

# **Homeownership: UHC Single Family Programs**

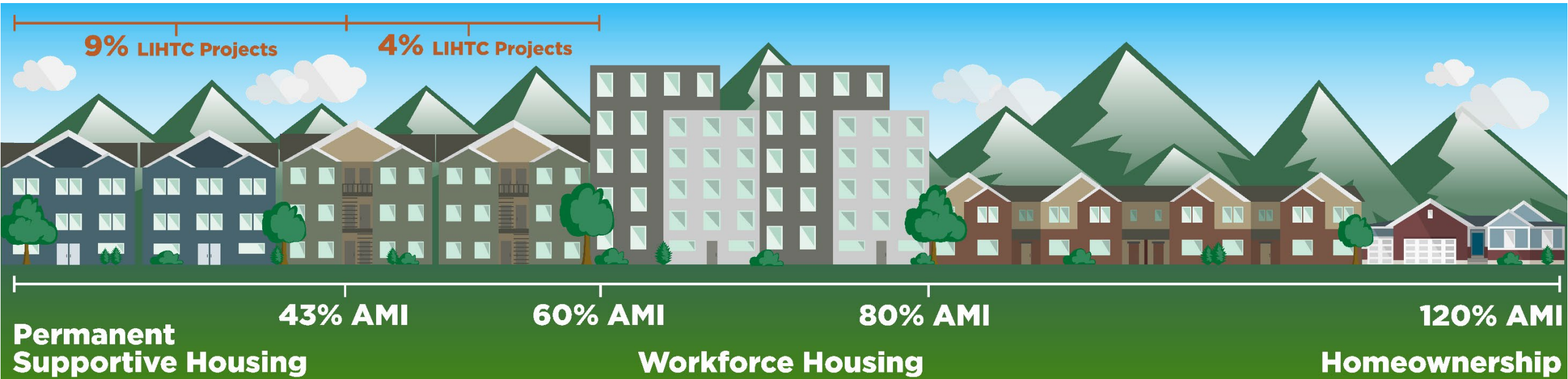


## **Economic Development & Workforce Services Interim Committee**

**October 11, 2023**

David Damschen, President & CEO

## Who We Serve



Utah Housing Corporation (UHC) is an independent state housing finance agency, created in 1975 by state legislation to finance and develop affordable housing opportunities for low to moderate-income households throughout the State of Utah. UHC combines expertise by forming partnerships and collaborating with private sector banking and lending institutions, developers, investors, nonprofit community partners, real estate agents, and others in order to achieve our mission through the administration and financing of programs which support affordable housing.

# UHC is Utah's Housing Finance Agency

Serving Utah's Housing Needs Through Finance and Innovation



# Home Ownership Core Business

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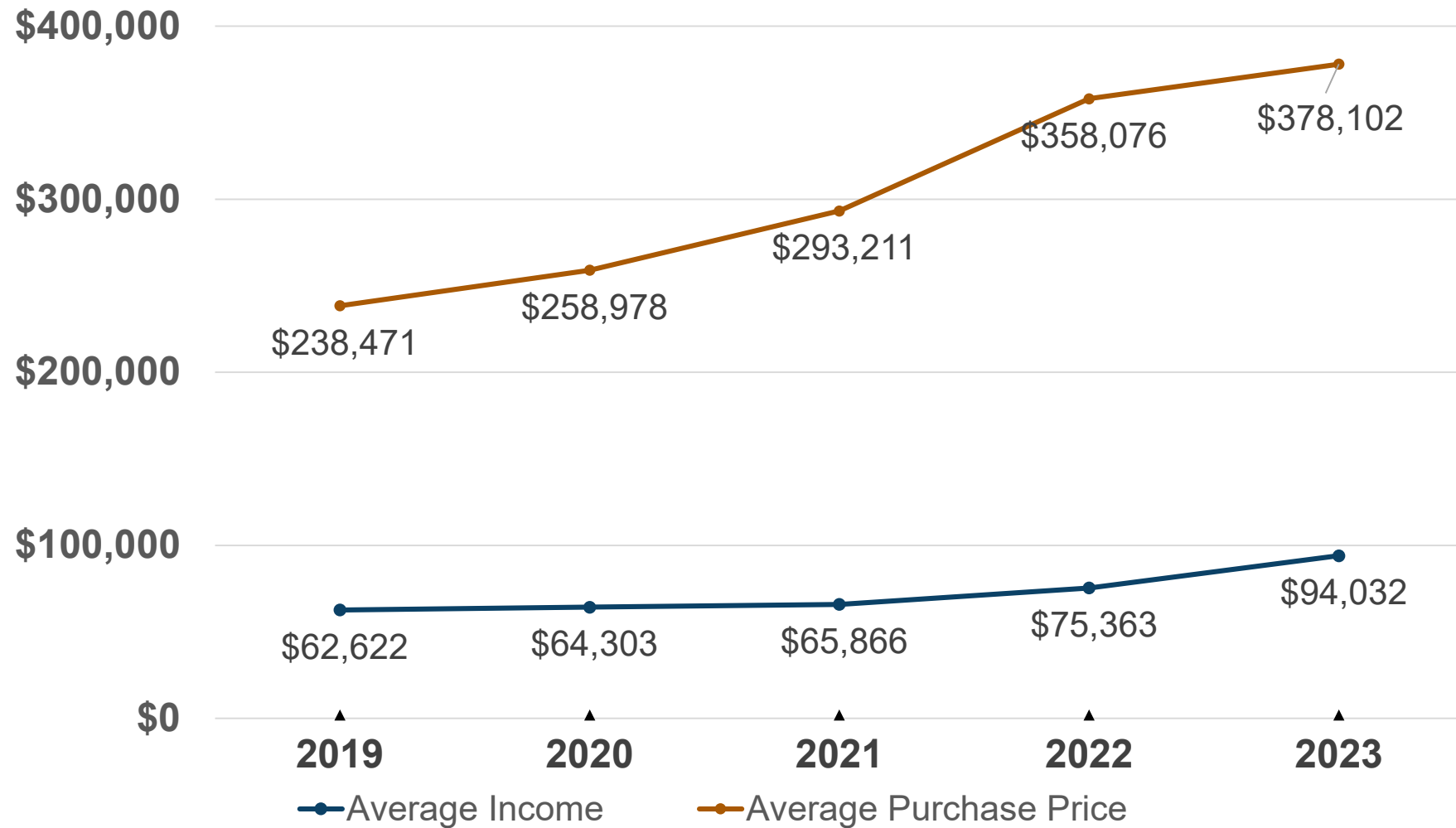
- Purchase & service 1<sup>st</sup> mortgages
- Provide down payment assistance loans ~98% of the time
- Over past 2 years, average DPA is nearly \$20,000, or 5.6% of 1<sup>st</sup> mortgage loan amount
- Nearly 92% of all homebuyers are first-time homebuyers
- Average 1<sup>st</sup> mortgage increased from \$278k to \$360k since July 2021



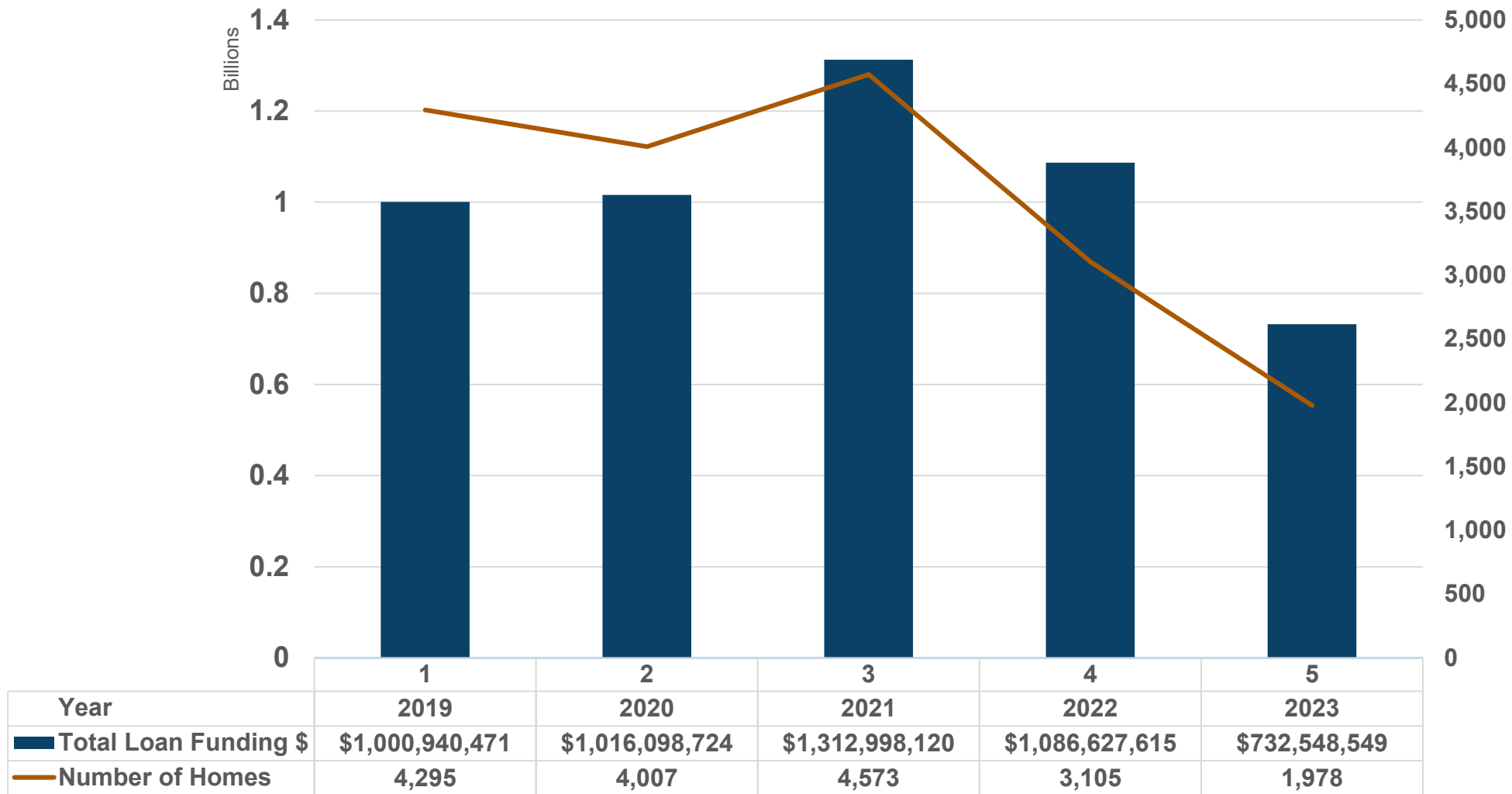
# Economic Headwinds



# Economic Headwinds



# Impact



# **UHC Efforts to Promote Affordable Housing**

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- Re-configuring T/E capital funding methodology: \$415MM in new bond issuance (new)
- Tax-exempt/taxable bond structure = 75-100 bps interest rate reduction for lowest-income borrowers (new)
- Reduced 1<sup>st</sup> & 2<sup>nd</sup> mortgage interest rate by 25-50 bps for 173 <80% AMI borrowers (new)
- Reduced 1<sup>st</sup> mortgage interest rate by 25-50 bps for 83 LE grant recipients; capped DPA 2<sup>nd</sup> at 4% (new)
- Offer permanent rate buy down option of up to 2% (new)


# **UHC Efforts to Promote Affordable Housing**

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- Up to 6% DPA 2<sup>nd</sup> mortgage available on all UHC loan products (new)
- Capped 2<sup>nd</sup> mortgage rate at higher of 8% or 1<sup>st</sup> mortgage rate if 1<sup>st</sup> mortgage rate exceeds 7% (new)
- Collaborated with Pres. Adams on creation of SB240 (new)
  - Invested hundreds of hours & thousands of \$\$ to develop P&P for program
- Created \$10MM lending facility for H4H Salt Lake; in discussion with other H4H entities regarding construction lending (new)



# **UHC Efforts to Promote Affordable Housing**

- HFA1 Aligned
  - Reduce overlays & time to purchase loans
  - Create uniform 1<sup>st</sup> mortgage & DPA product across 23 HFAs
  - Increase loan production with national lenders
- Extensive education & outreach: Lenders, Realtors<sup>®</sup>, & Brokers
- # of Participating Lenders 
- Monthly payment comparison tool

# UHC Efforts to Promote Affordable Housing

## Monthly Payment Comparison

Loan Amount

Credit Score

700 - 719

Rate Reduction \*

-1.000%

Use Law Enforcement Grant ☐

Use First-Time Homebuyer Assistance ☐

Use UHC Down Payment Assistance ☒

Get Started

	Freddie Mac HFA Advantage (Conventional)					
	FirstHome	FHA Mortgage	VA Mortgage	< 80% AMI	> 80% AMI	> 80% AMI
Today's Base Interest Rate	7.000%	7.875%	7.875%	8.125%	8.375%	8.375%
Buydown Cost	N/A	\$12,000.00	\$12,000.00	\$10,500.00	\$9,500.00	\$9,500.00
Interest Rate with Buydown	N/A	6.875%	6.875%	7.125%	7.375%	7.375%
LTV	96.5%	96.5%	100%	97%	97%	95%
Upfront MI / Funding Fee	\$7,000.00	\$7,000.00	\$8,600.00	Contact lender	Contact lender	Contact lender
Loan Amount with MI	\$407,000.00	\$407,000.00	\$408,600.00	\$400,000.00	\$400,000.00	\$400,000.00
Principal & Interest Payment	\$2,707.78	\$2,673.70	\$2,684.21	\$2,694.87	\$2,762.70	\$2,762.70
Approx Monthly MI	\$186.54	\$186.54	\$0.00	\$293.33	\$483.33	\$326.67
Monthly Mortgage Payment	\$2,894.32	\$2,860.24	\$2,684.21	\$2,988.21	\$3,246.03	\$3,089.37

### Utah Housing Down Payment Assistance Loan (DPA)

Projected Down Payment



# UHC Efforts to Promote Affordable Housing

What difference does a buy down make?

Loan Amount	FirstHome Interest Rate	Monthly P&I Payment	FHA/VA Interest Rate	Monthly P&I Payment	HFA Advantage Interest Rate	Monthly P&I Payment
\$ 400,000	7.125%	\$2,695	8.000%	\$2,935	8.500%	\$3,076
\$ 400,000	7.000%	\$2,661	7.500%	\$2,797	8.000%	\$2,935
\$ 400,000	6.875%	\$2,628	7.000%	\$2,661	7.500%	\$2,797
\$ 400,000	6.750%	\$2,594	6.500%	\$2,528	7.000%	\$2,661
\$ 400,000	6.625%	\$2,561	6.000%	\$2,398	6.500%	\$2,528
**Max Monthly Pmt Decrease		\$134		\$537		\$547

# **UHC is an Essential Piece of the Housing Puzzle**

- Many other pieces
  - Rural Housing and VA loans
  - Mutual Self Help programs
  - Non-profit and municipal housing organizations
  - For-profit lenders, Realtors<sup>®</sup>, builders, & developers
  - Federal, state, and local governments
  - And . . .



# Single Family 1st Mortgage Programs

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## **FirstHome** – FHA insured

- Bond or TEMS financed
- Credit score >659
- First-time homebuyers, <80% AMI
- Income limits vary by county & family size

## **FHA/VA Loan** – FHA insured or VA guaranteed

- Bond or MBS financed
- First-time or repeat homebuyers; up to 140% AMI
- Rate adjustment for <660 credit scores
- Higher income limits than FirstHome; loan amount limited by income
- Duplex/mother-in-law apartment properties eligible if owner occupied



# Single Family 1st Mortgage Programs

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## HFA Advantage

- Conventional loan with Freddie Mac
- Credit score of 700 or greater
- Monthly mortgage insurance required
- First-time or repeat homebuyers; up to 140% AMI
- Income limits same as FHA/VA loan; loan amount limited by income

# **Grants & SB240 First-time Homebuyer Assistance Program**

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# Grant Programs

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- Veterans grant
  - \$2,500 per grant; \$2.5MM appropriated since 2018
  - Funded 847 grants for over \$2.1MM; 32 grants are pending
- Law Enforcement & Correctional Officers grant
  - \$5MM one-time appropriation in 2022
  - No payment, no interest
  - Up to 3.5% of purchase price, not to exceed \$25,000
  - Five years of employment with Utah jurisdiction(s) required following receipt
  - Portion of the grant forgiven each year service provided





# Grant Programs

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- Law Enforcement & Correctional Officers grant program
  - 148 grants funded totaling \$2.1MM
  - Average home sales price \$398,300
  - Average grant amount \$14,100
  - May be used in conjunction with UHC's regular DPA
  - Represents over \$59MM in home sales



# SB 240 First-Time Homebuyer Assistance Program

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- Appropriated \$50MM
- New construction, never occupied
- \$20,000 per transaction, “soft second”
- Permanent rate buy down, closing costs, or down payment



\$450,000 purchase price limit

- Usable in combination with UHC’s regular DPA
- Incentivizes construction of additional affordable housing supply

# SB 240 First-Time Homebuyer Assistance Program

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- Launched July 11, 2023
- 225 units funded ~ \$4.5MM; 145 reservations outstanding ~ \$2.9MM
- Average home purchase price ~ \$377, 600
- Average income ~ \$90,700
- 59% townhome/PUD, 24% single family detached, 17% condos
- 41% of volume in Utah County, followed by Salt Lake (14%)
- 370 households in **new, affordable homes** ~ \$139.7MM in sales







# Questions?