



MBA'S Residential Loan Production Conference

Addressing Affordability in High-Cost Markets

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MASSHOUSING State of Affordable Housing in Massachusetts

High Cost of Housing

- Statewide median sales price for a detached SF home is \$354,000

Income Not Keeping Pace With Cost of Housing

- In 1998 a family needed an income of \$55,000 to afford a median price home
- Today a family needs an income of \$105,000 to afford a median price home

Lack of Personal Savings

- Significant gap in net worth for those at the top 20% of the income distribution and those in the low to middle

Lack of Affordable Properties

- Only 13% of the cities and towns have greater than 10% of their housing stock affordable to those who make below 80% AMI



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Role of HFA in Affordable Housing

What is a Housing Finance Agency ?

- HFAs are wholly state-owned
- Business Partners with mortgage lenders, GSE, federal and local governments, non-profits, the private sector and community groups
- Issue Mortgage Revenue Bonds to finance first-time, lower income homebuyer mortgages
- Issue multifamily bonds to finance apartments and assisted living developments
- Administer federal and state housing resources



How HFAs Finance Affordable Housing Loans

1. HFA Sell Federally Authorized, Tax Exempt Mortgage Revenue Bonds (MRB) to Corporate Investors
 - MRB financed mortgages have the following characteristics
 - Below market interest rate
 - First time home buyer requirement
 - Target area exception
 - Purchase price limit
 - Not to exceed 90% of the average area purchase price
 - Income restriction
 - Below 115% of AMI
 - Up to 140% for targeted areas
 - Federal Recapture
 - Recapture Relief
 - Credit Enhancement
 - FHA, VA, RD, or conventional mortgage insurance



How HFAs Finance Affordable Housing Loans

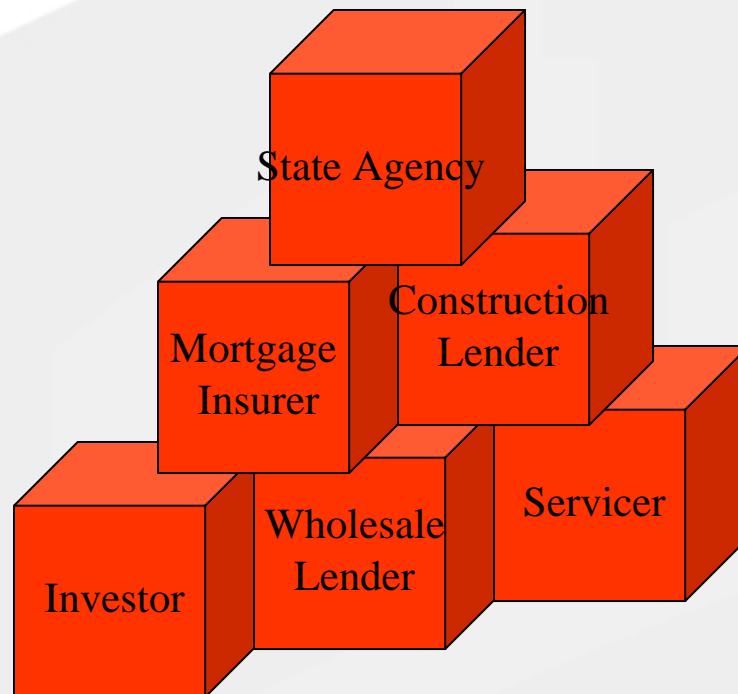
2. Partner With GSEs in Several Different Ways

- Approved Seller/Service of Fannie Mae and Freddie Mac loan products
 - MBS or cash execution of goals-rich mortgage loans
- As an investor: As part of its corporate investment program, Fannie Mae and Freddie Mac purchase MRBs issued by HFAs
- As a credit enhancement: Originating lenders pool mortgage loans into a MBS guaranteed by either Fannie Mae, Ginnie Mae or Freddie Mac and sell the MBS, rather than the whole loans, to the issuing HFAs

3. Administer state appropriated programs



MassHousing Business Model





MassHousing Addressing Affordability

Mortgage Products

- MassAdvantage/ MassAdvantage 100 (MRB Financed)
 - Helps Borrowers qualify for larger loan amounts
 - Rates below the conventional market
 - Lower rates for borrowers below 80% of AMI
 - Interest Only, 40 year mortgage products
 - Purchase and rehab financing available
 - Underwriting Criteria
 - Helps Borrowers with little or no down-payment
 - 100% Financing Single family homes including condo(s)
 - 97% financing on multi(s)
 - Allow seller contributions, gifts, and grants
 - Non-traditional credit accepted



MassHousing Addressing Affordability Continues

- ❑ Help for higher income and the non-first time homebuyer
 - Fannie Mae MyCommunity & standard fixed rate mortgage products
 - Purchase and LCO up to 100% LTV
 - 97% financing on 2 units/95% on 3 and 4 unit properties
 - DU underwritten
 - Charter mortgage insurance coverage
 - Expanded approval available

Construction Financing for Developers

- ❑ Lack of Affordable Properties
 - Housing Starts -
 - Direct Lending to Developers
 - 25% to be sold to buyers making less than 80% of AMI



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MassHousing Addressing Affordability Continues

Mortgage Insurance

MI Plus

- Traditional MI for Lenders
- Job loss coverage at no additional cost for borrowers
 - During the first 10 years
 - P/I up to 6 months (Max \$2,000 per month)
- 20% discount on premium for those making below 80% of AMI
- Fannie Mae and FHLMC approved
- CRA credit under the lending test by Mass Banking Commission

Collaboration on lender portfolio product

- Municipal and Transited oriented initiatives

Pre-Approvals



MassHousing Addressing Affordability Continues

Homebuyer Services

- B2C link @ www.masshousing.com
 - Home buying 101 information
 - Pre-qualification tool with link to participating lender
 - Link to a depository of real estate listings
- Over 60 active lenders throughout the State
- Network of home buyer counseling agencies



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Benefits of Being a MassHousing Lender Partner

- Competitive and below market rates
- B2B portal for business partners @ www.emasshousing.com
 - Loan commitments made on-line
 - Upload from LOS to B2B portal
 - Automated underwriting decisions
 - Loan funding completed on-line
- Table funding of loans
- Marketing support with field representation
- Secondary Market Desk
 - Best efforts origination
- DO sponsor



The Benefits Continue

- Lender support call center
- Alt doc programs with minimum Agency paperwork
- Competitive lender compensation
- B2C Pre-qualification leads for lenders



MassHousing Accomplishments

- ❑ Since 1970, MassHousing provided more than \$3.8 billion to finance more than 52,000 mortgages throughout the Commonwealth
- ❑ Provided more than \$205 million to finance more than for 1,500 mortgages in FY 05'
- ❑ Two-thirds of our first mortgages are made to borrowers below 80% of median income
- ❑ MassHousing presently services over 9400 loans for \$826.2 million
- ❑ Mortgage Insurance Fund presently insures 3,000 loans for \$500 million
- ❑ Recognized as one of the Top 100 Agile Companies by CIO magazine in 2004



Contact

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