



Comfort of Home

June 21, 2021

Background

- Traditionally, HFA's used the tax-exempt bond market to successfully to fund single family housing programs
- Traditional bond market funding model is difficult without a large capital contribution
- The JPFA continuously looks for alternative ways to fund mortgages to successfully complete its mission
- TBA Programs - Southern Mortgage Assistance Program and Lagniappe Advantage Program



TBA TUTORIAL

1. HFA and Stifel *set the rate daily* based on prevailing TBA pricing
2. *Loan origination* through participating lenders
3. Stifel *hedges* against a change in interest rates using the TBA market
4. The Servicer *purchases loans*
5. The Servicer *pools loans & creates MBS* at Stifel's direction
6. Stifel *purchases MBS* at agreed-upon price
7. Stifel *sells MBS* in cash market
8. Must *generate* sufficient *proceeds* to pay costs



Comfort of Home

- 30-year, fixed rate FHA, VA, USDA, Freddie Mac HFA Advantage or Fannie Mae HFA Preferred first mortgage
 - Limited 203(k) Mortgage
- Up to **5%** down payment and closing cost assistance provided to borrower in form of second mortgage
- **Assistance is in the form of a 0% interest, 3-year deferred forgivable second mortgage**
- Servicer: US Bank
- Program Administrator: eHousing



What is a forgivable second mortgage?

- Lien placed on the property for a specific amount of time – 3 years after date of closing
- Over the first 3 years of ownership, assistance is forgiven 1/36th each month
- After 3rd anniversary of closing, borrower will not owe any portion of assistance received

What does deferred mean?

- Borrower will not make any payments on assistance received during first 3 years UNLESS:
 - First mortgage is paid off
 - Borrower ceases to live in the property as their principal residence
- If borrower refinances, sells or no longer lives in the property with first 3 years of ownership, he/she will owe back portion of assistance received

Example

- Borrower purchases \$200,000 home using the JPFA's Comfort of Home's 5% FHA loan
- Borrower receives \$10,000 in assistance
- 28 months after closing, the borrower refinances their home
- Borrower owes back a portion of the assistance received
 - Assistance forgiven at 1/36th per month
 - In the 28th month, \$7,777 of the \$10,000 has been forgiven
 - Borrower will owe \$2,223 when they refinance



Questions?

