to a written plan that identifies the class of persons that the program is designed to benefit
 - The program is established and administered to extend credit to a class of persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.

SPCP Focus Areas – MSA Level



- Atlanta-Sandy Springs-Alpharetta, GA
- Chicago-Naperville-Elgin, IL-IN-WI
- Detroit-Warren-Dearborn, MI
- El Paso, TX
- Houston-The Woodlands-Sugar Land, TX
- McAllen-Edinburg-Mission, TX
- Memphis, TN-MS-AR
- Miami-Fort Lauderdale-Pompano Beach, FL
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
- St. Louis, MO-IL



These MSAs were identified because of their large volume of mortgage-ready Black and Latino consumers.

Program Overview



As part of Freddie Mac's mission to support equitable homeownership, we will offer a new special purpose credit program to address homeownership gaps for underserved minority borrowers and communities.

The program, in partnership with designated lenders, will provide down payment assistance (DPA) to qualified borrowers in specific metropolitan areas.



- First-time homebuyers
- 140% area median income (AMI)
- Freddie Mac HomeOne® or Standard Conventional mortgage
- Loans delivered under this program would qualify for a 0% Credit Fee waiver

Program Details



LENDER

Not required to obtain a 3% minimum contribution from the borrower for a mortgage with Seller gifts or grants used for down payment and /or closing costs, provided at least one borrower:

- Is a first-time homebuyer, with no ownership interest in a residential property during the preceding three years.
- Does not exceed 140% AMI for total income used to qualify.

PROPERTY

The purchase property must be:

- 1 or 2-unit primary residence and owner-occupied.
- Located within one of the 10 identified metropolitan statistical areas.

MORTGAGE

The mortgage must:

- Be a retail purchase transaction.
- Meet the requirements of either HomeOne® Mortgages or Standard Conventional Product as well as requirements outlined in the Terms of Business.
- Receive a Risk Class “Accept” rating from Loan Product Advisor.

Program Details (Continued)



Additional Sources of Funds



Borrowers can utilize funds from **other eligible sources**:

- Gifts
- Funds from family
- Funds from eligible nonprofits or government agencies
- Funds from Employer Assisted Homeownership programs and Affordable Seconds[®]



Can be used in conjunction with other third party **DPA programs** that meet Freddie Mac's Guide requirements.

Prohibited Activities



Cannot be adversely priced compared to similar loans without the Freddie Mac BorrowSmart Access assistance, in rate or in points.



Cannot be combined with assistance programs from other initiatives that Freddie Mac might bring to market, such as programs offered by housing finance agencies.



Cannot allow for the borrower to receive cash back at closing.

Key Partners



Lenders

Tactically chosen for this initiative based on strategic focus and capabilities

- Strategic focus on affordable lending while meeting the needs of minority homebuyers
- Ability to support specific MSAs around the country
- Strong retail presence
- Ability to originate HomeOne or Standard Conventional mortgages
- Ability to utilize Loan Product Advisor and deliver loans with unique Investor Feature Identifier (IFI)

Homeownership Preservation Foundation (HPF)

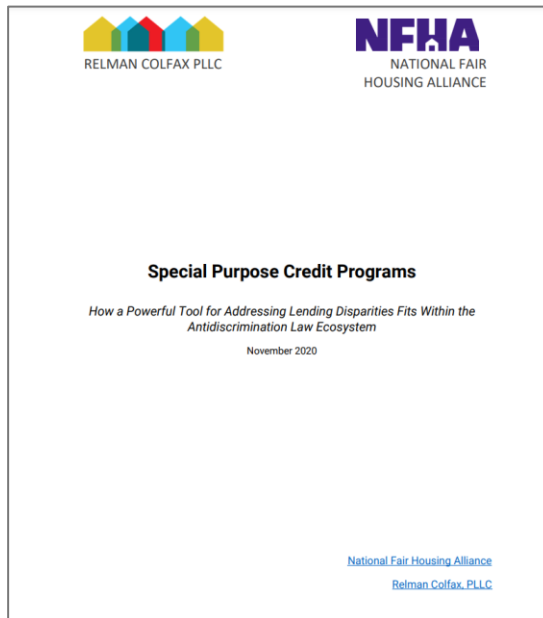
Together with GreenPath Financial Wellness, provides HUD-certified pre-purchase housing counseling

- Provides program eligibility and homebuyer readiness assessment of the mortgage applicant(s)
- Engages with consumers and lenders, compliant with the Real Estate Settlement Procedures Act (RESPA)
- Manages all data reporting and quality standards with GreenPath to track consumer progress and homebuyer readiness
- Provides program administration function



Resources for SPCP Data

National Fair Housing Alliance /Relman Colfax, PLLC



Consumer Financial Protection Bureau Issues Advisory Opinion to Help Expand Fair, Equitable, and Nondiscriminatory Access to Credit



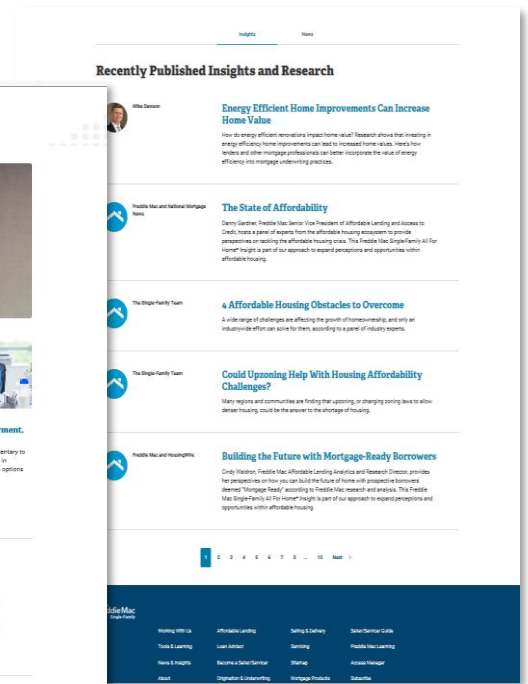
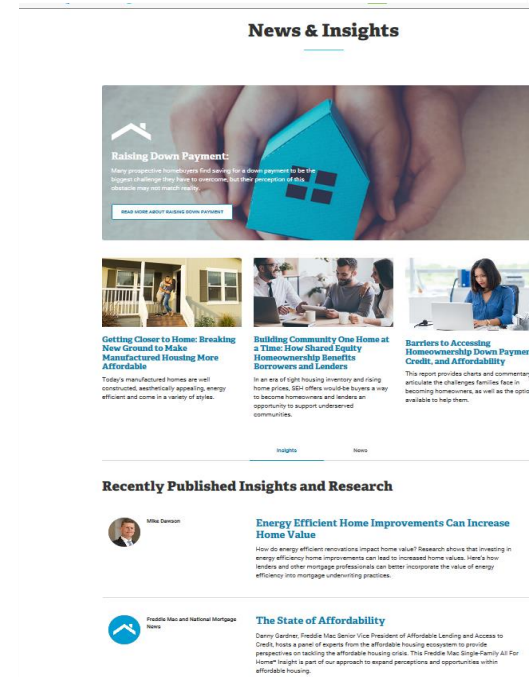
Resources and Events for Growing Your Business



Affordable Lending Insights

Stay Informed on Topics, Challenges and Solutions Shaping the Housing Industry

- Discover Freddie Mac affordable lending insights, conveniently in one place
- Access articles, executive perspectives, eBooks, webinars, research, analysis, blog posts, live-cast panels and presentations
- Featuring Freddie Mac subject matter expertise and that of thought leaders and influencers within the industry
- [Sign Up For Future News and Updates](https://www.freddiemac.com/working-with-us/affordable-lending/news-insights)



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MORTGAGE TRANSLATIONS

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MORTGAGE TRANSLATIONS HOME

Welcome to the Mortgage Translations clearinghouse, an easy-to-use collection of translated documents and tools to assist lenders, servicers, housing counselors, and others in helping mortgage borrowers who have limited English proficiency (LEP). Created by FHFA, Fannie Mae, and Freddie Mac in collaboration with industry, consumer, and government partners, the Mortgage Translations clearinghouse contains resources such as translated documents, borrower education materials, a standardized glossary of mortgage terms, and more.

The site currently contains Spanish-language and traditional Chinese-language documents and resources. Materials in other languages will be added through 2019 and 2020. See the [Language Access Multi-Year Plan](#) (published May 2018) for more details.

* UPDATE: In October 2019, the clearinghouse was updated to include additional documents from Fannie Mae, Freddie Mac, and government agencies and a traditional Chinese language glossary.

FREQUENTLY USED MORTGAGE DOCUMENTS

Uniform Residential Loan Application (Fannie Mae 1003/Freddie Mac 005)	Mortgage Assistance Application (Fannie Mae/Freddie Mac Form 710)	Your Step-by-Step Mortgage Guide (Freddie Mac Publication 053)
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VISIT: www.fhfa.gov/mortgagetranslations

FHFA, Freddie Mac and Fannie Mae created an online, industry-standard clearinghouse of translated mortgage and homebuyer education documents for housing professionals and their clients.

- **Digital repository** of in-language tools to empower growing limited English proficiency (LEP) borrower populations
- Featuring documents translated in **Spanish, traditional Chinese, Vietnamese, Korean, and Tagalog** languages
- Addresses language barriers with clients to help navigate all aspects of the **mortgage life cycle**
- **Free-to-use interpretive services** that provide **live translations** in preferred languages about the mortgage process, mortgage documents, loan payments, or avoiding scams or fraud

An aerial, black and white photograph of a suburban neighborhood. The houses are densely packed, with many trees interspersed among them. A road or driveway runs through the center of the image. The overall scene is peaceful and residential.

Thank You