

FHFC Homeownership and Non-Profit Renovation Financing



AFFORDABLE HOUSING CONFERENCE
HOME MATTERS
 IN FLORIDA



FHFC Homeownership Programs

**Florida Housing Coalition
Conference**

August 27, 2019

The Homebuyer Loan Program

- How does the Homebuyer Loan Program get its funding?
 - By selling Mortgage Revenue Bonds (MRB's) to investors (Gov't and Conventional Loan Programs-Bond Loans.
 - By selling loans into the (TBA – To Be Announced) secondary market (Conventional Loan Program)

First Time Homebuyer Defined

First Time Homebuyers, as defined by the IRS:

- Do not own the home they live in.
- Do not claim their mobile home as real property (it's on rented lot/land).
- Have not owned **AND** occupied a primary residence within the past three (3) years.
- Must be able to permanently reside in the US.
- Will occupy the property as a primary residence within 60 days of closing.

The Homebuyer Loan Program

- “Bond” is a Lender Originated FIRST MORTGAGE PRODUCT funded through the sale of MRBs. This has been the primary funding source for our government loans for years.
- It has nothing to do with Down Payment Assistance (DPA).
- Bond = a first mortgage program.
- The Program is not a stand-alone DPA program. Buyers must participate in the first mortgage program in order to receive down payment assistance.

Down Payment Assistance...

- FL Housing's down payment assistance can satisfy a buyer's required down payment and assist with closing costs; our money is treated as the buyer's own funds.
- Where does the down payment assistance come from? It's provided through the State, Federal Government or from FL Housing's own resources.

Why Is the Program Important?

- Provides funds to supplement homebuyers own funds with Downpayment and Closing Cost Assistance (DPA) .
- Opens up additional markets; people who couldn't qualify for lack of funds may now become homebuyers.

Homebuyer Loan Program

- Remember, the Homebuyer Loan Program is a **LENDER ORIGINATED FIRST MORTGAGE PROGRAM.**
- FL Housing does not lend directly to homebuyers. Loans are originated through local lenders throughout the state. Each loan officer is trained and approved to participate in the program.

Lender Qualifications

- Must be approved by Florida Housing.
- Since lenders will be selling loans to US Bank, they must also be approved by US Bank.
- Must be able to close the loan in their own name.
- No third party originators.
- Must meet Agency (FHA/Fannie Mae) net worth requirements.

Approved Loan Officers

- Serve as a point of contact for interested homebuyers.
- Assist the borrower in determining their eligibility for the Homebuyer Programs.
- Take and process the loan application for the first AND second mortgage.
- Determine the loan amount, amount of down payment and closing costs.
- Determine other affordable housing products that may be used in conjunction with the Homebuyer Programs.

Borrower Eligibility Requirements

- **Must be First Time Homebuyer.**
 - (some exclusions apply)
- **Must satisfy the Program's income and sales price limits.**
- **Must be able to qualify for a mortgage. This means there will be requirements very specific to FHA, USDA-RD, VA or Fannie Mae and Freddie Mac that must be satisfied first.**
- **Must complete a homebuyer education course. Online is now acceptable.**

Down Payment and Closing Cost Assistance

- Our down payment assistance (DPA) can only be used with FL Housing's First Mortgage products.

NOT STAND ALONE DPA

- Only one Florida Housing DPA product can be utilized with the First Mortgage product.
- Other DPA Resources can be layered with FL Housing Funds.

Down Payment and Closing Cost Assistance

- **Florida Assist Second Mortgage Program.**
- **Homebuyer Loan Program (HLP) Second Mortgage.**
- **HFA Preferred PLUS 3% Grant.**
- **HFA Preferred PLUS 4% Grant.**

Florida Assist (HAP)

- Provides up to \$7,500.00 in down payment and closing cost assistance
- 0 % interest 2nd mortgage, deferred principal until sale, refinance, or the home is no longer their primary residence- always repaid, not a grant.

NOT FORGIVEN

- Borrower(s) can earn up to 120% of the AMI adjusted for family size.

Eligible Properties

- Existing, new, detached single family homes, condominiums, up to 4 unit properties (you must occupy one unit as primary residence), and town homes.



Purchase Price Limits

- Florida Housing establishes limits by using an approved IRS method.
- FHFC uses 90% of the US Treasury limits.
- Limits are higher in Federally Designated Targeted Areas.
- More restrictive limits may apply depending on type of program used.
- **NOTE:** Limits change annually.

Homebuyer Education Requirement

- Face-to-face homebuyer education is preferred if provided by a HUD approved counseling agency or a unit of local government that provides pre-purchase homebuyer education in FL. Refer to www.hud.gov for a list of approved education providers by county. Online HBE is permitted if provided by a HUD approved agency, a unit of local government that provides pre-purchase homebuyer education in FL, a mortgage insurance provider, or an Agency or GSE sponsored course.
- FL Housing does not maintain a list of approved HUD counseling agencies. Refer to HUD's website.

What is a Mortgage Credit Certificate?

- A Mortgage Credit Certificate (MCC) is a federal tax credit designed to reduce the amount of federal income tax borrowers pay, giving them more available income to:
 - 1) Qualify for a mortgage loan, or
 - 2) Assist them with their monthly housing obligation.

MCC

- An MCC creates a **NON**-refundable, federal income tax credit that is issued to eligible first time homebuyers in conjunction with their first mortgage.
- The amount of the tax credit is equal to the mortgage credit rate between 10%-50% multiplied by the annual mortgage interest paid and is capped at \$2,000 when rate exceeds 20%.

A Post-Closing Benefit and then Some!

- Creates an annual tax credit to homeowner whether or not they itemize for each year they occupy the home as their primary residence.
- That's right! Buyers keep receiving this benefit, not just at closing.
- Will save typical homebuyer thousands of \$\$\$ over the life of the MCC—helps recoup downpayment and closing costs invested in transaction.
- Popular product among builders – can strengthen builder relationships. Builders often pay the issuance fee on behalf of the homeowner.

Homeownership Pool Program (HOP)

- Florida Housing created the Homeownership Pool Program (HOP) to enhance the ability and process of Developers to match qualified homebuyers with purchase assistance while increasing the quality of affordable housing in Florida.
- HOP is a noncompetitive and on-going program, where developers reserve funds for eligible homebuyers to provide purchase assistance on a first-come, first-served basis.

How Much Assistance is Available?

- \$5 million has been made available across the state as HOP down payment assistance:
 - \$1 million each for Hurricane Michael Counties, Self-Help developers and Participating Jurisdictions / \$2 million for Non-Participating Jurisdictions
- Eligible homebuyers, whose adjusted income does not exceed 80% of Area Median Income (AMI), receive a 0% deferred second mortgage loan for up to \$25,000.
- Eligible homebuyers with a disabling condition and eligible homebuyers at 50% AMI or below may receive up to \$35,000 in purchase assistance.

Terms of HOP Assistance

- HOP Mortgage is not forgivable. It is a loan and is not assumable.
- As long as the borrower is not in default, the interest on the Mortgage is 0% per annum with the principal payment deferred until a date 50 years (“Maturity Date”) following the date of the signing of the Mortgage, at which time payment is due in full.

Terms of HOP Assistance

- If any of the following events occur before Maturity Date, the unpaid principal balance of the Mortgage is due in full:
 - The home is sold, transferred or disposed of; voluntarily or involuntarily
 - The original homeowner ceases to occupy the home as a principal residence
 - The original homeowner dies, or if married, the surviving spouse dies
 - The original homeowner refinances the first mortgage loan

Who are Eligible HOP Members?

Developers

- Can be non-profit or for-profit companies, including Habitat for Humanity, and the United States Department of Agriculture - Rural Development (USDA-RD)
- Must meet the required experience level.
 - Key team member(s) must have experience in construction of homes and providing homebuyer assistance for at least 5 houses/households.

How Do You Become a HOP Member?

- An application is submitted to Florida Housing, along with the application fee (\$500).
- Florida Housing reviews the application to make sure all required information and experience is included in the application.
- Florida Housing sends approval letter to Member

HOP: Step-By-Step

**Close
the Loan**

Step 4

5 days before closing,
submit the Closing
Package to the Servicer

Step 3

At least 4 weeks prior to closing
the loan, submit the Borrower
Analysis Package to the Servicer

Step 2

Within 14 days, submit the building permit and
Environmental Checklist to FHFC. Servicer
will be assigned once received.

Step 1

Once construction has begun, submit the Homebuyer
Reservation via the HOP Member Website

Construction Features

- **Basic Features**
 - Includes: range and oven, washer/dryer hookups, overhead lighting.
- **Accessibility and Visitability Features**
 - Includes: at least 1 zero-step entrance, lever handles on faucets and doors, doors need to be 34” or wider.
- **Site Development Features**
 - Includes: site must be free from excessive noise, industrial or agricultural hazards, must be primarily residential, off street parking and landscaping that meets local requirements and suitable for terrain and neighborhood.

Construction Features

- **Appliances**
 - Where provided and as applicable, appliances must be Energy Star certified.
- **Green Building Certifications***
 - Units must be certified to one of the following:
 - Energy Star, FGBC, NGBS or LEED.
- **Manufactured Housing is Allowed!**
 - Meet MHCSS, be on a permanent foundation, be considered real property and connected to permanent utility hookups.

Questions?

- 
- HLP?
 - MCC?
 - HOP?

Thank You!

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"Non-Profit"
Community Development
Financial Institution (CDFI)



SOLAR AND ENERGY LOAN FUND

August 27, 2019

FHFC Homeownership and Non-Profit Renovation Financing



BACKGROUND

- ❑ St. Lucie County was 1 of 22 local governments in America to receive funds (“seed grant”) from the U.S. Department of Energy in 2009 to create innovative local clean energy financing program;
- ❑ SELF is an independent, non-profit 501(c)(3) Florida corporation established in 2010, which is overseen by a seven (7) member Board of Directors and a staff of eleven (11);
- ❑ SELF is certified (statewide) by the U.S. Treasury Department as a Community Development Financial Institution (CDFI), which means our lending activities are focused on Low and Moderate Income (LMI) homeowners in Florida;
- ❑ SELF’s loan program became operational in the Spring of 2011, as a pilot program in St. Lucie County, and has since expanded to 87 jurisdictions in Florida, and a handful of loans in southern Alabama;
- ❑ SELF has raised over **\$12 million** in loan capital and grants, developed six (6) unique lending programs to promote clean energy, resilience, and other sustainable building practices; and deployed \$10 million to more than 1,000 homeowners, with over 70% LMI and 1% default rate (last 3 years).

MISSION

Rebuild and empower underserved communities by providing access to affordable and innovative financing for sustainable home improvements, including: energy efficiency; renewable energy; wind-hazard mitigation; water quality and water conservation projects, and more.





WHAT IS A CDFI?

- ❑ Community development financial institutions (CDFIs) are private financial institutions dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream;
- ❑ CDFIs must direct at least 60% of their financial product activities to one or more eligible low-income target markets, targeted populations, and investment areas. SELF typically exceeds 70%;
- ❑ SELF has consistently exceeded minimum CDFI lending thresholds and is dedicated to servicing market niches that are often underserved by traditional financial institutions;
- ❑ SELF was originally certified as a CDFI in 2012, and then re-certified in 2016 and granted statewide approval.





SUPPORT SERVICES

- ❑ **FINANCIAL INCLUSION/ACCESS to FAVORABLE FINANCING**
 - ❑ **BUILDING SCIENCE AND ENERGY EXPERTISE**
 - ❑ **PROJECT MANAGEMENT**
 - **Prescreen Contractors for Proper Licenses and Insurance;**
 - **Review Pricing to prevent price gouging; and,**
 - **Assist clients in the field with Project Management as needed.**
- * Note: SELF pays the contractors directly after the project is approved by local building officials and the homeowner is satisfied with the results.**



TYPES OF IMPROVEMENTS

1. **Energy Efficiency** (e.g. weatherization, insulation, high-efficiency HVAC, LED lights)
2. **Renewable Energy** (e.g., solar water heaters, solar PV panels, solar attic fans, solar A/C systems)
3. **Wind-Hazard Mitigation** (e.g., roofs, impact windows, doors, hurricane shutters)
4. **Water Conservation** (e.g., cisterns, rain barrels, and high-efficiency irrigation systems)
5. **Water Quality** (e.g., septic tank conversion to central sewer and lateral line replacements. Potable water hook-ups)
6. **Disability Remodeling and Aging In Place** (e.g., wheelchair ramps, walk-in showers, etc.)
7. **Miscellaneous Home Improvements** (20% of project, as needed)

PRIMARY LENDING PROGRAMS

1

CDFI

Community Development Financial Institution (CDFI).
Unsecured Residential Loans;

2

KIVA

Worldwide Crowdfunding For Veterans & Women
Unsecured Residential Loans;

3

MSH

My Strong Home enables applicants to use Insurance Savings toward roof repairs. Unsecured Residential Loans;

4

HALO

Home Adaptation Loans for homeowners with disabilities.
Unsecured Residential Loans.

5

WL

Water Conservation, Potable Water Hook-Ups, and Sewer Loans for septic-to-sewer conversions and lateral line replacement. Unsecured Residential Loans.

6

PACE

Property-Assessed Clean Energy (PACE) for all land use types. Secured. Must show Ability to Pay.
St. Lucie County Only.



SPECIAL PROGRAMS



Worldwide Crowdfunding Platform

“Peer-to-peer lending”

Total Funds Raised = \$604,325

Total # of Clients = 107

SELF is one of only a dozen KIVA-approved field partners in North America. This innovative crowdfunding program promotes clean energy, green jobs, and helps to alleviate poverty.



Target Groups:

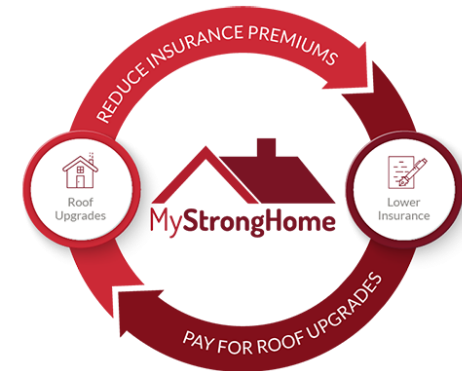
- 1) Veterans
- 2) Women



SPECIAL PROGRAMS

My Strong Home (MSH)

- Provides “Fortified Roofs” to homeowners
- Reduces Home Insurance Rates
- Uses Insurance Savings to help pay for all or part of the cost of the new roof.



Example: Garcia Family (from Fort Pierce)

- Total cost of roof replacement = \$10,000
- Home insurance rate dropped by \$1,000 per year because of the new “fortified roof”
- 7 years MSH loan x \$1,000 per year = \$7,000 paid for by insurance savings
- SELF provided supplemental loan of \$3,000

SPECIAL PROGRAMS

Home Adaptation Loans (“HALO”)

- SELF joined the National Disability CDFI Coalition
- SELF secured \$400,000 of low-cost capital from the CDFI FUND for seniors and disabled homeowners
- SELF is partnering with the Florida Alliance for Assistive Services and Technologies (FAAST) and the Florida Housing Coalition (FHC).



LOW-INTEREST LOANS FOR HOME RENOVATIONS

HALO Loan Program

- Provides low-interest rate financing (5-7% fixed) for seniors and disabled homeowners to complete home adaptations
- Home Adaptations include walk-in showers, wheelchair ramps, widening doors and hallways, and more.

Solar Photovoltaic (PV)

Basic Facts

- Cost of solar PV panels has decreased by 90% in last 10 years
- FL PV prices are the lowest in the United States (\$2.70 watt), and SELF clients have averaged about \$2.25 per watt
- Solar co-ops provide bulk-rate pricing at \$2.00 per watt
- Federal Tax Credit (30%) remains in effect through 2021

Economics

- Typical PV project is about 8,000 watts (8 kW system)
- At \$2.25 per watt, an 8 kW PV system costs \$18,000
- After 30% Federal Tax Credit (\$6,000), the **net cost = \$12,000**
- Typical payback is 6-8 years
- Total estimated energy savings is in excess of \$10,000 per home through the warrantied life of the system

Solar Loans:

- *7.0-7.5% Interest Rates
(fixed, unsecured)
- *Terms up to 10 years

PACE (St. Lucie)

- *7.0-8.0% Interest Rates
(fixed rates, secured)
- *Terms up to 20 years





Innovative Financing Sources:

Traditional Funding Sources

- Banks (CRA Investments)
- Local Government Investments/Grants
- Private Investors

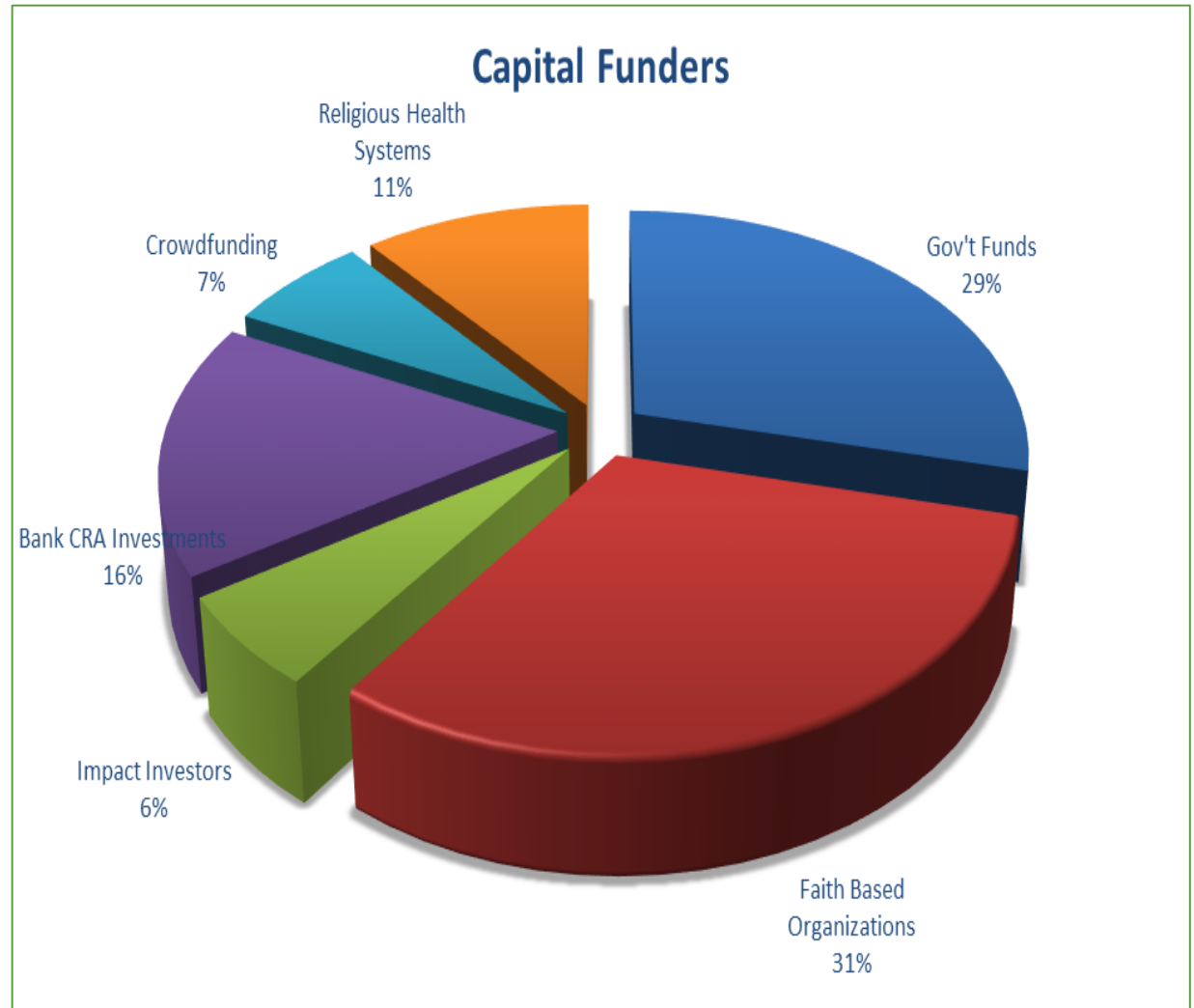
Non-Traditional Funding Sources

- Socially Responsible Investors (SRIs)
- Global Crowdfunding (KIVA.org)
- National Health Systems (Dignity Health)
- Partnership Financing
- Interest Rate Buy Downs (FAAST)
- Participation Loans (MSH)

Capital Sources:

SELF has raised
**\$12+ million in loan
capital and grants:**

- ✓ \$9 million in loan capital, and
- ✓ \$3+ million in grants.





Triple Bottom Line RESULTS:

- Completed 1,074 energy assessments
- Closed 1,000+ home renovation loans totaling **\$10 million with a default rate of 1.2% over the last three years**
- 70% of SELF's lending activity has been in Low- and Moderate-Income (LMI) census tracts, 50% for seniors, 40% for women, and 20% for veterans.
- Based on actual energy data, SELF's clients have reduced average household energy consumption by 24% (i.e., carbon footprint) with basic energy efficiency upgrades, and many clients have achieved net-zero homes through solar PV;
- Homeowners are making much-needed home improvements that enhance comfort, health and quality of life, increase home equity, reduce operating costs, and safeguard against storms and hurricanes;
- Creating local jobs for contractors, with 350+ approved contractors in our network. SELF's #1 contractor has completed more than \$1.1 million of projects.

Solar and Energy Loan Fund (SELF)

SELF
EASY LOANS FOR IMPROVING HOMES





AWARDS AND RECOGNITION:

- National Achievement Award for local energy programs from the National Association of Counties (NACo) - 2012
- “Green Business of the Year” award from the South Florida Chapter of the U.S. Green Building Council - 2013
- Identified by the Opportunity Finance Network as “1 of 5 trailblazing CDFIs in America” – 2015
- “Exceptional Non-Profit in Innovation” award from 211/TC - 2015
- Highlighted in the White House report on “Innovative Financing for Clean Energy Technologies” – December 2015
- Identified by U.S. DOE staff as a “shining legacy of the Better Buildings Neighborhood Program” and featured in their national newsletter of the Better Buildings Network – 2017
- “Non-Profit of the Year” finalist from 211/Treasure Coast – 2017
- Sustany Foundation “Sustainable Business Award” (Tampa/St. Petersburg) – 2019.

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