

Economic Development and Workforce Services Interim Committee

Utah Housing Corporation
Grant Whitaker, President & CEO
June 18, 2014

Sen. Aaron Osmond
Rep. Rebecca P. Edwards
Sen. Patricia W. Jones
Sen. Stuart C. Reid
Sen. Brian E. Shiozawa
Sen. Jerry W. Stevenson
Rep. Jim Bird
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Rep. Lynn N. Hemingway

Rep. Bradley G. Last
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2013 Utah
Area Median Income
(Metro Four Person Household)

\$66,600

80% AMI

120% AMI

73.4% AMI

50% AMI

42% AMI

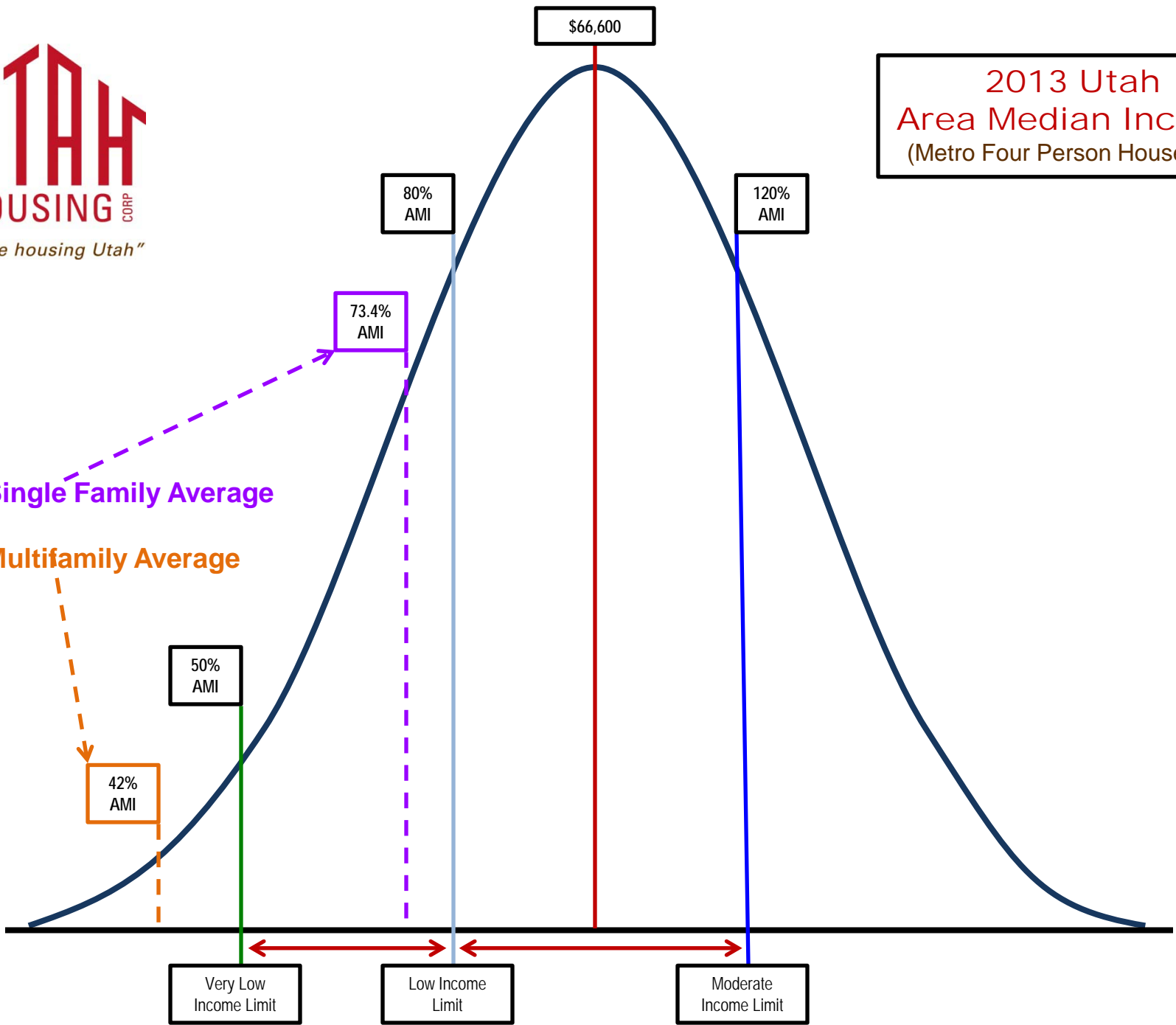
Single Family Average

Multifamily Average

Very Low
Income Limit

Low Income
Limit

Moderate
Income Limit



UTAH HOUSING CORPORATION

Utah Housing Corporation (UHC) is Utah's largest provider of comprehensive financing options for affordable housing, having provided loans and equity for about 96,000 residential units for Utah's working class and senior residents. UHC does not receive any funding from the State of Utah. It is totally self-supporting and each year raises hundreds of millions of dollars to fund its homebuyer mortgage program and other programs. UHC forms business relationships with private sector lending institutions, realtors, developers, school districts and others to bring the maximum amount of expertise together in administering complex and sophisticated programs. UHC was created as an independent body politic and corporate, constituting a public corporation of the State of Utah by legislation enacted in 1975.

What is "Affordable Housing" and why is it important?

"Affordable" has diverse meanings in diverse circumstances and to diverse parties. According to HUD affordable rent is not more than 30% of gross income (before taxes). On the other hand HUD, through FHA, insures single family mortgages where the monthly payment, including taxes and insurance, is as high as 41% of gross income, if the borrower has no other debt.

Most families and individuals spend more of their paychecks on housing than any other single item each and every month. Whether the family is renting or buying a home, having a decent and safe place to live and raise a family is a primary goal; and paying a reasonable amount each month for that place called "home" is fundamental to the well-being of that family. In recent years the prices of houses for sale and monthly rental rates have been increasing faster than the typical paycheck. UHC's various programs are designed to help families obtain housing within their budgets.

Who are the people Utah Housing helps?

Home Ownership

Over 71,000 mostly first time low/moderate income home buyers have had their mortgages funded by Utah Housing as we purchase the loans from approximately 40 lending institutions. We service all our loans, and maintain lower delinquency and foreclosure rates than most other servicers.

- FirstHome Loans offer a fixed rate 30 year amortizing, FHA insured (prime) mortgage loan at rates that are competitive with market rate loans. We also offer assistance to those who have not been able to save enough for their required down payment with a 30 year fixed rate second mortgage loan in an amount of up to six percent of the first mortgage amount. The second mortgage rate is 2% higher than the first mortgage rate.
- The HomeAgain Loan Program offers the same type of financing to those who have previously owned a home. An example of who needs HomeAgain is a current owner who has enough equity to sell his or her first home, but not enough equity to qualify to buy a needed larger home for the growing family.
- The Score Loan Program is perfect for a first time home buyer who has not yet established stellar credit. We offer similar financing and, with appropriate underwriting and risk adjustments, we avoid poor quality loans and related losses.
- Our NoMI Loan Program offers the lowest monthly payment of all our loan programs. This is accomplished by having no premiums for mortgage insurance. High credit scores (700 or above) plus tougher underwriting standards and lower down payment assistance are the characteristics of these loans.
- Home Buyer Tax Credits are being offered this summer for the first time. Home buyers are provided a mortgage credit certificate enabling them to reduce federal tax liability, and that additional disposable income is used to help pay for their first home.

Rental Housing

Using the Low Income Housing Tax Credit (LIHTC) program and bond financing, Utah Housing has financed over 24,000 units of affordable rental housing scattered throughout the state. The projects are owned by private and non-profit owners, and consist of newly constructed buildings or renovated older apartments. The average income of tenants in these affordable projects is about 42% of the Area Median Income (AMI). Many of the projects are targeted to serve the local low-wage work-force or seniors on fixed incomes.

The LIHTC program has been the least costly and most effective rental subsidy program ever offered by the Federal government. The tax credit ends after 10 years, while the projects are deed restricted to provide affordable housing to low income tenants for no less than 50 years.

Housing Development

A small department within Utah Housing works with communities (primarily rural Utah) to build single family homes or duplexes designed as rent-to-own units for low income residents and to enable the revitalization of neighborhoods. Using LIHTC funding for the equity and UHC financing for the loans, at the end of a 15 year compliance period the residents of the CROWN homes are offered a first right of refusal to purchase the homes at a fraction of current value, as the rent payments were used to pay down the financing. 317 homes have been built with 99 of them now having been sold to residents or other lower income families and another 43 are in process of being sold. Over \$3,000,000 in cash and equity have been returned to the participating communities for investment in affordable housing, with over \$900,000 more expected to be earned this year.

Working with various school districts and community colleges, UHC has enabled students to build 118 ECHO homes for sale to low-moderate income home buyers. The students learn trades while the schools earn a profit enabling them to purchase modern construction equipment and land. UHC also worked with the Utah Department of Corrections to build 22 REACH homes with the labor of prisoners who were learning construction trades. These homes were also sold to low and moderate income home buyers.

Economic Benefits

According to the University of Utah's Bureau of Economic and Business Research (BEBR) 24 FTE are created (direct and indirect) for each \$1,000,000 of construction costs. Each year our programs contribute to hundreds of jobs. BEBR also estimates that income, sales and other local and state taxes are raised at an annual rate of 12.7% for each \$1,000,000 of construction costs. Additional property tax revenues at 1 % are created.

The Home Builders Association estimates that 15-18% of the Nation's Gross Domestic Product comes from housing and real estate. Residential sales and construction are truly America's economic engine.

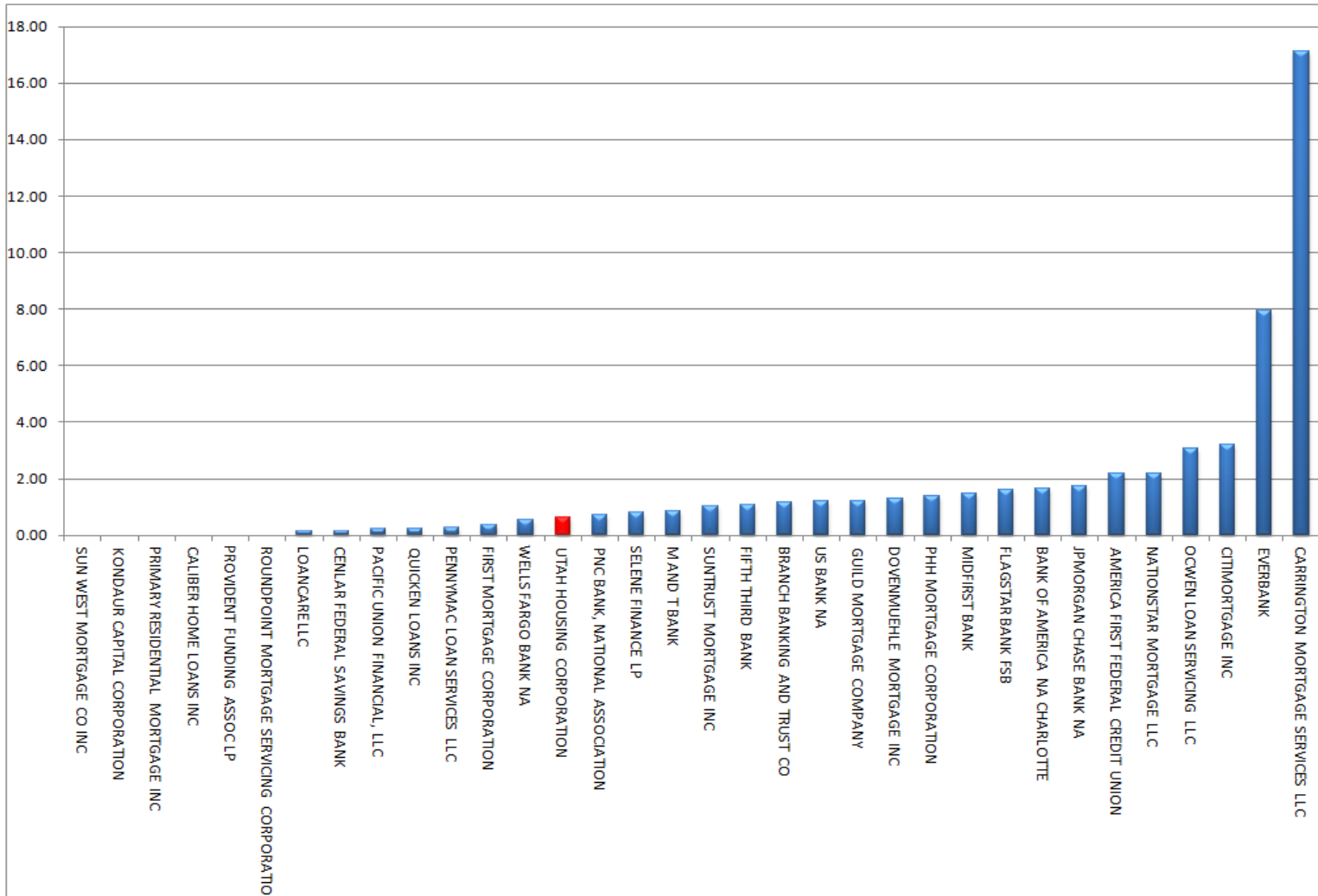
Community Reinvestment Act (CRA)

Financial institutions subject to CRA are some of the biggest supporters of Utah Housing's programs. Utah is fortunate to have many small and large Industrial Banks that do not make mortgage loans but find that their investment in Utah Housing's financial products enable them to meet CRA requirements, receive reasonable return with very little risk, while providing lower income Utahns decent housing they can afford.

Homebuyer Loan Programs

	FirstHome	HomeAgain	Score	NoMI
Interest Rate	4.03%	4.25%	4.50%	5.375%
Status	First time homebuyer (exceptions for Veterans and Single Parent)	Previous homebuyers and first time homebuyers		
Down Payment Assistance	yes <u>6%</u> of the first mortgage amount can be borrowed for down payment and closing costs.	yes <u>6%</u> of the first mortgage amount can be borrowed for down payment and closing costs.	yes <u>4%</u> of the first mortgage amount can be borrowed for down payment and closing costs.	yes <u>4%</u> of the first mortgage amount can be borrowed for down payment and closing costs.
Minimum Credit Score	660	660	620	700
Foreclosure	Borrowers with a previous UHC foreclosure or short sale are not eligible for UHC downpayment assistance			
Max Sales Price Limit	\$279,000	\$320,000	\$250,000	\$350,000
Max Annual Income Limits	\$65,500 - \$80,150	\$81,000	\$81,000	\$84,000
Ratios	see a Participating Lender		debt ratio not to exceed 45%	debt ratio not to exceed 45%
Term	30-year fixed rate FHA/VA approved mortgage			30-year fixed-rate, conventional Fannie Mae approved mortgage
Rental Restrictions	No portion of the property can be rented throughout the term of the UHC mortgage			
Where to Qualify	Contact a Participating Lender			
Outstanding UHC Mortgages	Borrowers are ineligible if they have an outstanding UHC mortgage			
Monthly Pmt Example on \$160k loan (principal, interest, mortgage ins)	\$946.63	\$967.10	\$990.70	\$895.95

HUD Data: FHA Loan Foreclosure Rates for Utah 4-30-14



Multifamily Housing Development 72 Units

<u>Conventional</u>		<u>Affordable</u>
\$14,219,294	Total Development Cost	\$14,219,294
\$2,843,858 (20%)	Equity	\$10,498,950 (74%)
\$11,375,436	Debt	\$3,720,344
\$57,637	Monthly Debt Service 4.5%, 30 year	\$18,850
\$800	Per Unit Share of Monthly Debt Service	\$262