



2013 DENVER “METRO MORTGAGE ASSISTANCE PLUS” PROGRAM

Down Payment Assistance of 4%
(3% + 1% Origination)
of the total mortgage amount -
in exchange for a slightly higher mortgage interest rate!

**HISTORICALLY DENVER HAS OFFERED:
SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS**

Single Family Mortgage Revenue Bonds are tax-exempt bonds that state and local governments issue to help fund below-market-interest-rate mortgages for first-time qualifying homebuyers. Eligible borrowers have low to moderate incomes below 115 percent of median family income.

Since 1997, Denver has assisted in the origination of 1,331 loans totaling \$178,648,679.*

Denver's Last Bond Program from 2006-2007

Average Loan Amount: \$158,983

Average Purchase Price: \$166,428

Average Income: \$47,614

Average Household Size: 1.77

Targeted Area Loans: 38

(*Only 2.8% of these loans are delinquent either with a payment 30 days past due through foreclosure.)

PROGRAM SUMMARY

Program Basics:

- **Net 3% Down Payment Assistance “Grant” and up to 1% Origination Fees** to qualifying low & moderate income homebuyers.
- Mortgage rates to buyers are slightly above market (currently about 0.25% - 0.40% above market today) to fund the down payment assistance and closing costs. Loan interest rates fluctuate to stay competitive with current market.
- Eligible loans must be **30 year fixed rate FHA and VA**, and are then pooled into GNMA Certificates.
- **\$15 Million Revolving Program:** Participating lenders may reserve and close loans at any time. As soon as GNMA Certificates are pooled and sold, the capacity of the Program is restored by such amount.
- Denver funds Down Payment Assistance, and is reimbursed upon sale of GNMA Certificates.
- Two year program, with annual extensions thereafter.

PROGRAM DETAILS

Home Buyer Requirements:

- Purchases only. No refinances.
- No First-time homebuyer requirement.
- Must be located in Denver - expandable to the Metro Mayors Caucus jurisdictions upon execution of an IGA with an MCC city.
- Loan must be underwriter certified by a participating and approved lender
- **Maximum** qualifying income:
 - \$91,100* (2 or fewer in household)
 - \$103,000 (3 or more)
- Minimum 640 FICO credit score, with monthly recurring debt payments not exceeding 45% of monthly income (45% debt-to-income).
- Homebuyer education required from HUD approved agencies (Free 4 hour course or \$50 on-line).
- No maximum purchase price.

*H.U.D. identified AMFI (Area Median Family Income) utilized by and comparable to CHFA and Denver's MCC Program

RATIONALE FOR NEW PROGRAM

- **Need for Down Payment Assistance:** The lack of down payment assistance for prospective qualified home buyers is a key impediment to families purchasing their first home. This program will help low and moderate income homebuyers.
- **HUD Guidelines:** HUD dictates that only an instrumentality of Government, a Housing Finance Agency, or an approved not-for-profit organization can provide down-payment assistance on government insured loans.
- **A Market Driven Program:** This proposed down payment assistance program takes advantage of efficient existing private sector products and services rather than indirect government funding.
- **Market Changes:** A traditional Mortgage Revenue Bond Program is not practical in the current market as the interest rate on mortgages funded by tax-exempt housing bonds approximates or exceeds traditional private sector mortgage rates – therefore there is no demand for mortgages funded from tax-exempt housing bonds.
- **Flexibility of the Program:** Mortgages originated under the program are not subject to restrictions of the Internal Revenue Service for Tax Exempt Bond Programs.
- **Synergy with the MCC Program:** Buyers can utilize both the down payment assistance provided through MMA Plus, and the MCC program (which provides tax credits), assuming they qualify.
- **Home Ownership:** Research supports the view that homeownership brings substantial social benefits. Homeownership boosts the educational performance of children, induces higher participation in civic and volunteering activity, improves health care outcomes, lowers crime rates and lessens welfare dependency.- often attributed to the pride of ownership and the sense of belonging in a community¹.
- **Promotes “Sustainable” Home Ownership:** The program encourages quality homebuyers (min. 640 credit scores with max. 45 debt to income) with full documentation to purchase a new home. Program requires participants to undergo homeownership counseling through a HUD-certified provider.

¹Social Benefits of Homeownership and Stable Housing , NATIONAL ASSOCIATION OF REALTORS, Research Division , April 2012

**COMPARISON WITH MARKET RATE LOAN
(SAMPLE)**

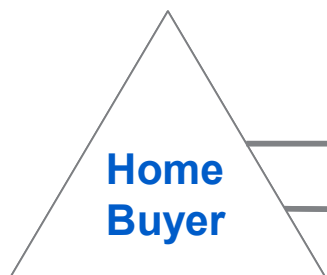
	Denver '12 MMA Plus Program Loan	Denver '12 MMA Plus Program Loan w/Denver '12 MCC (30% credit)	Sample Market Rate Loan
Assumed Mortgage Loan Amount (FHA, 30-year fixed...minimum 3.5% borrower contribution):	\$150,000	\$150,000	\$150,000
Estimated Mortgage Loan Rate:	3.75%	3.75%	3.50%
Net Down Payment Assistance (DPA) Grant Amount:	\$4,500 (3% of mortgage amount)	\$4,500 (3% of mortgage amount)	\$0
Monthly P&I Payment:	\$695/month	\$695/month	\$674/month
Annual Federal Income Tax Credit: \$2,000/year max		\$140/month (drops effective P&I to \$555/month)	
First-Time Homebuyer Requirement:	No	Yes	No
Income Limits:	\$91,100 – 1-2 person \$103,000 – 3+ person	\$79,300 – 1-2 person non- target \$91,100 – 3+ person non-target \$95,100 – 1-2 person target \$111,000 – 3+ person target	None
Purchase Price Limits:	None	\$370,252 – non-target \$452,531 - target	None
Homebuyer Education Requirement:	Yes	Yes	No

**COMPARISON WITH CHFA PROGRAMS
(SAMPLE RATES)**

	Proposed Denver '12 MMA Plus Program	CHFA SmartStep Plus	CHFA HomeOpener Plus
Current Rate:	3.75% (estimate)	3.75%	4.0%
Down Payment Assistance (DPA) Amount:	4% of mortgage amount (3% net with 1% origination fee)	Up to 3% of mortgage amount (2% net with 1% origination fee)	Up to 3% of mortgage amount (2% net with 1% origination fee)
DPA Type:	Non-repayable grant	30-year fully amortizing 2 nd mortgage at 1 st mortgage rate	30-year fully amortizing 2 nd mortgage at 1 st mortgage rate
Available Loan Types:	FHA and VA	FHA, VA, USDA-RD	FHA, VA, USDA-RD
First-Time Homebuyer Requirement:	No	Yes	No
Income Limits (Denver):	\$91,100 – 1-2 person \$103,000 – 3+ person	\$79,300 – 1-2 person non- target \$91,100 – 3+ person non-target \$95,100 – 1-2 person target \$111,000 – 3+ person target	\$91,100 – 1-2 person \$103,000 – 3+ person
Purchase Price Limits (Denver):	None	\$375,000 – non-target \$417,000 - target	None
Homebuyer Education Requirement:	Yes	Yes	Yes
Minimum Homebuyer Contribution:	No	\$1,000 (may come from gift funds)	\$1,000 (may come from gift funds)
Minimum Mid Credit Score:	640	620	620

**Taxable
Mortgage Asst Plus Program**

**Tax Credit
MCC Program**



Applies for
loan at participating
Mortgage Lender (1)
(eHousing approves compliance
& lists loan)
Our program provides DPA

US Bank (**Servicer**) purchases
loan from mortgage lenders
and pools loan with other
mortgage loans into **GNMA
Certificates** and transfers to
Custodian on announced sale
date

**Program Advisor (Raymond
James)** buys **GNMA Certificates**
on specified date through
Custodian (US Bank Corp. Trust)
and then sells them in the market
place

Qualified Homebuyer
may also apply for a
tax credit of up to
\$2,000 per year
+
**Utilize a mortgage
interest tax
deduction (2)**

- (1) Unlike traditional single family mortgage revenue bonds, the mortgages generated will have interest rates of .25% - .40% greater than market to cover program costs.
- (2) A homebuyer paying \$5,000 in mortgage interest utilizes \$1,500 (30%) as a tax credit and has a mortgage interest deduction of \$3,500.

FINANCING TEAM

- **Program Sponsor/Issuer** – *City and County of Denver (Finance & OED), in cooperation with participating Metro Mayors Caucus jurisdictions*
- **The City's Program Counsel** – *Kutak Rock, LLP*
- **The City's Financial Advisor** – *First Southwest Company*
- **Program Advisor/GNMA Purchaser** – *Raymond James*
- **Servicer** – *US Bank Home Mortgage*
- **Online Loan Reservation Administrator** - *eHousingPlus*
- **Custodian** – *US Bank Trust Services*