

RAYMOND JAMES

MANATEE COUNTY HOUSING FINANCE AUTHORITY
TURNKEY DPA OPTIONS

May 2017

National Housing Group

MANATEE COUNTY HFA “TURNKEY” PROGRAM

HFA currently offers one program (GNMA with down payment assistance provided in the form of a 2nd mortgage). A conventional Freddie Mac HFA Advantage program (with 2nd mortgage) will be offered in May 2017.

Current GNMA Program Description

- First mortgage program rate: 4:25% (changes periodically)
- DAP Loan: 30 year deferred, 0% fixed-rate loan of up to \$10,000.
- As of 4/18/2017, the Authority has 7 approved lenders.
- Year to date (through 4/18/2017):
 - i. Raymond James has purchased 19 loans under the program;
 - ii. Of the loans purchased by Raymond James 95% were from one lender (Homebridge);
 - iii. The Authority has earned \$61,752 on such settlements;
 - iv. The Authority has funded \$190,000 in DAP loans for such settlements.

Ongoing efforts to expand the lender base for the Authority include:

- Recently adding the Freddie Mac HFA Advantage program.
- Exploring offering down payment assistance in the form of second mortgages and/or grants (non-repayable) funded through the program.

COMPARISON OF CASH AT SETTLEMENT: 2ND MORTGAGE VS GRANT

	<u>Current 2nd Mortgage Program</u>	<u>Grant Program (Example)</u>
Settlement Date	4/18/2017	4/18/2017
Pool Number	AT7999	AT7999
# of Loans	5	5
Loan Amount in Pool at Delivery	\$781,088.45	\$781,088.45
HFA Earnings	15,389.71	47,547.06 ²
DAP Loan Funded	(50,000.00) ¹	(39,054.42) ³
HFA Settlement Economics	(34,610.29)	\$8,492.64

¹ HFA would have \$50,000 of DAP loans on books.

² Lowest profitable mortgage rate selected on Grant Program.

³ HFA funds 5.00% down payment assistance in the form of grants; funds raised through the program revenue.

Program funds down payment assistance and generates positive cashflow to Authority.

ADDITIONAL LENDING PROGRAM TO INCREASE BORROWER/LENDER PARTICIPATION

In addition to your current program, Manatee County HFA could adopt a companion program in which the HFA:

- Funds down payment assistance in the form of grants (non-repayable)
 - 5.00% grants (based on principal amount of the loan) adjusted for U.S. Bank overlays where required.
- Allows income to be determined only from the borrower (Form 1003 income), not “household” income.
- Increases income limits to targeted-area limit regardless of household size (subject to bond counsel review).
- Increases purchase price limits to targeted-area limit regardless of household size (subject to bond counsel review).

PROGRAM COMPARISON

<u>Criteria</u>	<u>DPA - Second Mortgage (Current Program)</u>	<u>DPA - Grant (Additional Program)</u>
Jurisdiction	Manatee County	same
DPA Loan	30 year deferred loan; due on sale/refi	Grant (funded through program revenue)
DPA Amount	up to \$10,000	5.00% of principal amount (adjusted for U.S. Bank overlays where required)
F/T Homebuyer	Not required	same
Income Limits	1-2 person: \$65,809 3 or more person: \$75,680 Targeted Area: \$72,840 (based on household income)	\$72,840 (Form 1003 borrower only)(subject to counsel)
Purchase Limits	\$272,195 (non-targeted) \$332,682 (targeted)	\$332,682 (subject to counsel)
FICO Score	640+	same
DTI Ratio	45%	same
Purchase Timeline	Resv. to u/w cert. 15 days Resv. to purchase 70 days	same same
RJ Loan Extension Fee	\$375	same
Pricing, and Rate	Determined daily	same
Co-signors	Not Allowed	same
Homebuyer Education	Encouraged but not required	same
GSE	FHA, VA, USDA, Freddie Mac (Fannie Mae if/when available)	same
Eligible products	Purchase (no cash out)	same
LTV/CLTV	96.5% (FHA); 97%/105% (Freddie Mac)	same
Total Lender Comp	2.75% (1.00% orig/1.75% SRP)	same
Property Type	Single Family Detached Townhomes Condos	same same same

PROS AND CONS OF DPA FUNDED AS GRANTS

Pros:

- **Preserve HFA resources:** DPA funds are raised through the continuous lending program allowing the HFA to preserve current cash.
- **Increase production:** Lee County HFA has done \$22.5mm in production in 2017 to-date; approx. 87% are the grant product.
- **Increase lender participation:** Lee County HFA added grants and now has 20 active lenders in the program.
- **Provides needed service:** Borrowers below 700 FICO still struggle to obtain loan financing.

Cons:

- HUD-OIG's continuing review, but HUD's responses seem to be quite strong and helpful to the HFAs' position.
- SRP values from master servicer may change.

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