Down Payment Assistance (DPA) Where to Find it? What Programs are Available?

January 21st, 2020

Transaction Rescue

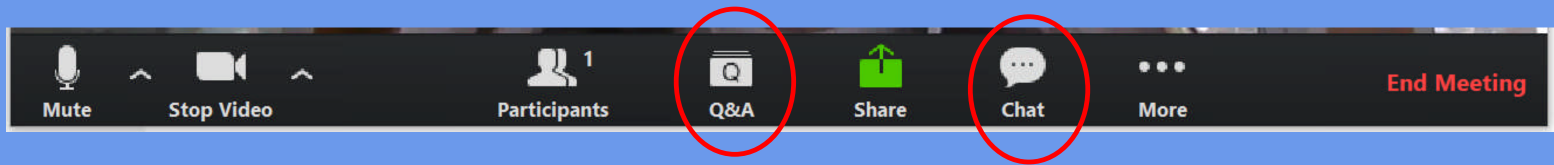
California Association of REALTORS®

CALIFORNIA ASSOCIATION OF REALTORS®

Format for today’s WEBINAR

- For Webinar’s please use Questions & Answers feature to submit questions and for Meeting Layout, you will need to use the Chat selection with Me.
    - Please keep questions general.
    - If you have specific questions or afterwards, please email
        - TransactionRescue@car.org
- Do to the changing nature of the material, we will be providing the slides on our website later today.   We appreciate your patience.
- We are trying to record this, and these will be available tomorrow, for your review.

https://www.car.org/FinWebinars



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HTTP://www.car.org/finwebinars

For a full recording of webinar &
the corresponding slide deck

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Please be advised that you aren't required to seek services from any of the companies suggested in the presentation and that they aren't in any way supported or endorsed by C.A.R.

We're merely suggesting them because we believe they'll be helpful in providing education without requiring you to give them business. Having said that, we're not making any representations or warranties regarding the quality of their services.

We understand that you may have your own preferred companies and ultimately, it's your decision as to whose services you will seek.

CALIFORNIA ASSOCIATION OF REALTORS®

Transaction Rescue™

Your direct line to all finance and mortgage related questions

The CALIFORNIA ASSOCIATION OF REALTORS® Transaction Rescue™ is a FREE C.A.R. member benefit providing you with invaluable one-on-one assistance for any of your mortgage related questions or issues.

What can Transaction Rescue™ help you with?

- Issue with a Lender
- Finding a Lender
- Loan Qualifications
- Financing Assistance
- Down Payment Assistance
- Closing Delays
- Title and Escrow
- Short Sale
- Forbearance
- Foreclosure
- Lending Discrimination
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(213) 739-8383

TransactionRescue@car.org

mortgage.car.org

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Down Payment Assistance (DPA) - Where to Find it? & What Programs are Available?

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Specialty Mortgage Product Solutions LLC

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Down Payment Resource

Moderated by: Marc Farfel

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Down Payment Assistance – How to Find It and What Programs Exist?

2021 Conforming & High Balance Loan Limits by County for Freddie & Fannie

(As of 1/01/2021)

The Federal Housing Finance Agency's (FHFA) announcement to increase the 2020 conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac to $548,250 on one-unit properties and a cap of $822,375 in high-cost areas. The previous loan limits were $510,400 and $765,600, respectively. Higher Loan Limits = More Properties Available to Entry Level Buyers

Loan Limit	Counties
$822,375 –	Alameda, Contra Costa, Los Angeles, Marin, Orange San Benito, Santa Clara, Santa Cruz, San Mateo
$548,250 > < 822.375	San Diego, Ventura, Santa Barbara, San Luis Obispo, Monterey Napa, Sonoma, Yolo, Sacramento, Placer, El Dorado
$548,250 –	All Remaining Counties for FHLMC/FNMA, FHA are less.

Link to Freddie Mac (FHLMC) / Fannie Mae (FNMA) 2021 Loan Limits

- https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limits-Map.aspx

Link to FHA Loan Limits just changed on the 24th of November for **2021 Limits – Conforming $548,250 max, less in many areas**

https://entp.hud.gov/idapp/html/hicost1.cfm

Down Payment Assistance – How to Find It and What Programs Exist?

AGENDA

- Http://FindDownPayment.car.org

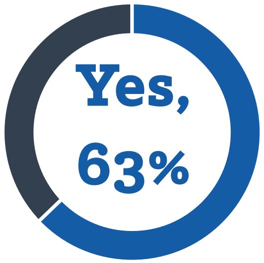
  - How to Find What You Are Looking For!
  - Filters / Results
  - Programs Available
  - Links to Additional Video Education
  - Loan Calculators & Rates
  - Resources
  - Interactive Discussion
  - Additional Data – CalHFA & GSFA
  - Take-Aways
  - Key Upcoming Events

California Association of REALTORS® – Lending Terms /Abbreviations

- **AUS – Automated Underwriting System**
- **LPA – Loan Prospect Advisor (previously – Loan Prospector LP) (Freddie)**
- **DU – Desktop Underwriter (Fannie)**
- **GUS – Government Underwriting System**
- **FICO – Fair Isaac Company (Loan Scoring Model Used By a Majority of Lenders / Investors)**
- **DPA – Down Payment Assistance**
- **MI – Mortgage Insurance**
  - **UFMIP - Up-Front Mortgage Insurance (FHA Loans)**
  - **MMI – Monthly Mortgage Insurance (FHA Loans)**
  - **PMI – Private Mortgage Insurance (Conventional Loans)**
  - **LPMI – Lender Paid Mortgage Insurance**
- **OO - Owner Occupied Borrower / Co-Borrower**
- **NOO – Non-Owner-Occupied Borrower / Co-Borrower**
- **FTHB – First Time Home Buyer**
- **CalHFA – California Housing Finance Agency**
- **GSFA – Golden State Finance Authority (Platinum)**
- **Flipping – Selling within 3 months, with large value increase, may trigger Lender RED Flags**
- **Calculations**
  - **DTI – Debt to Income**
  - **LTV – Loan to Value and Combined Loan to Value (CLTV)**
  - **PITIA w/MI – Principal, Interest, Taxes, (Hazard) Insurance, Association Fees, and Mortgage Insurance**

Did you know?

63% of consumers would start searching for a home if they knew they could qualify for a low-down payment



If you knew you could qualify for a mortgage with a much lower down payment, would you start to look for a house?

(n=1,008)

Source: 2019 C.A.R. Consumer Survey

STEPS TOWARD HOMEOWNERSHIP

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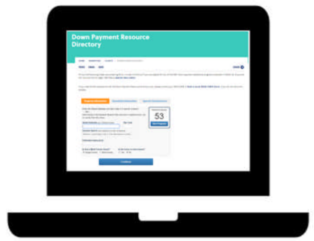
C.A.R.'s Down Payment Resource Directory

http://FindDownPayment.car.org

Within the C.A.R Tool, you can find:

- Participating Lenders
- Program Guide/Flyer
- Filters/Guidelines:
  - Special Groups (Teachers, Protectors, etc.)
  - Eligible Properties
  - Maximum Sales Price
  - Eligible Borrowers
  - Maximum Household Income
  - Loan Terms
- Benefits
- Latest Updates



Get Down Payment Assistance


http://FindDownPayment.car.org

REALTOR® Resource: A field guide to identifying “mortgage-ready”

	Get answers to these questions from your buyers:	Yes	No
1	Do you have income sources that can be documented with current pay checks, bank statements, W2s and tax returns?		
3	Has it been at least two years since you discharged debts in bankruptcy or three years since a home you owned was foreclosed?		
4	Do you have access to down payment money from sources that can be verified and documented?		
5	Do you have at least two or three open credit accounts in good standing?		
6	Are you a US citizen, permanent resident or do you have a current work authorization card?		

If the response to these questions is “yes”, send your buyer to your lender partner for pre-approval. If the answer is “no”, send them to a trusted housing or credit counselor referral partner and stay in touch with them as they resolve their issues.

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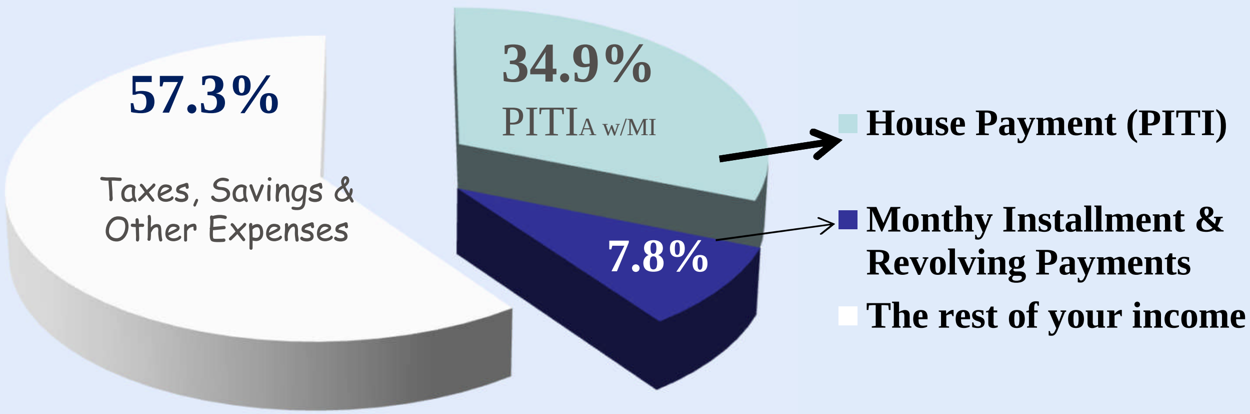
SOURCE: California Association of REALTORS®

Key Concepts – Debt to Income (DTI)



Other Monthly Installment & Revolving Payments

7.8% = $900

Includes : Car Payments, Student loans, Credit Card payments

Top (Front-End) Ratio

34.9% = $4,035 (PITIA w/MI) or House Payment

(with higher rate due to 5% forgivable DPA)
(also assumes discounted DPA MI Calculation) and $200 in Homeowners Association fees)

Bottom (Back-End) Ratio

34.9% + 7.8% = 42.7%

42.7% = $4,935

Key DTI Ratio is under **43%**

Based on the Qualifying DPA with Freddie Loan Debt to Income Ratio is 36/43

THE STATE OF DPA

BIG PICTURE: DPA TRENDS

- All state Housing Finance Agencies (HFAs) stayed and remain open.
- State HFAs had record years in 2020. That’s *purchase* business!
- New state and local programs continue to launch in markets nationwide.
- Homebuyer education is being done online.
- **Down payment assistance is still available and not going away!**

DPAs IN CALIFORNIA

- 373 total programs
- 64% funded and active right now
- ~40 programs are statewide
- Over 300 are local from municipalities and non-profits
- 23% of California homebuyer programs do NOT have a first-time homebuyer requirement

DPAs IN CALIFORNIA

- 285 programs offer down payment and/or closing cost assistance
- 85% of those offer deferred payments
- 28% of those are forgivable in part or in full

- Plus 22 MCCs, several affordable first mortgages and much more

Types of Down Payment Assistance (DPA)/Subsidy Programs

- Community Second Program (CSP)
  - Calhome and ACBBoost
- Employer Assisted Housing (EAH)
- Grant
- Deed Restriction
- Mortgage Credit Certificate (MCC)
- Matched Savings Program
- First Mortgage Programs with Combined Assistance - HFAs

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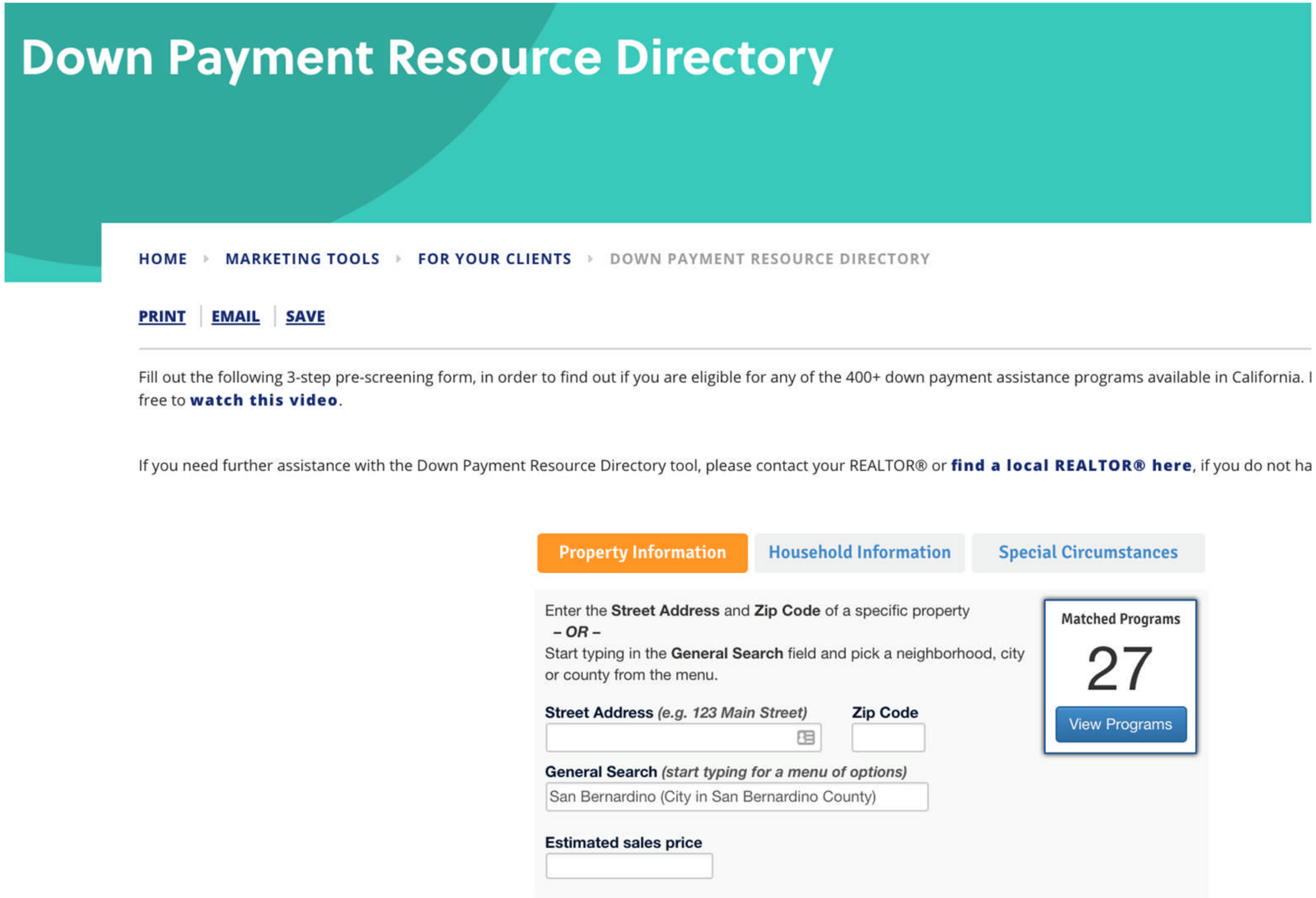
SOURCE: California Association of REALTORS®

FIND DPA ANYWHERE IN CALIFORNIA



CAR members…find even more program details and marketing help.

CAR members go to:
http://DownPayment.CAR.org

Direct your clients to:
HTTP://FindDownPayment.CAR.org

BUYER MISPERCEPTIONS & OBSTACLES

POTENTIAL HOMEBUYER TOLD US

68%

The down payment is the barrier to homeownership.

65%

They need a down payment of 15% or more.

76%

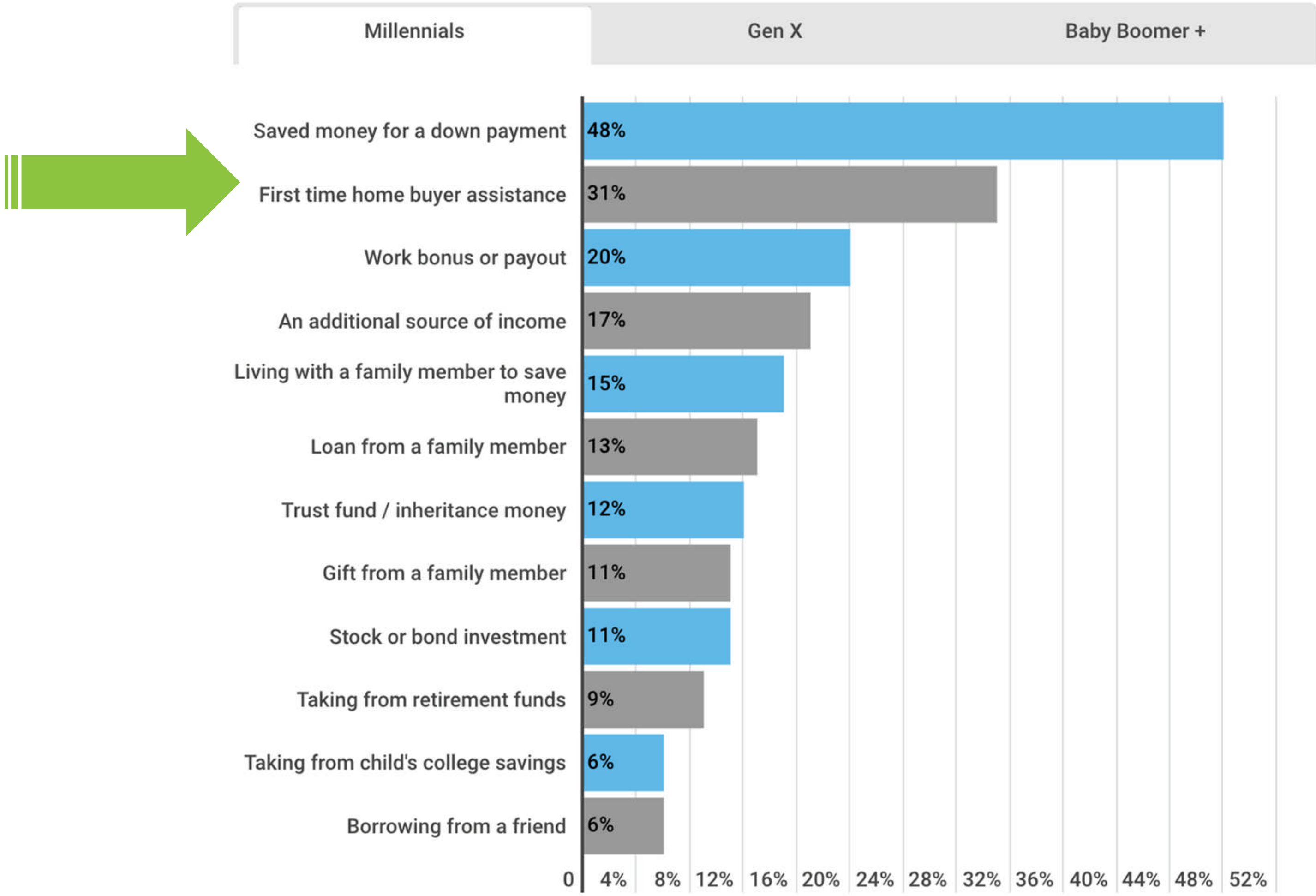
Have little or no familiarity with low-down payment programs.

Source: The Urban Institute: Barriers to Accessing Homeownership 2018

The Problem

- Housing **affordability** and **ownership rates have declined** in the past decade.
- **Qualifying** for a mortgage has become **more challenging**.
- High rental costs make it difficult to **save for a down payment.**
- Student loan debt extends the challenge of **saving for a down payment**, especially for millennials.
- Millions of renters are mortgage-ready today, but **think they don't qualify** thus **don't enter the market.**

31% OF BUYERS NOW PLAN TO USE DPA



Source: Clever 2020 Homebuyer survey

HOMEBUYERS NEED GUIDIANCE…

1. Navigating the home buying process.
2. Understanding mortgage options and down payment requirements.
3. Getting preapproved.
4. Covering their down payment and closing costs.
5. Securing their home in a competitive market with limited inventory.

CRITICAL ROLE OF THE REALTOR®

CREATE BUYERS

- How many renters could be buyers right now if they understood they don't need 20% down…and that DPAs can help?
- Is your marketing content addressing the obstacles and challenges that otherwise income- and credit-eligible buyers face?
- Are we combatting misperceptions about homebuyer readiness?

EDUCATE SELLERS

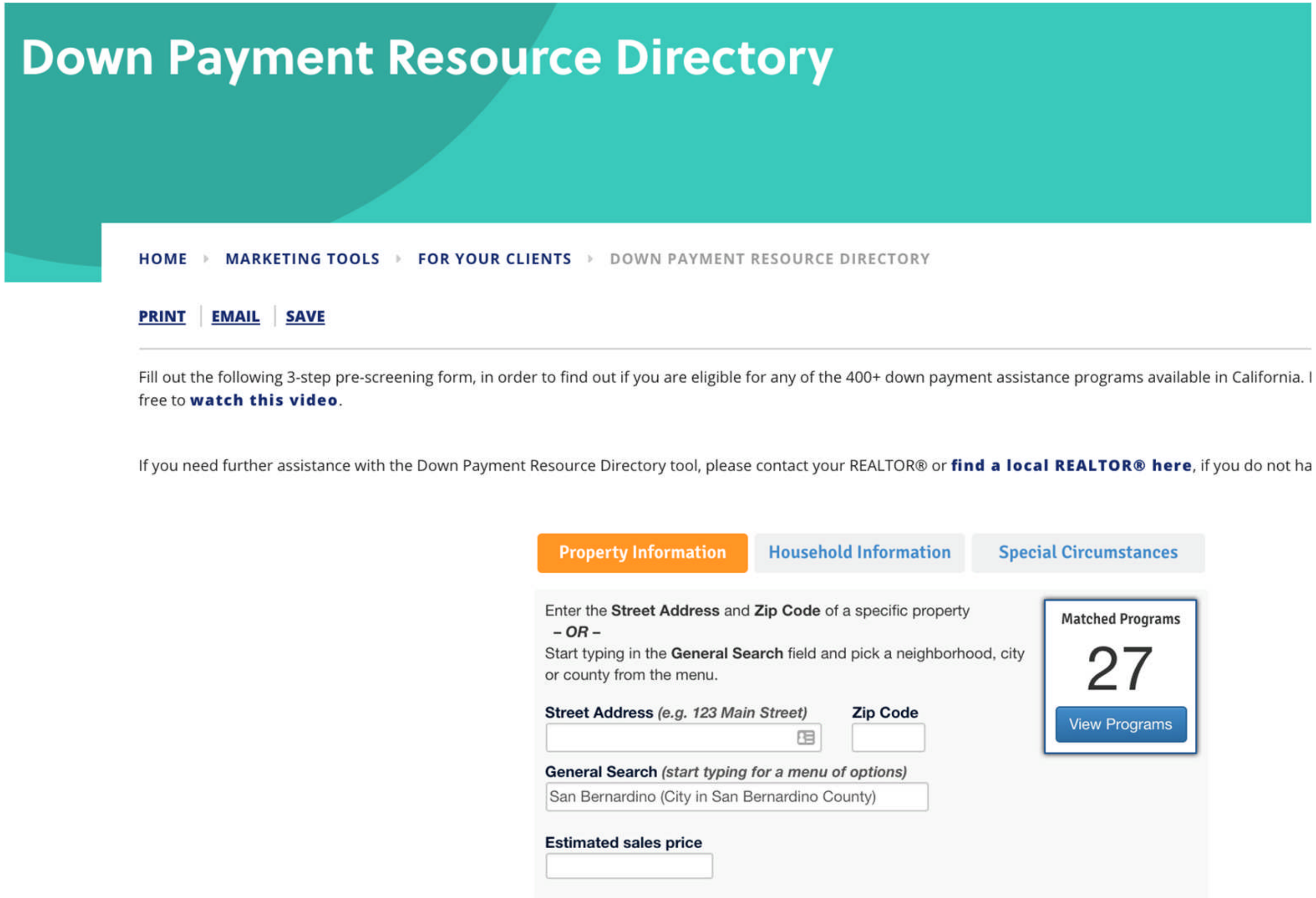
- If a DPA covers closing costs, can your client make more competitive offers?
- Is the value of a DPA being represented appropriately for the seller and their agent?
- Are you and your loan officer(s) setting appropriate expectations upfront for the buyer and the seller?

PREVENT DELAYS & GET THE CONTRACT!

- Ensure your buyer completes any homebuyer education requirement upfront.
- Get loan approval and clear all non-property related conditions before signing a contract.
- Address misperceptions among sellers about DPAs causing delays.
- Frame the offer to highlight the advantages of a DPA.
- It's okay to tug at the seller's heartstrings to help a first-time homebuyer.
- The dream home will come, but it will slip away without due diligence upfront.

DPA TOOLS & RESOURCES

FIND DPA ANYWHERE IN CALIFORNIA



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Direct your clients to:
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LEVERAGE THE EXPERTS

1. Look for participating lenders in the program details. Develop partnerships with them and leverage their expertise.
2. Host (virtual) seminars with your loan officer partners and DPA providers.
3. Highlight information about your local DPA programs in marketing content.
4. Attend a homebuyer education course to absorb their message and incorporate it into your marketing.

Down Payment

CONNECT

- Personalized landing page for buyers to find down payment help.
- Buyer searches, finds DPA help, and contacts you to take the next step.
- You generate unlimited traffic and leads to your page.
- Includes marketing resources and social media training.

DownPaymentResource.com/DPC

Down Payment Resource

info@DownPaymentResource.com

DownPaymentResource.com/DPC

California Association of REALTORS® – Loan Approval & Closing Steps

<<< Pre-contract stages >>>

<<< Contract stages >>>

1. Prequalification - Lender provides an estimate of buying power based on unverified information.
2. Preapproval - Income, asset and credit documents have been reviewed, file scored by AUS and if needed underwriter.
3. Conditional approval - Underwriter has approved the file with conditions to be satisfied prior to closing
4. Clear to close - Underwriter has signed-off on all closing conditions prior to release of loan docs.
5. Funding conditions - Borrower's credit, income, and assets are updated and reviewed prior to funding.
6. Loan Closes!

Remember, loan approval is a dynamic, ongoing process that takes place up to and including the closing date! ***Help your buyer stay mortgage-ready through the entire process!***

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SOURCE: California Association of REALTORS®

Golden State Finance Authority (GSFA)

- **GSFA OpenDoors™** Down Payment Assistance
  - Silent 2nds and/or Gift (up to 7% total)
  - Lenders Participating
  - Income Limits
- **GSFA Platinum®** Down Payment Assistance
  - Forgivable 2nds
  - Lenders Participating
  - Income Limits
  - Details about Gift for Public Safety and Education Occupations
- **GSFA MCC®** Mortgage Credit Certificates

California Housing Finance Agency (CalHFA)

- Participating Lenders
- Available FHA & Fannie Mae Loan Programs
- Silent 2nd TD's
- Mortgage Credit Certificates
- Income Requirements or Loan Limits
- Special Options or Details about those professions in (Health, Safety, or Protector) roles

Read More

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SOURCE: California Association of REALTORS®

Specialty Mortgage Product Solutions, LLC

California Association of Realtors

January 20, 2021

1st Mortgage Products and Affordable Housing Programs

- There are 1st mortgage products that can be considered for borrowers with minimum down payment funds
- There are many types of housing assistance programs that can be used along with the affordable first mortgage

Affordable First Mortgage Products
FHA
Conventional 97% programs (Fannie Mae & Freddie Mac)
Rural Housing
FHA 203(k)
* Funding source is first mortgage financing

Community Reinvestment Act "CRA"
Banks may offer 1st mortgages with flexibilities, or they may fund a down payment assistance program, such as a grant or an affordable 2nd
* Funding source is a CRA regulated institution

Affordable Housing Programs
Down payment assistance that contributes to funds required to close
Gifts and grants
Inclusionary Zoning (below market sales price)
Employer Assisted Housing
Matched Savings/Individual Development Account
* Funding sources are federal, state or local government, employers, nonprofits, bank CRA

How the Programs Benefit the Borrower – Layered Affordable Housing

Same house for all four borrowers. Borrowers 3 and 4 were able to purchase at a below market sales price.

	Borrower 1 Standard 30 year fixed conventional	Borrower 2 Conventional 97% with down payment assistance second	Borrower 3 Below market sales price (aka deed restriction) and down pay. assistance second	Borrower 4 Below market sales price, down payment assistance second, grant
Sales Price	$400,000	$400,000	$300,000	$300,000
Buyer's Down Payment	5% for $20,000	3% for $12,000	$0	$0
Grant	$0	$3,000 / closing costs	$0	$ 15,000
Affordable Seconds	$0	$20,000 (no payments due for at least 5 years)	$ 20,000 (no payments due for at least 5 years)	$ 20,000 (no payments due for at least 5 years)
Loan Amount	$380,000	$368,000	$280,000	$265,000
Monthly P&I Payment*	$ 1,814	$1,756	$ 1,336	$ 1,265
Qualifying Income**	$54,000	$50,500	$39,000	$36,500

Notes:
1) All monthly Principal and Interest payments at 4% on a 30-year fixed
2) Qualifying income assumes a 42% DTI

Affordable Housing and Down Payment Assistance in California

California Housing Finance Agency (CalHFA)
- Affordable first mortgage programs
- My Home down payment assistance
  - Up to 3.5% of purchase price
  - With cap of $10,000 (with exceptions)
  - Low interest rate
  - Deferred
- Zip down payment assistance
  - 0%
  - Deferred

Federal Home Loan Bank – Individual Development and Empowerment Program (IDEA)
- Will match borrower savings with a 4 to 1 match, up to $22,000

County of San Diego Down Payment Assistance
- Up to 17% of the purchase price for down payment
- Up to 4% of purchase price for closing costs
- Payments deferred

San Francisco Down Payment Assistance Loan Program (DALP)
- $375,000
- Deferred shared equity loan
- 0%

Golden State Home Finance Authority (GSFA)
- Affordable first mortgage programs
- Down payment assistance
  - Up to 5% of first loan amount
  - 0%
  - Forgiven after three years

Federal Home Loan Bank Wish and Idea Programs

Workforce Initiative Subsidy for Homeownership (WISH) and Individual Development and Empowerment Account (IDEA)

- Grant programs offered through FHLB members
- Offers a 4 to 1 match to borrower savings
- Up to $22,000 that can be applied to down payment and closing costs
- Must complete home buyer education
- Be a first-time homebuyer
- 80% or less of area median income

CRA Programs*

For families of low-to-moderate income

Generally, 80% or less of area median income

Chase

DreaMaker®

3% down payment can be a gift

Reduced mortgage insurance

$2,500 grant

$500 with approved home buyer education

Bank of America

Affordable Loan Solution® first mortgage

America's Home Grant – lender credit up to $7,500 for non-recurring closing cost

Down Payment Grant Program – up to $10,000 for down payment is some markets

*** Community Reinvestment Act Programs**

Why you should know about affordable lending programs

The programs can help you list and sell more property

There are over 2,400 programs available across the country that are funded by government agencies, nonprofits and employers that can help a buyer qualify for home ownership

Participation in specialty and affordable housing programs will enable you to develop and retain relationships with prospective buyers and sellers

- Offering agencies will sometimes refer potential buyers to an agent than has shown interest and has experience with their program
- Builders may be required to offer below market purchase prices for a certain percentage of their development, and they want to work with real estate professionals that know the program requirements
- Loan officers want to have the widest menu possible and work with agents who have a strong knowledge of financing options
- Employers such as hospitals and universities need agent and loan officer support for their programs that help to recruit employees, from entry level to senior management

VIDEO LINK ATTACHED –
Down Payment Assistance (DPA) Where to Find it? What Programs are Available?

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Previous Recording

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SOURCE: California Association of REALTORS®

California Association of REALTORS® Free Member Benefit:

Loan Education:

- FHLMC – Freddie Mac - http://www.freddiemac.com/creditsmart/
- FNMA - Fannie Mae - https://www.frameworkhomeownership.org/get-started/homebuyer-education

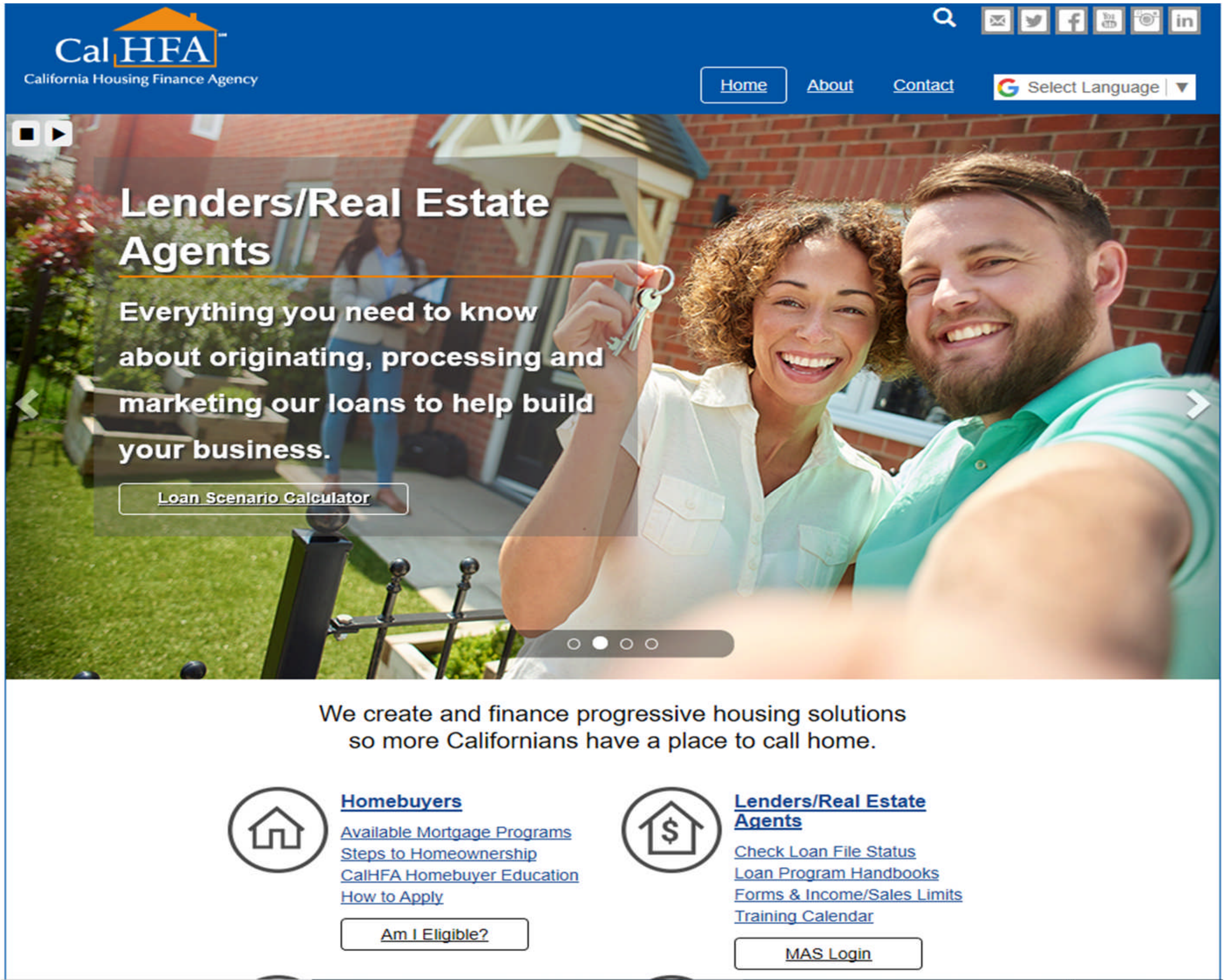
Down Payment Assistance (DPA) programs

- GSFA Materials:
    - https://wholesale.lhfs.com/download/GSFA_Gov_FHA_Select.pdf
    - https://www.eprmg.net/guidelines/NHF-GSFA%20Platinum%20FHA.pdf
- CalHFA
    - https://www.calhfa.ca.gov/homeownership/bulletins/index.htm
    - https://www.calhfa.ca.gov/homeownership/materials/index.htm
    - https://www.calhfa.ca.gov/homeownership/programs/myhome.pdf

HUD Counselor Selection Options

Loan Limits: Conventional Loan Limits FHA Loan Limits

California Housing Finance Agency - www.CalHFA.Ca.Gov



Realtor Page:
Real Estate Agents

California Housing Finance Agency

Lender Data Base
CalHFA Approved Lenders

Preferred Loan Officer List -
Find a Loan Officer

CALHFA

Income Limits
Income Limits
Buying a Home
CalHFA

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- Historical Housing Data
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- Housing Market Overview
- Market Stats by County
- All Shareable Reports
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Catch up with the latest outreaches and webinars by the Research and Economics team.

Market Minute - May 18, 2020

Get a roundup of weekly economic and market news that matters to real estate and your business.

Surveys & Reports

Californians are surveyed annually to gain insights on the housing market from their perspective.

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AMPLIFYING THE VOICES OF LATINX REALTORS® IN CALIFORNIA

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https://on.car.org/LPN

Join the Facebook Group
https://www.facebook.com/groups/CARLPN

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QUESTIONS?