

Introducing...

one.
For your first home.

Massachusetts
Housing
Partnership

160 Federal Street
Boston, MA 02110
617-330-9955
www.mhp.net

Today's Agenda

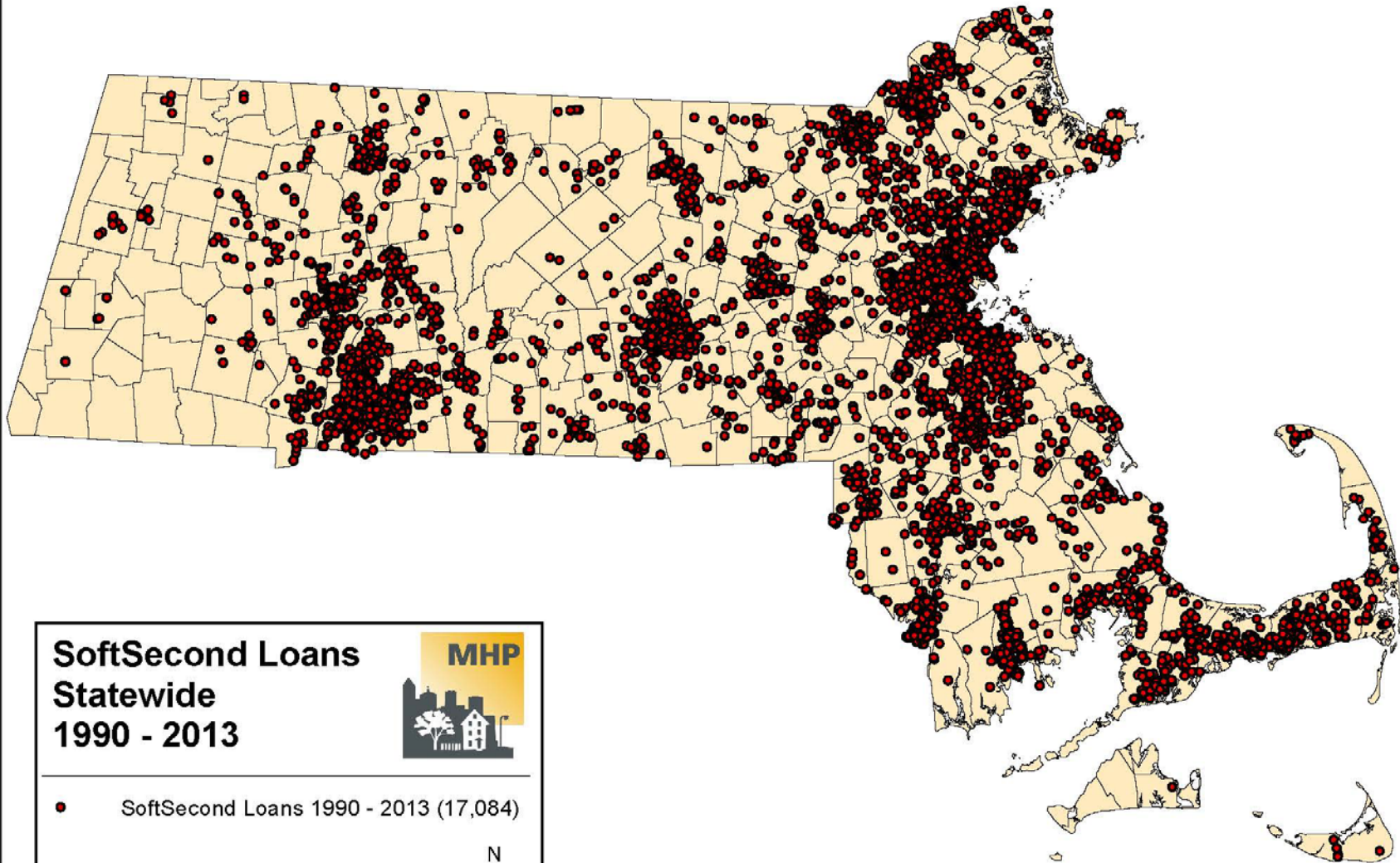
- Legacy of SoftSecond
- Comparison of SoftSecond and ONE Mortgage
- ONE Mortgage Basics
- Moving Forward with ONE
- The Homeownership Compact and ONE Mortgage: Front Line Perspectives
- Questions



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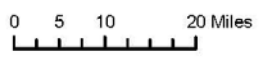
Broad Market Impact



**SoftSecond Loans
Statewide
1990 - 2013**



● SoftSecond Loans 1990 - 2013 (17,084)



SoftSecond Stats

- **Race and Ethnicity:** In FY13, 40 percent of home buyers statewide and nearly half of Boston home buyers identified as non-white and/or Hispanic/Latino.
- **Household Income:** Nearly half of SoftSecond buyers were at or below **60** percent of area median income. Median household income for SoftSecond homebuyers was \$55,395 in FY13, compared to the Boston area median household income of \$94,400.
- **SoftSecond in Gateway Cities:** In FY13, 35% of homes purchased were in Gateway Cities; an additional 17% were in the City of Boston.
- **Performance:** As of September 30, 2013, the SoftSecond delinquency rate was 6.22 (compared to 7.35 for all loans in MA) and foreclosure rate of .69 (compared to 2.45 for all loans in MA).

How is ONE Mortgage like Soft Second?

Greatest Affordability

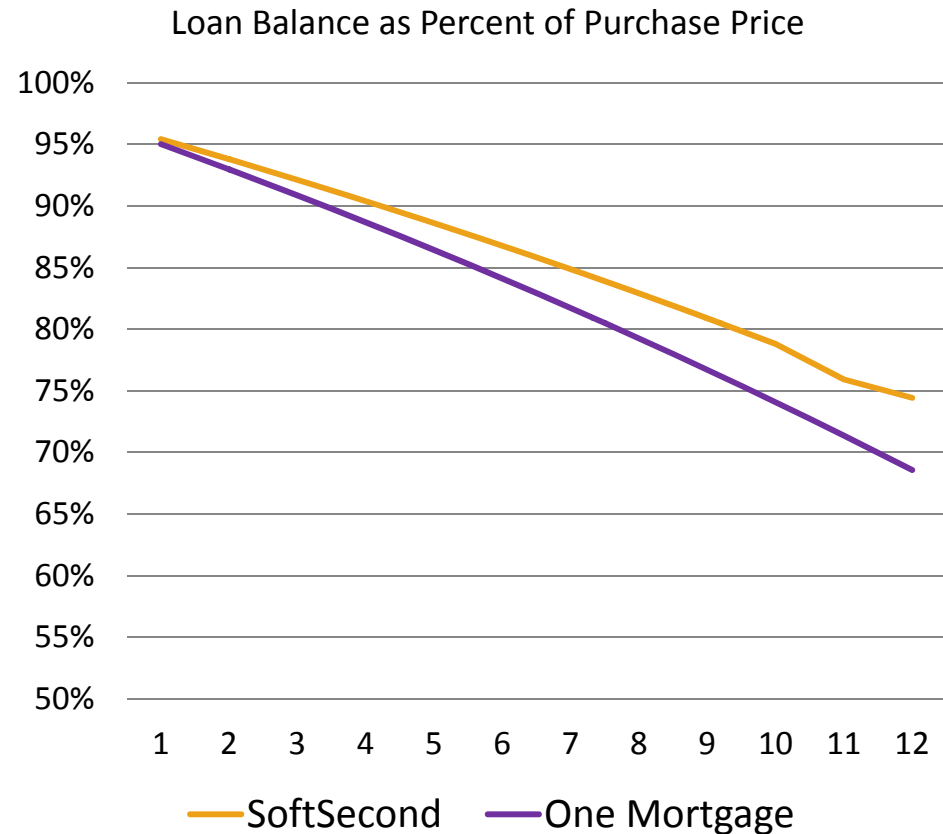
- No PMI required, discounted rate, no points
- Interest subsidy for qualified buyers
- Comparable underwriting requirements

Same Program Requirements

- Exclusively for first-time homebuyers
- Serves households below median income
- Pre-purchase homebuyer education required
- Reporting and post-purchase services

What is different about ONE Mortgage?

- One fully amortizing mortgage
- Payment graduation is shortening from 11 years to 8 years
- Underwriting is based on the unsubsidized payment
- Loan loss reserves are increasing from 0.6% to 1% of the total amount mortgaged



ONE Mortgage Structure

3%

Down Payment

Amount: 3% minimum down payment required; 1.5% required from borrower's own funds, remaining amount can be gift or grant (5% for three-families; 3% from borrower's own funds).

97%

Mortgage

Amount: Up to 97% of the purchase price (95% for three-family properties).
Term: 30 years (Homeowner pays full principal and interest)
Mortgagee: Participating lender; backed by a publicly funded loan loss reserve.
Rate: Fixed - No greater than thirty basis points below the Freddie Mac 30 year fixed rate, with no points charged to the borrower.

MHP Subsidy Mortgage

Amount: Equal to the total public funds used to subsidize mortgage payments. Only available to households below 80% of area median income.
Term: Subsidy recapture provision triggered upon sale or transfer.
Mortgagee: MHP
Rate: 0%

Underwriting Ratios

Single and Condo	Housing-to-Income Ratio	Total DTI
Tier 1	33%	38%
Tier 2 (Requires Compensating Factors)	36%	43%
Year 8: Maximum Unsubsidized Housing-to-Income Ratio	41%	-

Two Family	Housing-to-Income Ratio	Total DTI
Maximum Ratio at Origination	45%	50%
Year 8: Maximum Unsubsidized Housing-to-Income Ratio	50%	-

Underwriting - Three Family Properties

	Multifamily Debt Ratio (MDR)
Maximum Ratio at Origination	50%

$$\text{MDR} = (\text{PITI} + \text{other monthly debt}) / (\text{underwriting income} + 65\% \text{ of rent})$$

- **5% Down payment requirement** for three-family properties (3% must be in the borrower's own funds at the time of application).
- **Two months of liquid reserves** (after down payment and closing costs) are required for all three-family approvals.
- Borrowers purchasing a three-family property are required to complete a **pre-purchase one-on-one counseling session** with an MHP approved counseling agency prior to reservation approval. A property inspection will be reviewed during the counseling session.

Homebuyer Education Requirement

- Course must be Collaborative approved.
- An online pilot course is currently being offered. Followed up only with an approved provider.
- Course must be completed prior to

For a list of approved providers, a calendar of upcoming courses and more information on the online pilot, visit www.chapa.org



Who Is Eligible?

First Time Homebuyers: Defined as those borrowers who have not have owned a home in the prior three years.

MHP Asset Test: Borrowers total household liquid assets cannot exceed \$75,000.

Primary Residency Policy: Borrowers are required to reside in the property for the duration of the ONE Mortgage loan.

Household Income Requirement:

- **Program Eligibility**

- The combined annual income of all adult household members must be within the program income limits for the community where the property is located.

- **Underwriting**

- Underwriting of borrower income consistent with Fannie Mae Selling Guide.

2013 Income Guidelines: Suffolk County Example

- Borrowers whose total household income does not exceed 100% of area median income qualify for the both SoftSecond and the ONE Mortgage Program.

- Borrowers below 80% area median income may be eligible for MHP subsidy.

House Hold Size	80% Income	100% Income
1	\$ 52,900	\$66,080
2	\$ 60,500	\$75,520
3	\$ 68,000	\$84,960
4	\$ 75,600	\$94,400
5	\$ 81,600	\$101,952
6	\$ 87,700	\$109,504
7	\$ 93,700	\$117,056
8	\$ 99,800	\$124,608

Sample ONE Mortgage Payment Schedule

Years	PITI	MHP Subsidy	Borrower Payment
1-4	\$1035	-\$96	\$939
5	\$1035	-\$73	\$962
6	\$1035	-\$49	\$986
7	\$1035	-\$25	\$1010
8-30	\$1035	-\$0	\$1035



Assumptions

Purchase Price \$175,000

First Mortgage Amount: \$169,750

Down Payment: \$5,250

Lender's Note Rate: 4.25%

Underwriting Income: \$40,000

Compare the Savings

	Conventional	FHA	ONE
Rate	4.570%	3.875%	4.250%
Up Front Points	\$ 1,358	\$	\$
PITI	\$,067	\$ 2,971 998	\$
MI	\$ 1 153	\$	\$ -
Total Monthly Payment	\$ 1,220	\$ 1,189	\$ 939

191

-

Moving Forward with ONE

<u>Committed ONE Lenders</u>		
	Bay State Savings	Active
	Clinton Savings Bank	Active
	Dedham Savings	Active
	Eastern Bank	Active
	Enterprise Bank	Active
	Mechanics Cooperative Bank	Active
	Winchester Coop	Active
	Chelsea Bank	Active
	Blue Hills Bank	Active
	The Savings Bank	Active
	First Citizens Federal CU	Active
	Cambridge Trust	Active
	Santander Bank	Active
	Rockland Trust	1/1/2014
	Boston Private	1/1/2014
	St. Mary's Credit Union	1/1/2014
	Pilgrim Bank	1/1/2014
	Middlesex Savings Bank	1/1/2014
	RBS Citizens	4/1/2014

Important Dates

- Website & calculator "App":
12/2/13
- SoftSecond sunset: 12/31/13

Check for Updates:
www.mhp.net/one

one.
For your first home.



Homeownership Compact and ONE Mortgage

Lender Perspective

- Bob Driscoll, Blue Hills Bank

Homebuyer Educator Perspective

- Tom Callahan, MAHA



Homeownership Compact and ONE Mortgage



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