MHDC First Time Homebuyer Programs

What Every Realtor Should Know

Strength, Dignity, Quality of Life
MISSOURI HOUSING
DEVELOPMENT COMMISSION

Modified
1/8/21

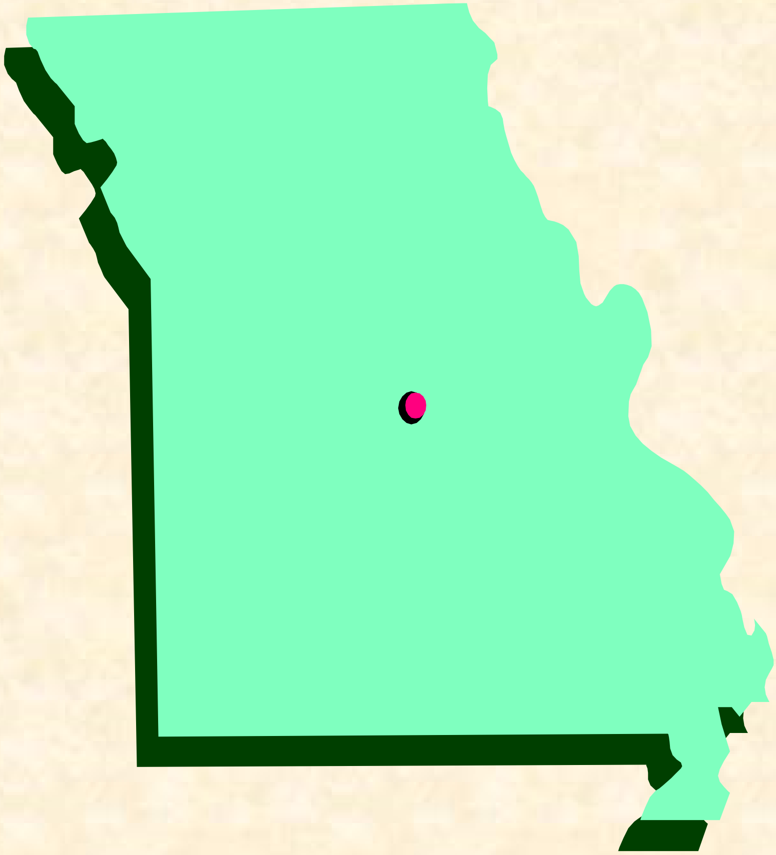
HOUSE KEEPING

- Please make sure all cell phones are turned off or are on silent
- Restrooms
- Refreshments

Agenda

- Welcome & Introduction
- MHDC Overview
- First Place- Funded with Mortgage Revenue Bonds
- Ten Minute Break
- Next Step Program- Funded with TBA
- Ten Minute Break
- MCC Program – Mortgage Credit Certificate

What is MHDC



- State Housing Finance Agency
- Administers Missouri's Tax Credit, Mortgage Revenue Bond, and other housing programs
- Six Commissioners appointed by Governor and four elected.
- Provide support to all our certified lenders and realtors.

HOMEOWNERSHIP DEPARTMENT

- Provides funding to purchase homes through partnerships.
- Injects gap financing into loans in the form of forgivable second mortgages.
- Monitors compliance.
- Assures funds are distributed statewide.
- Provides support to lenders and realtors.

Why Train Realtors?

- Realtors are often the first contact for a first-time buyer
- MHDC products are first time buyer products
- Training Realtors on MHDC products makes the process easier for buyers, Realtors, Lenders and MHDC

First Place Loans/ Mortgage Revenue Bonds

- Description of MRBs'
- Type of Fund & Availability
- Process and Procedures of the Program
- Restrictions of the Program
- Program Eligibility Requirements
- Income Calculation & Limits

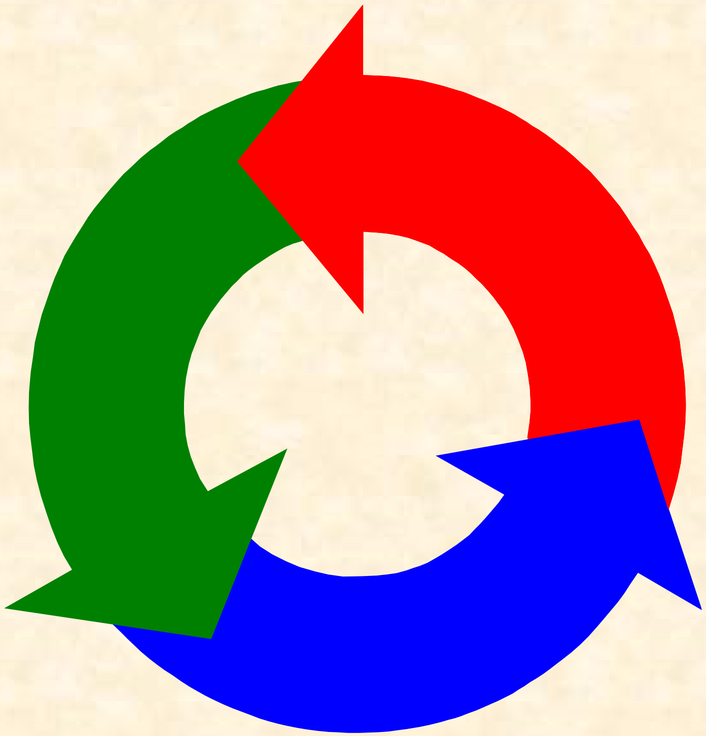
Mortgage Revenue Bonds

- What is an MRB?
- Where does the money come from ?
- Who establishes the rules?

- Investment Instrument
- Sale of Bonds to Investors
- IRS-Bonds are Tax-Free, so IRS rules apply

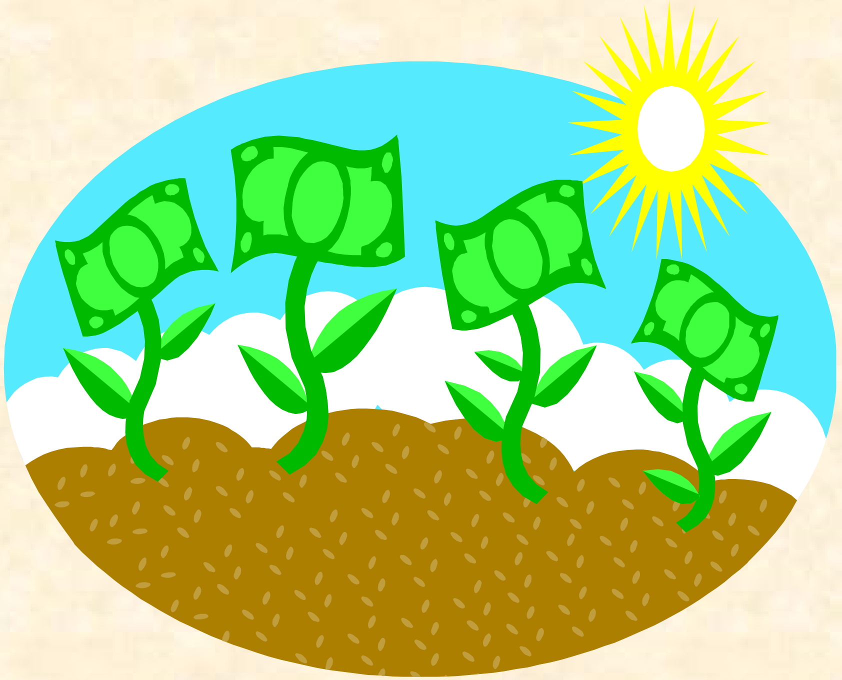
Where Does the Money Come From

- MHDC sells bonds to investors
- The money from investors is used to make home loans
- The payments on the mortgage loans pays principal and interest to the investors



Where Does the Money Come From

- Efficient method of increasing availability of Affordable Housing
- No cost to Missouri taxpayers
- Federally authorized tax exemption



Why Should I Care About the First Place Program?

- Nationwide, the single largest reason potential buyers don't purchase a home is lack of down payment
- **First Place Loans** can assist your buyers with their down payment
- If more of your buyers have access to a down payment, you will sell more homes
- Number one myth with first time homebuyers is that you have to have 20% down payment

What Type of Funds are Available

- Cash Assistance Loan (CAL)
- Non-CAL loans
- The CAL is 4% of the total loan amount
- Both types of funds are always available
- Best rate available in Target Areas

MORTGAGE REVENUE BONDS (MRB)

- Are a type of mortgage loan where the cost of borrowing is partially subsidized by the mortgage revenue bond & are generally designed to lower the cost of homeownership for low to moderate income borrowers.

- The program offers first-time homebuyers 30-year fixed mortgages at or below-market rates.

- Due to the nature of these loans, IRS rules apply.

- These loans must be closed and purchased by the master servicer usually within 60 days.

MRB-CAL
(Cash Assistance Loan)

- CAL provides first-time homebuyers with a 30-year fixed-rate first mortgage at affordable rate.
- In addition, it will offer 4% of the total loan amount to go towards down payment and closing cost assistance.
- 4% will come in the form of a forgivable second mortgage
  - There are no monthly payments on the CAL
  - At closing the lender will front the 4% CAL to the borrower and will be reimbursed by the master servicer when the loan is purchased.
  - **If the borrower will not have to pay the CAL back if they live in the home and stay in the loan for 10 years. The loan will diminish 1/60 every month from year 5 to year 10 then be completely forgiven**

USING CAL FUNDS

- CAL funds will always be 4% of the loan amount, not the sales price
- CAL funds may be used to pay any allowable closing cost, or to assist with down payment
- CAL funds will be in a form of a 10-year forgivable second mortgage, which is recorded as 2^{nd} lien on the property.

MRB-NON CAL
(Non Cash Assistance Loan)

- Non-CAL provides first-time homebuyers with a 30-year fixed-rate first mortgage at an even lower rate.

- First-time homebuyers eligible for lower interest rate than those who use CAL.

- Rates result in lower monthly payments

- NON-CAL loans do not provide down payment and/or closing cost assistance

Non-CAL funds

- Usually .75% lower than CAL rate
- Homebuyer can realize considerable savings over the life of the loan using Non-CAL funds
- Usually make up 10-15% of entire Bond Issue

Advantages of the First Place Program

- Lower monthly payments
- **Cash to help with closing costs/down payment**
- No added credit underwriting/qualifying
- MHDC does not credit underwrites the loan, refer to your loan officer for underwriting questions.
- Allows you to qualify more borrowers, thus selling more homes.

Advantages of First Place Program

- Borrower applies at local certified lender and not with MHDC
- Allows Realtors the opportunity to establish relationships with lenders
- No worries about Predatory Lending-MHDC regulates fees and audits every loan file for excessive fees

How Does The Money Get To The Buyer?

- Borrower finds a home and signs a contract
- Lender accepts application, reserves funds, processes and approves loan
- At closing, lender funds loan
- After closing, Lender sells loan to the master servicer
- This keeps the MRB process from slowing loan closing

What is the procedure for getting funds reserved?

- Every certified lender has access to the MHDC on-line reservation system, Lender Online.
- Lenders may make reservations as soon as they have a signed loan application and a **fully executed** real estate contract.
- Loans need not be approved before a reservation may be made.

What is the procedure for getting funds reserved?

- Reservations are for 45 days for existing and new construction properties
- Reservations may be extended for an additional 30 days if extension conditions are met
- Reservations automatically cancelled if not extended
- This will all be done by the lender

REAL-ESTATE CONTRACT

- Provide a copy of the real estate contract with **all** addendums.
- Be certain any adjustments to sales price are included.
- Both buyer and seller must have executed and dated contract. Reservation cannot be made until you have a FINAL contract.
- **The home may not have a purchase price higher than the appraised value.**

Important Note

- Until all parties to a real estate contract have signed, there is no contract
- MHDC must be provided a copy of a contract signed by all parties after the loan closes
- **Must be signed by agents, make sure the names are legible so that you get credit for loan**

WHAT ARE THE RESTRICTIONS?

- MHDC restricts the amount of fees that may be charged, eliminating "junk fees"; e-mail fee, realtor fees to the buyer, etc.
- No Manual Underwriting on FHA loans, other types of loan can be manually underwritten but restrictions will apply
- Minimum Credit Score **640**, maximum DTI is **45%**
- IF score is higher than **680** the DTI can go up to **50%**
- Secondary financing is only acceptable from other government agencies

How Easy is the Product to Use?

- Use programs you are familiar with:
- FHA,USDA/RD VA, Conventional (Freddie Mac), including the HFA Advantage program
- Borrower selects the type of loan he wants to use, then applies and closes when approved
- Most underwriting criteria will be mandated by the type of loan the borrower selects. (i.e., FHA, VA, etc.)
- The only overlay on an MHDC loan would be the 640-credit score and the 45% DTI.

HFA ADVANTAGE AND HFA PREFERRED (Conventional Loans Only)

- Housing Finance Agencies Only
- Deliver loans 97% loan-to value (LTV)
- Low mortgage insurance coverage

HFA Advantage and HFA PREFERRED (Conventional Loans Only)

- Borrower contribution = $0 for one-unit prop.
- Low mortgage insurance coverage
- Borrowers under 80% of the AMI will receive a lower interest rate and a reduction in their MI coverage
- Borrowers over 80% of the AMI will have an interest rate of approximately .5% higher.

Who Can Best Use the First Place Program?

- Low to Moderate Income Households
- Borrowers with Limited Down Payment Funds
- First Time Buyers

Who is eligible to use the program?

Buyers must meet **five** tests to be eligible for First Place and MCC programs

1. Borrowers must be first-time buyers
2. Property cannot be in Flood Zone A
3. Household income cannot exceed limits set by MHDC
4. Sales price cannot exceed limits set by MHDC
5. Borrowers must have a credit score of 640 or higher

Who Is A First Time Buyer?

- Has not owned their **principal residence** in the last three years
- Have no mortgages showing on their credit report for the last 3 years.
- This will only apply to **ALL** adult persons who will be on the loan or the spouse of the borrower.

First Time Buyer Exceptions

- Buying in a Targeted Census Tract
- A Qualified VETERAN
- Rental property ownership OK if not occupied by buyer for last three years
- Paying off Construction/Bridge Loans
- May have owned a mobile home and the property was not on a permanent foundation

Flood Zone A

- This is the 100-year flood plane
- **No** portion of the property may be in a Special Flood Hazard area
- Flood Insurance will not provide an exception
- An elevation certificate will not provide an exception
- Flood determination comes from the Flood Certification Letter
- **Lenders can pull flood certification if you have concerns**

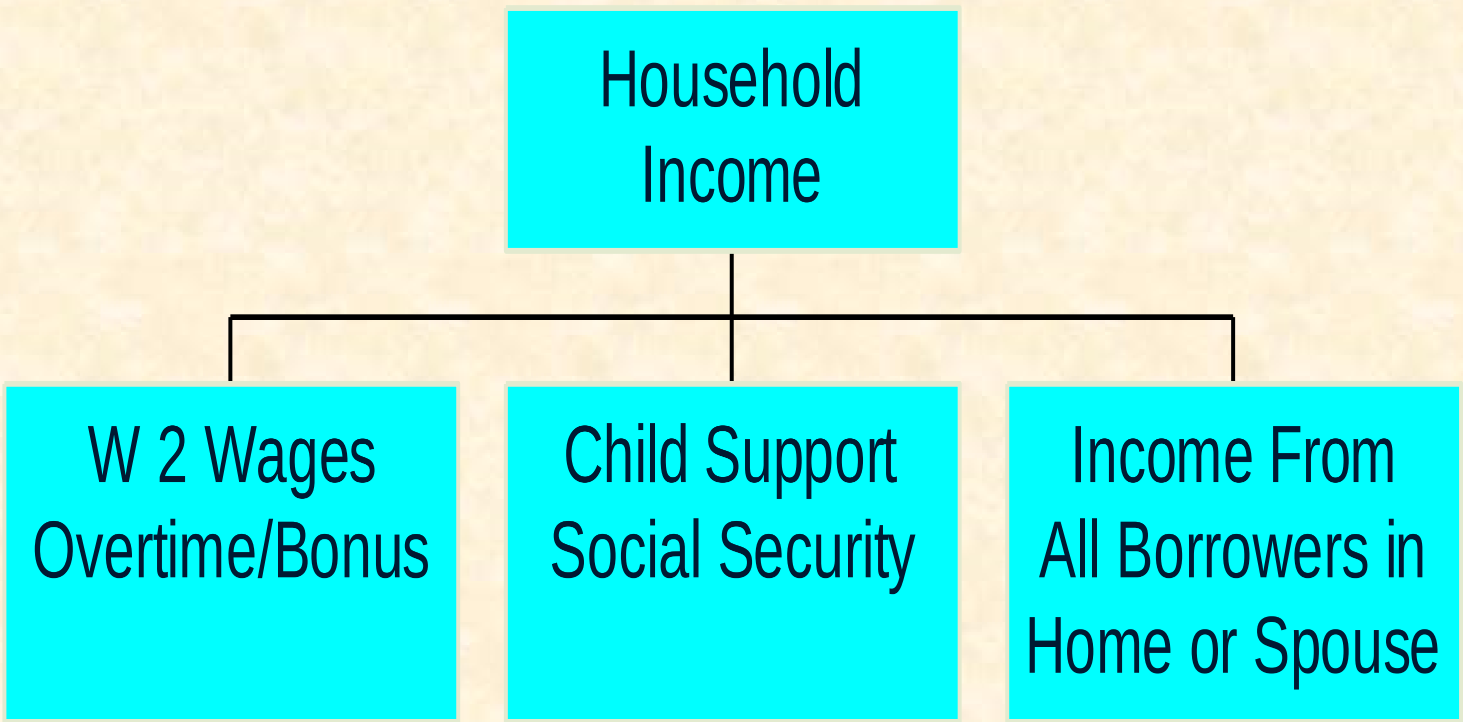
BREAK TIME

- 10-minute break

Calculating Household Income: Does Your Buyer Qualify?

- If a buyer does qualify for the program, they may be eligible for a bigger loan, and possibly a more expensive home
- Knowing the rules allows you to help the homebuyer buy the home they really want
- Knowing they don't qualify can save both of you time and disappointment
- **Realtors should be aware of the income guidelines**

What is Household Income



How Is Income Calculated?

- Base earnings are projected forward for a full 12- month period.
- All overtime, bonuses and commissions will be calculated based on the most recent 12-month period (not a calendar year).
- Overtime/bonuses: Last 12-month history may be required.
- **There are different qualifying procedures**

HOUSEHOLD INCOME

- Calculating “worst case scenario:”

- VOE states $3,000 in overtime this year, and $4,500 in overtime last year.

- If a 12-month breakdown of overtime is not provided by employer, MHDC will accept totaling overtime for current and previous year, divided by 12:

Example: $3,000+$4,500= $7,500/12= $625 monthly overtime.

Example of Income Calculation

- Hourly rate of $20.00 x 40 hours

  =$800 x 52

  =$<u>41,600</u>
- $41,600/12 = $3,467/month
- Spouse, not on the loan =$<u>2,000</u> month
- Child support =$400/month
- Total income = $5,867x12= **$<u>70,400 annually</u>**

Remember the Lender

- The lender will make the final decision regarding income and loan qualification; refer your buyer to a certified lender as early in the process as possible
- Refer to the Homebuyers section of our website for a complete list of lenders
- Website address is www.mhdc.com/homes/current_lenders/index.htm

OTHER FORMS OF INCOME

- Self-employment
- Child support
- Seasonal
- Unemployment
- Interest Income

DIFFERENCE IN CALCULATION FOR SELF-EMPLOYED PERSON

- Income listed on line 3 (net earnings) of the 1040 Schedule 1 is used.
- Deductions are allowed, but all depreciation must be straight-line (Schedule C).
- Be certain to include the borrowers' portion of retained earnings for Partnerships and S-Corporations.
- **MHDC does not average income over several tax years.**

SEASONAL/IRREGULAR INCOME

- Use the exact amount received in the previous 12-month period.

- If on the job less than 12-months, divide total income by months worked, then project forward to obtain 12-month income figure.

- **Example:**

  $17,653/8 =$2,206.62 monthly, $2,206.62 x 12 **=$26,479.50** annually.

TREATMENT OF ASSETS

Liquid Assets over $5,000 must be calculated as income

- Exception is Retirement Plans/Stocks

Example:

Bank Acct	$10,500.00
	x 2%
	$210.00

$210/12=$17.50 a month

TOTAL NUMBER IN THE HOUSEHOLD

TOTAL NUMBER IN HOUSEHOLD

- A dependent may be counted if the parents are divorced and per the divorce decree each parent has custody 50% of the time.
- Foster children are NOT counted as members of the household.
- An unborn child may not be included as a dependent.

Maximum Income Limits

Effective 4/1/21
MHDC
***First Place Loan Program* & MCC Program**

	NON-TARGETED AREAS		TARGETED AREAS	
	1-2 persons	3+ persons	1-2 persons	3+ persons
Kansas City MSA ***(Counties of Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte and Ray)***	**$86,600**	**$99,590**	**$103,920**	**$121,240**
Jefferson City MSA ***(Counties of Cole, Osage)***	**$76,700**	**$88,205**	**$92,040**	**$107,380**
Columbia MSA ***(Counties of Boone and Howard)***	**$81,700**	**$93,955**	**$98,040**	**$114,380**
St. Louis MSA ***(Counties of Franklin, Jefferson, Lincoln, St. Charles, St. Louis City, St. Louis County and Warren)***	**$84,900**	**$97,635**	**$101,880**	**$118,860**
All Other Areas	**$72,300**	**$83,145**	**$86,760**	**$101,220**

SUBJECT TO CHANGE
PLEASE MAKE CERTAIN YOU ARE ALWAYS USING THE CORRECT CHART.

Questions on Income?

- Calculation?
- Limits?
- Number in the household?

Next Step Program funded with TBA

- Description of TBA
- Maximum Sale Price Limits
- Types of Eligible Properties
- Occupancy requirements
- Manufactured Homes

Next Step

- This is a forward commitment program where the mortgage interest rate is set usually daily, sometimes more often, depending on the market conditions. Reservations are only available Monday through Friday 9-5 pm.

- Extensions will be allowed but at a cost. Under the Next Step program the loans do not have to meet IRS regulations, they only must meet MHDC regulations.

Next Step CAL

(Cash Assistance Loan)

- Next Step CAL provides first-time and non first-time homebuyers with a 30-year fixed-rate first mortgage at affordable rate.
- In addition, it will offer 4% of the total loan amount to go towards down payment and closing cost assistance.
- 4% will come in the form of a ten-year forgivable 2nd Mortgage
  - There are no monthly payments on the 4%
  - The borrower will not have to pay the 4% unless they sell or refinance in the first ten years.
  - At closing lender will front the 4% CAL to the borrower and will be reimbursed by the master servicer when the loan is purchased.

Next Step Non CAL
(Non Cash Assistance Loan)

- Next Step Non-CAL provides first-time homebuyers and Non first-time homebuyers with a 30-year fixed-rate first mortgage at an even lower rate

- First-time homebuyers eligible for lower interest rate than those who use CAL

- Rates result in lower monthly payments

- Program does not provide down payment and/or closing cost assistance

Program Objectives

- The Next Step Program allows Missouri citizens the opportunity to continue their quest for homeownership.
- Next Step will enable **non**-first-time homebuyers who lack sufficient equity or funds for down payment to purchase their new home.

Program Need

- Some homeowners lack equity and need down payment assistance to purchase their next home.
- Some homeowners become renters as a result.
- The Next Step Program benefits Missouri borrowers in several ways:
  - Bridges the gap between lack of equity and downpayment needed to purchase their next home.
  - Allow first time buyers who fall outside the income limits for the First Place Program to achieve homeownership.

Funding Next Step

- Funding for this program will be provided by the sale of the MBS in the TBA market or by the sale of taxable bonds.
- Mortgage interest rates will be set based on the TBA market.
- The interest rates will be adjusted daily as needed.

Interest Rates

- There will be 6 different interest rates in the Next Step Program for example:
  - CAL Government
  - NON-CAL Government
  - CAL Conventional Over 80% AMI
  - Non-CAL Conventional Over 80% AMI
  - CAL Conventional Under 80% AMI
  - Non-CAL Conventional Under 80% AMI
  - Refer to the MHDC website or your certified lender

- These rates could change daily or sometimes twice a day. So make sure you are always using the correct rate.

Next Step

- If a borrower lives in their current home and wants to buy another home using the Next Step program, this will be allowed, however the following must be met:
  - The borrower must live in the new home as their primary residence
  - The rental income from the old home must be counted against the borrower for MHDC income qualifying, whether the borrower has rented the home or not
  - Of course you will also have to follow your credit underwriting guidelines as well

Maximum Income Limits For Next Step

Effective 4/1/21
MHDC
***First Place Loan Program* & MCC Program**

	1-2 persons	3+ persons
Kansas City MSA *(Counties of Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte and Ray)*	**$103,920**	**$121,240**
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All Other Areas	**$86,760**	**$101,220**

SUBJECT TO CHANGE
PLEASE MAKE CERTAIN YOU ARE ALWAYS USING THE CORRECT CHART.

Sales Price Limits

- Are no longer separated into New and Existing structures
- Are higher in Federally Targeted Census Tracts
- Are set by the IRS, <u>NOT</u> HUD
- Target areas, may be viewed at the MHDC website, www.mhdc.com

New Sales Price Limits
Effective 3/25/21

- Single set of Price Limits used State-wide
- Two Family properties allowed, but must be at least 5 years old, one side owner occupied
- **Non-Target**

  1 Family $311,979

  2 Family $399,448 (not allowed with MCC)
- **Target and Next Step**

  1 Family $381,308

  2 Family $488,215 (not allowed with MCC)

Property Guidelines

- Single family Detached, duplex,   1/2 duplex, condo, townhouse
- No properties in 100-year flood plane
- No income producing property
- No business occupying over 15% of home

Property Guidelines

- IRS regulations prohibit financing income producing property
- Maximum acreage is 10 acres

Two-Family Residences

- Buyer may purchase both sides of a two-family unit
- Units must be at least five years old
- Owner must occupy one unit
- Rental income is not considered for MHDC qualifying income
- These are not allowed with the MCC program

Two-Family Residences

- Lenders may consider income from the rental side as they would for any other two-unit transaction (usually 75% of scheduled rent)
- For example, total payment on a duplex is $1,200, with a rent of side two of $800. Lender will consider $600 of rent towards qualifying income
- MHDC will not consider this $600 for qualifying income.

Inspections

- MHDC does not require any additional inspections for any of the programs
- Any inspections required by RD, FHA etc. would be performed

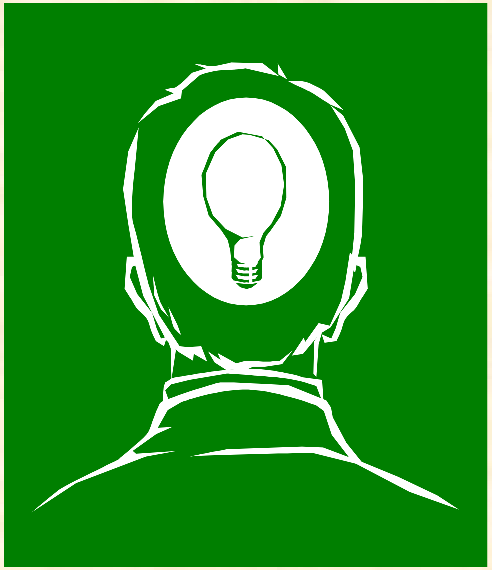
INSPECTOR

OWNER OCCUPANCY REQUIREMENTS

- Mortgagors must occupy the residence within 60 days of loan closing and continue to occupy if the bond loan exists.
- Mortgagors may not rent the property if the MHDC loan exists.

Questions

- Income?
- Property?
- Benefits?
- CAL?
- ??????



BREAK TIME

- 10 minute break

Mortgage Credit Certificate

- Description of the program
- Tax Credit vs Tax Deduction
- Benefits to the borrower
- How it works with the Next Step Program
- Tax Credit Rate

Mortgage Credit Certificate

- A certificate provided by MHDC to the borrower that directly converts a portion of the mortgage interest paid by the borrower into a non-refundable tax credit.

- Mortgage credit certificates can only be issued by MHDC through certified lenders and are typically available only to low- or moderate-income buyers. MCC's must meet IRS/MHDC regulations.

- These certificates are designed to help first-time homebuyers qualify for a home loan by reducing their tax liabilities below what they would otherwise have to pay.

Mortgage Credit Certificate

- MCC will not be reissued.
- Therefore, if a borrower refinances their home, they will lose their MCC.
- MCC's are assigned to the borrower and the mortgage on the home, so if they refinance or sell their home the MCC will become null and void.
- MCC are non assumable and non transferrable.
- If the borrower fails to occupy their home as their principal residence the MCC will become null and void.

Mortgage Credit Certificate

- For mortgage loans involving MCCs, conventional underwriting standards for housing expense and debt ratios may be modified to recognize the benefit of the MCC.

  The secondary mortgage market and the mortgage insurance industry have established underwriting policies for loans involving MCCs. These are available separately as policy statements from the mortgage lending industry, but generally allow the credit available under the MCC to be treated as an adjustment to the monthly loan payment amount.

MORTGAGE CREDIT CERTIFICATE

TAX CREDIT

VS

TAX DEDUCTION

Mortgage Credit Certificate

TAX DEDUCTION

Entitles taxpayers to subtract from the adjusted gross income before federal income taxes are computed. Therefore, with a deduction, only a percentage of the amount deducted is realized in savings.

TAX CREDIT

Entitles taxpayers to subtract the amount from their total federal income tax liability, receiving a dollar for dollar savings.

MORTGAGE

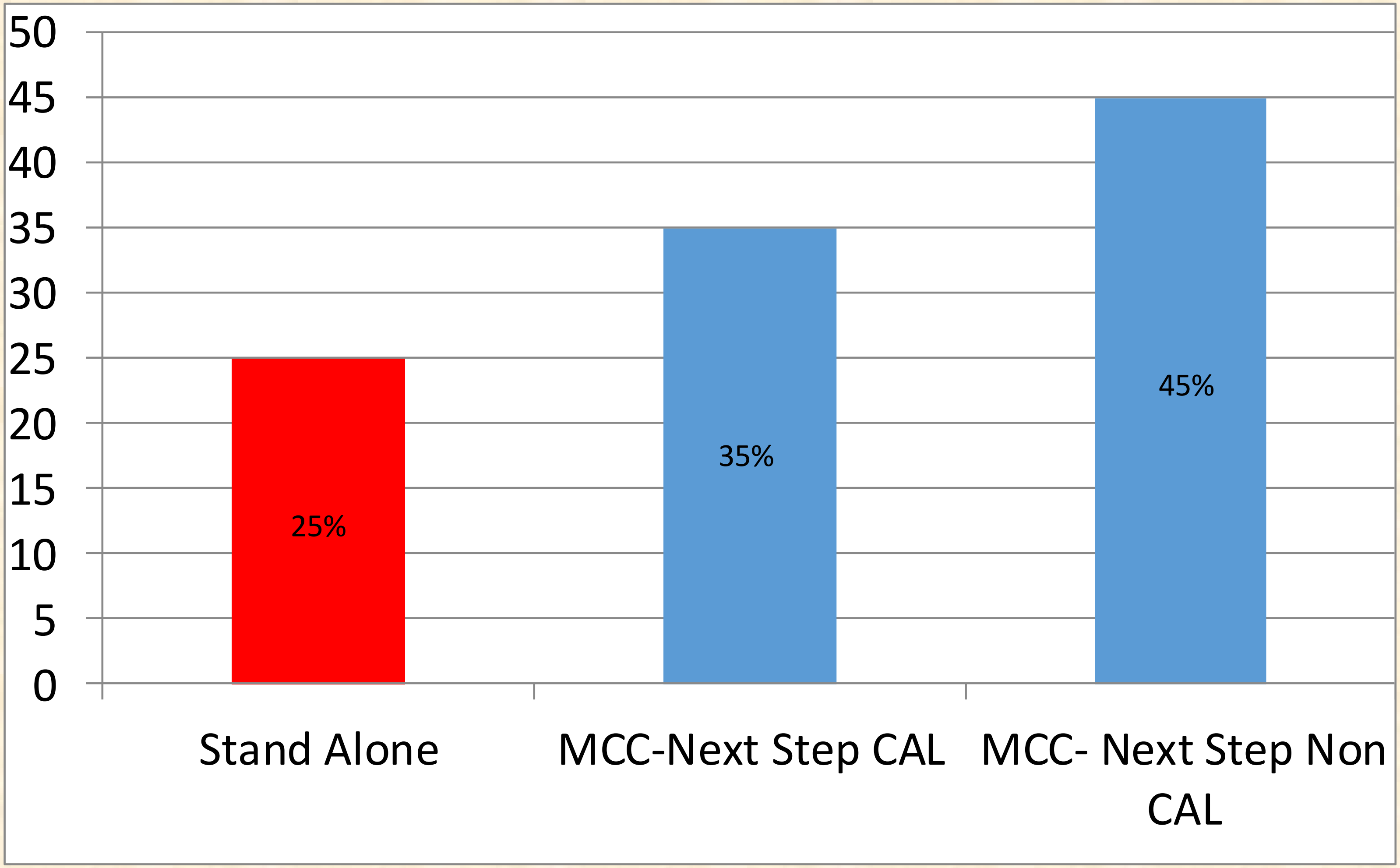
	Without MCC	With MCC
Mortgage Amount	$100,000	$100,000
Mortgage Interest Rate	4.875%	4.875%
Monthly Mortgage Payment	$529.21	$529.21
MCC Rate	N/A	25%
Monthly Credit Amount (First Year Average)	N/A	$100.87
"Effective" Monthly Mortgage Payment	$529.21	$428.34

TAX RETURNS

	With a MCC	Without a MCC
Adjusted Gross Income	$65,000	$65,000
Standard Deduction	$12,000	$12,000
Taxable Income	$53,000	$53,000
Tax	$4,960	$4,960
Tax Credit for MCC	$2,000	0
Total Tax Liability	$2,960	$4,960

The borrower can fill out a new W-4 form with their employer to receive more money in each paycheck.

MCC Credit Rates



MCC Stand-Alone Program

- Stand Alone MCC's are borrowers who purchase the MCC only. The mortgage is through the certified lender using your interest rate and your loan term. Only term unallowable will be a balloon loan.
- Stand Alone MCC is worth 25%.
- MCC is good for the "Life of the Loan" equal to 25% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is $2,000.
- If your allowable credit is reduced because of the limit based on your tax, you can carry forward the unused portion of the credit to the next 3 years or until used, whichever comes first.
- Claim on yearly tax returns (IRS Form 8396).
- Borrowers are charged a one-time fee of 1% of the total loan amount for MCC.
- MHDC must prior approve all MCC.

MCC – NEXT STEP CAL

- MCC-CAL borrowers receive 4% down payment assistance along with the MCC. MHDC sets the interest rate, all loans are 30-year fixed rate, and must be sold to our Master Servicer.
- MCC is worth 35%.
- MCC is good for the "Life of the Loan" equal to 35% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is $2,000.
- If your allowable credit is reduced because of the limit based on your tax, you can carry forward the unused portion of the credit to the next 3 years or until used, whichever comes first.
- Claim on yearly tax returns (IRS Form 8396).
- Borrowers are charged a one-time fee of 1% of the total loan amount for MCC.
- MHDC must prior approve all MCC.

MCC – NEXT STEP NON CAL

- MCC-Next Step Non CAL borrowers will only receive a MCC. MHDC sets the interest rate, all loans are 30 year fixed rate, and must be sold to our master servicer.
- MCC is worth 45%.
- MCC is good for the "Life of the Loan" equal to 45% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is $2,000.
- If your allowable credit is reduced because of the limit based on your tax, you can carry forward the unused portion of the credit to the next 3 years or until used, whichever comes first.
- Claim on yearly tax returns (IRS Form 8396).
- Borrowers are charged a one-time fee of 1% of the total loan amount for MCC.
- MHDC must prior approve all MCC.

Step #1

Would an MCC Be Beneficial?

		2017 1040 Return
Borrower(s) Filing Status:	Married Filing Joint	
Number of Children Under 17 in Household:	2	
Adjusted Gross Income	$ 70,186	Line 8
Standard Deduction Amount	$ 24,400	
Itemized Deduction Amount	$ -	
Greater of Standard or Itemized Deduction	$ 24,400	
TAXABLE INCOME	$ 45,786	
Approximate Tax Liability	$ 5,113	
Other Credits:		
Child & Dependent Care Expenses	$ -	Line 49
Child Tax Credit	$ 4,000	Line 52
Other Credits	$ -	
Total Tax Credits	$ 4,000	Line 54
Total Tax Liability	$ 1,113	Line 63
	Tax Liability must be > 0 to benefit from an MCC	

Step #2

Mortgage Credit Certficate Benefit

	No MCC	With MCC
Loan Amount	$ 155,138	
Mortgage Interest Rate	4.250%	2.961%
Term (years)	30	
Approx. 1st Year's Mortgage Interest	$ 6,543	
MCC Credit Rate (25%, 35%, 45%)	35%	
MCC Tax Credit Amount	$ 2,290	
Applicable Credit - not to exceed $2000	$ 2,000	
Taxable Income	$ 45,786	$ 45,786
Federal Tax Liability	$ 1,113	$ 1,113
Less MCC Credit	NA	$ 1,113
Net Taxes Owed	$ 1,113	$ -
Credit Difference using MCC		$ 1,113
		$ 92.75
Total Interest Savings at:		
5 years	10,000	544% ROI
10 Years	19,758	
15 Years	28,156	
20 Years	34,751	
25 years	39,118	

Questions?

- MCC’s
- Tax Deductions
- Tax Credit
- Benefits to the Borrower

MHDC PROGRAM SUMMARY

- Summary of all three programs
- Differences and similarities of all three programs
- Targeted Areas
- Repair escrows
- Recapture Tax
- Fund Availability
- How to use the program to sell more homes
- Realtor of the year Award

Summary of Programs

First Place

- Must be FTHB
- Lower Income/Purchase Price Limit
- Recapture Tax
- Affidavits
- 1% Origination fee
- CAL funds 10 year forgivable

MCC

- Must be a FTHB
- Lower Income/Purchase Price Limits
- Recapture Tax
- Affidavits
- 1% MCC Fee

Next Step

- Does Not have to be a FTHB
- Higher Income/Purchase Price Limits
- No Recapture Tax
- No Affidavits
- 1% Origination Fee
- CAL 10 Year Forgivable

Program Summary

- First Place and MCC's cannot be used together because they are both regulated by the IRS
- However, the Next Step program the borrowers can utilize both the Next Step and the MCC program but borrower must meet all the requirement of the MCC program because it is more restrictive
- This will give the borrower the opportunity to get down payment assistance as well as the federal tax credit

Program Summary

- Since the Next Step program will not be regulated by the IRS most of the documents wont be needed (i.e., seller's affidavit, etc.)
- However, if the borrower wants an MCC with their Next Step loan then all the regulations come back into play

Similarities of the Programs

- Income is calculated the same way for all three programs
- FTHB rules are the same for all three programs. Next Step does not require the borrower to be a FTHB
- No properties in the 100-year flood plain for all three programs

Federally Targeted Census Tracts: What Are They?

- Areas where 70 percent of households earn less than 80 percent of area median income
- These areas are eligible for special considerations: First Time Buyer requirement waived, higher income limits, higher sales price limits

Section 11 - Federally Targeted Census Tract Areas

Targeted Area means an area in which 70% or more of the families have an income that is 80% or less of the statewide median income or an area of chronic economic distress in such an area has been designated by the commission and approved by the secretaries of the Treasury and Housing and Urban Development; provided that, in either case, only those areas meeting the foregoing criteria and designated by the commission as Targeted Areas shall be deemed to constitute Targeted Areas.

NOTE: Borrowers purchasing within a Targeted Area do not have to meet the first-time homebuyer requirement, and the income limits and purchase price limits are higher for said areas.

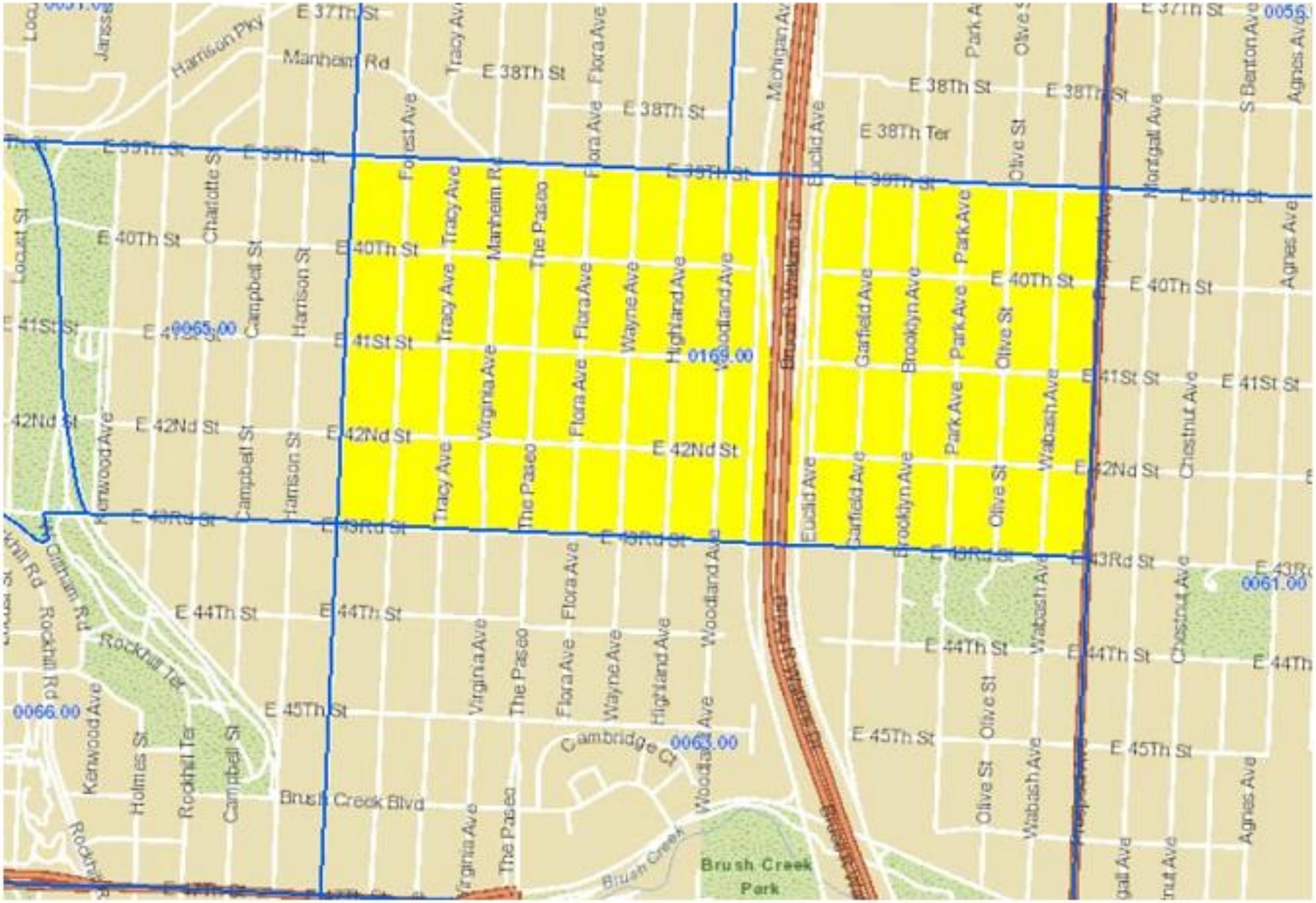
Please use the website www.ffiec.gov to locate census tract numbers.

2013 Federally Targeted Census Tracts are:

COUNTY	CENSUS TRACT NUMBER
Adair	9503
Benton	4604
Boone	0005, 0009, 0021 & 0022
Buchanan	0012
Butler	9507
Cape Girardeau	8814 & 8816
Cole	0207
Dunklin	3601 & 3606
Greene	0001, 0002, 0005.01, 0005.02, 0006, 0008, 0013.02, 0017, 0018, 0031, 0032, 0036, 0055 & 0056
Iron	9504
Jackson	0003, 0006, 0010, 0018, 0019, 0020, 0021, 0034, 0037, 0038, 0052, 0054, 0055, 0056.02, 0058.01, 0060, 0061, 0063, 0075, 0079, 0089, 0095, 0096, 0097, 0102.01, 0114.05, 0134.10, 0154,0156, 0160, 0161, 0162, 0163, 0164, 0166, 0169
Jasper	0108 & 0110
Livingston	4805
Oregon	4803
Pemiscot	4702 & 4704
Pettis	4809
Pulaski	4703.90
Randolph	4903
Ripley	8701 & 8702
Scott	7812
St. Charles	3105.01
St. Louis City	1015, 1053, 1054, 1061, 1062, 1063, 1064, 1065, 1066, 1076, 1083, 1096, 1097, 1101, 1105, 1111, 1112, 1113, 1114, 1115, 1123, 1152, 1157, 1163.02, 1164, 1184, 1193, 1202, 1211, 1212, 1242, 1246, 1257, 1266, 1267, 1274 & 1275
St. Louis County	2119, 2120.02, 2121.01, 2121.02, 2136, 2139 & 2218
Vernon	9504

2013 FEDERALLY TARGETED CENSUS TRACTS

Jackson County – Kansas City: 0169



Federally Targeted Census Tracts

- These changes are effective January 27, 2013
- These tracts will not change until after the 2020 Census
- Targeted area loans always get the best interest rate MHDC offered in the last 12 months

ESCROWING FOR REPAIRS

- MHDC documents state that all funds that have been dispersed-escrows should be used rarely, if at all.
- Any item escrowed for must be **weather** related.
- MHDC will require two bids and the title company must escrow two times the highest bid. This will not apply on foreclosed homes.
- For new construction, MHDC requires the title company to escrow one and a half times the amount.

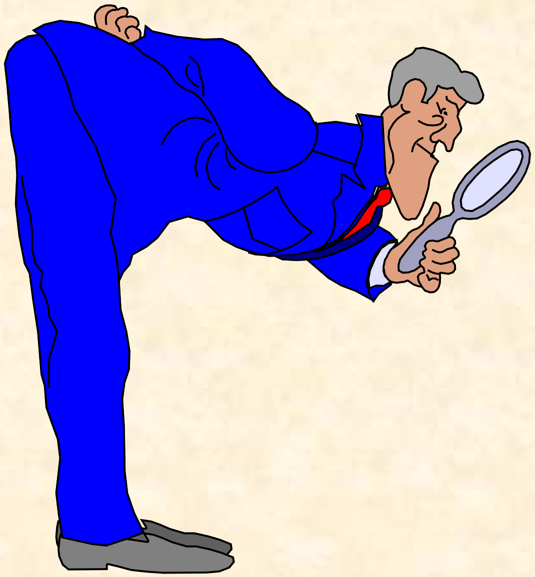
BUYERS PAYING FOR REPAIRS

- Buyer may not pay more for the property than the appraised value.

- Therefore, if the appraised value and the sales price are the same, the buyer **may not** pay for any repairs.

- If repairs cannot be completed prior to closing due to weather conditions, prior approval of escrow for repairs is required.

A Closer Look At Recapture Tax

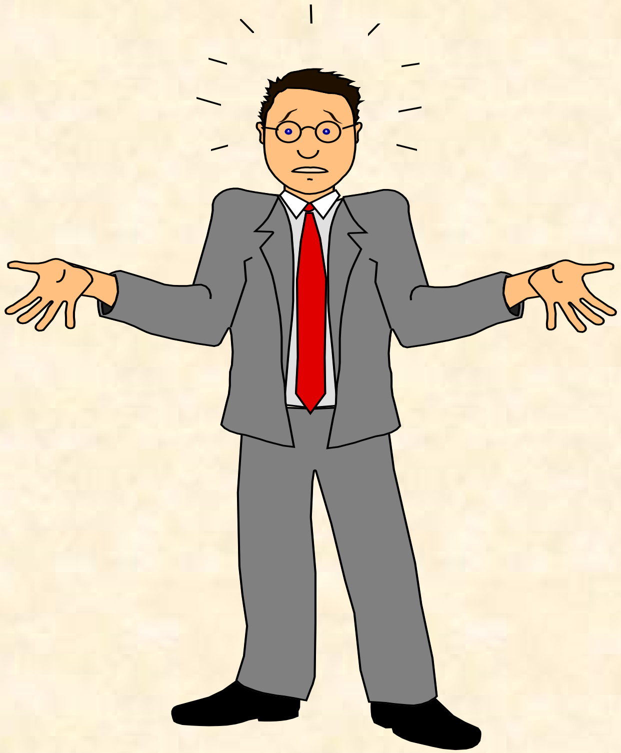


- What is Recapture tax?
- Why is there a Recapture tax?
- How is it calculated?
- Should my buyer be concerned?

Why Do Realtors Need to Know About Recapture Tax?

- Many potential buyers have heard about it, but really don't understand it.
- If you can explain it correctly, and a potential buyer needs a First-Place loan to qualify, you may save a deal.
- When they are ready to sell this home, and you can answer their Recapture Tax questions, you may get the opportunity to list the house, or sell them a new one.

WHAT IS RECAPTURE TAX



- If a homebuyer sells his or her home in the first nine years of ownership AND
- If they make a profit AND
- If income is over maximum, additional tax may be owed.

HOW IS RECAPTURE TAX CALCULATED

- Uses IRS Form 8828 as a worksheet
- Calculated from time of purchase to time of sale
- Uses purchase price plus improvements as base price
- Deducts cost of sale
- Uses sales-year Adjusted Gross Income as determinant if Recapture Tax owed

Form #555
Notice of Potential Recapture Tax

- This form describes to the borrower what the potential impact may be if the home is sold in the first nine years
- Provides maximum incomes limits for use in calculating recapture tax
- These forms change annually when HUD income limits change, so the buyers must use the one they are provided at closing.

Mortgage Credit Certificate Program

Missouri Housing Development Commission

Non-Targeted Properties

Notice to Mortgagor of Information Regarding Potential Recapture Tax

Because you are receiving a mortgage loan from the proceeds of a tax-exempt bond, you are receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If you sell or otherwise dispose of your home during the next nine years, this benefit may be recaptured.

The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. ***The recapture only applies, however, if you sell your home at a gain and if your income increases above specified levels***.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Along with this notice, you are being given additional information that will be needed to calculate the recapture tax.

Notice to Mortgagor of Maximum Recapture Tax and of Method to Compute Recapture Tax on Sale of Home

A. Introduction

1. **General.** When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the "sale" of your home also includes other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. **Exceptions.** In the following situations, no recapture tax is due and you do not need to do the calculations:
   (a) You dispose of your home later than nine years after you close your mortgage loan;
   (b) Your home is disposed of as a result of your death;
   (c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code; or
   (d) You dispose of your home at a loss.

B. Maximum Recapture Tax. The Maximum Recapture Tax that you may be required to pay as an addition to your federal income tax is **$** 0.00____________. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. Actual Recapture Tax. The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three numbers:
(i) **$** 0.00____________ (the Maximum Recapture Tax, as described in paragraph B above),
(ii) The Holding Period Percentage, as listed in Column 1 in the Table below, and
(iii) The Income Percentage, as described in paragraph D below.

D. Income Percentage. You calculate the income percentage as follows:
(i) Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the Table, from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is $5,000 or more, your income percentage is 100%. If it is greater than zero but less than $5,000, it must be divided by $5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1,000/$5,000, your income percentage is 20%.

For Non-Targeted Properties

For the property located at:

County of:

		Columbia MSA		Jefferson City MSA		Kansas City MSA		St. Louis MSA		Missouri, all other areas	
		Counties: *Boone*		*Counties:* *Cole* *Osage*		*Counties:* *Caldwell* *Cass* *Clay* *Clinton* *Jackson* *Lafayette* *Platte* *Ray*		*Counties:* *Franklin* *Jefferson* *Lincoln* *St. Charles* *St. Louis City* *St. Louis County* *Warren*		*Counties not located within the Columbia, Jefferson City, Kansas City or St. Louis MSA as noted to the left.*	
		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale	
Date That You Sell Your Home ***(Closing being the date of your loan)***	**Holding Period %**	**2 or Less**	**3 or more**	**2 or Less**	**3 or more**	**2 or Less**	**3 or more**	**2 or Less**	**3 or more**	**2 or Less**	**3 or more**
Before the first anniversary of closing (See note below)	20%	77,900	89,585	75,500	86,825	86,000	98,900	82,900	95,335	71,500	82,225
On or after the first anniversary of closing, but before the second anniversary of closing	40%	81,795	94,064	79,275	91,166	90,300	103,845	87,045	100,101	75,075	86,336
On or after the second anniversary of closing, but before the third anniversary of closing	60%	85,884	98,767	83,238	95,724	94,815	109,037	91,397	105,106	78,828	90,652
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	90,178	103,705	87,399	100,510	99,555	114,488	95,966	110,361	82,769	95,184
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	94,686	108,890	91,768	105,535	104,532	120,212	100,764	115,879	86,907	99,943
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	99,420	114,334	96,356	110,811	109,758	126,222	105,802	121,672	91,252	104,940
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	104,391	120,050	101,173	116,351	115,245	132,533	111,092	127,755	95,814	110,187
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	109,610	126,052	106,231	122,168	121,007	139,159	116,646	134,142	100,604	115,696
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	115,090	132,354	111,542	128,276	127,057	146,116	122,478	140,849	105,634	121,480

The undersigned Mortgagor(s) hereby acknowledge receipt of this Notice:

Borrower: ______________________________ ____________
Date

Co-Borrower: ______________________________ ____________
Date

Should My Buyer Be Concerned? Probably Not!

- Assuming a 7% sales commission and normal seller closing costs, property would have to increase 10% in value before a profit is made.
- They will probably be able to add cost of improvements to their basis
- Buyers income is indexed 5% every year; it is likely that income will not increase over maximum allowed.
- Tax is based on household size when home is sold.

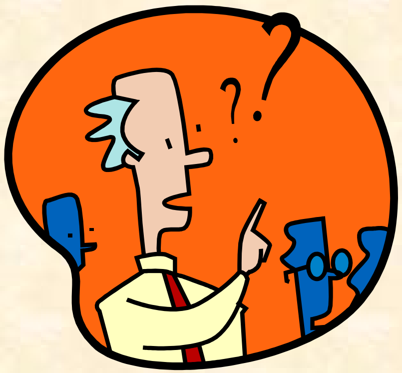
SHOULD MY BUYER BY CONCERNED, PROBABLY NOT

- The average income for a *First-Place* buyer is $55,200 annually.
- The current lowest Maximum Income is $72,300.
- This means the average buyer is **$17,100 under** maximum.
- Household income would have to increase this much to reach today's maximum.

Things to Consider:

- Borrower using CAL loan gets 4% for down payment.
- Borrower saves on interest rate while the home is owned.
- Borrower has tax advantage while occupying his home.
- Benefits of First Place Home Loan program will usually outweigh possibility of Recapture Tax.

Questions?



Co-signer/Co-borrower

- Cosigners are allowed
- Co-signer income is not included in household income if they do not occupy property
- Co-borrower income is included if they occupy the property
- Some lenders do not allow co-signers

NON-U.S. CITIZENS

- Each applicant, along with their spouses, must be a U.S. citizen or a lawful resident alien.
- Borrowers must occupy the property as their principal residence.
- Borrowers must be eligible to work in the U.S.
- Borrowers and their spouses must have a social security number.

USE OF POWERS OF ATTORNEY: Let the Lender Know !!

- May NEVER be used for the buyer, unless buyer is on active military duty.
- Relocation companies may not sign the documents unless they have taken title; otherwise, owner must sign.

PERSONS WHO ARE SEPARATED

- Any applicant who is separated is still considered a married person.
- **If the applicant and their spouse have been separated for more than 6 months, then each must sign the MHDC Marital Waiver Affidavits, (Form #550-1 and #550-2) stating they will not be residing together.**
- If an applicant who is currently separated from their spouse owned a home with that spouse within the last three years, the applicant may **not** use First Place or MCC financing.

LEAVING A RESIDING SPOUSE OFF LOAN

In a situation where one spouse is being left off the loan but will be residing in the home, the spouse left off must:

- Execute the deed of trust
- Will **not** be on the Note
- Will **not** take title
- Will **not** sign MHDC forms
- Must still qualify for the program

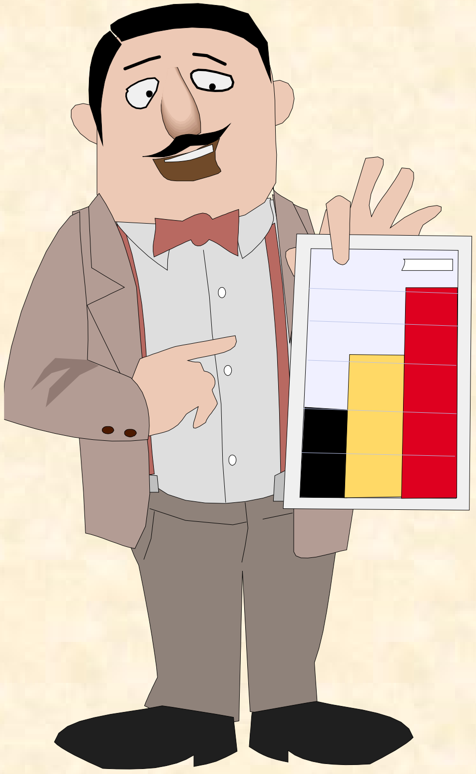
- This will only apply to First Place/Next Step loans.

When Are MHDC Funds Available?

- MCC Program
- Targeted Areas
- First Place (with or without CAL)
- Next Step Program

- From date of issue until full subscribed
- Always available (and will get the best rate in the last 12 months)
- Always available
- Always available

Now that I like it, how do I sell it?



First Place Sales Tips-How Do I Sell This To My Buyer?

- At initial meeting, do rough calculation and ask questions to determine if they qualify: how much do you earn, are you pre-approved, are you a first-time buyer etc.
- Determine how much home they can buy NOT using the First Place program, and about how much money they will need to close.
- Now do the same thing with using the First Place program.

Sales Tip-How Do I Promote This Program?

- When you sell a home, follow up with cards several times a year. Remind the buyer that when they do decide to move up to a bigger home, you can help their buyer obtain the same financing- try to get a customer for life
- First-time buyers are more likely to sell their homes and buy another in the first seven years

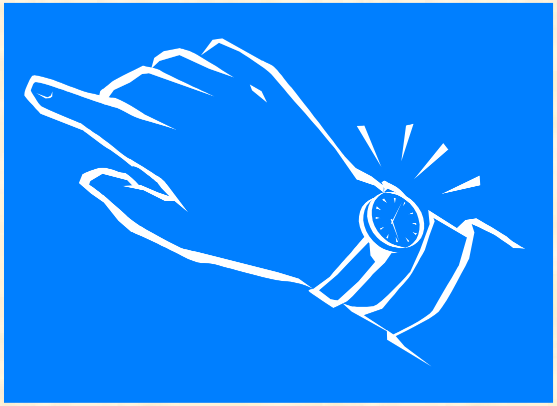
Marketing the Program

- MHDC has sign toppers showing "First Time Homebuyer Financing Available" or "Down payment Assistance Available"
- These signs can be added to your yard signs on any home that you have listed that is under our maximum sale price limit
- You can also tag your listings on your website stating the same thing
- Whatever it takes to get people to take another look at your property
- We also have brochures that you can use during open houses or to send to individuals that are renting

Final Questions?

- Recapture Tax?
- First Place?
- Sales Tips?
- On anything we discussed today?

Contact Information



- Here is my contact information if anyone has any questions in the future.

- Don Brinker,
- Business Development Specialist
- 816-775-9490
- Don.brinker@fairwaymc.com

Thank You – I Hope you enjoyed the class