

Housing Development Fund

Helping first time homebuyers become homeowners with loan programs,
products, and counseling

HDF is mission driven, established, and reliable



- ▶ Member of NeighborWorks America, and rated as “exemplary” by their organizational assessment division



- ▶ HUD approved agency for counseling and lending programs and products



- ▶ Rated AA+2 by Aeris Insights' and CDFI Assessment and Ratings System (CARS) since 2006



- ▶ Equal housing lender

First-Time Homebuyer Counseling

Guidance as you buy your first home

Wherever you are in the homebuying process right now, HDF can help.

Potential homebuyers come to HDF in many different stages of the homebuying process.

Some potential homebuyers move more quickly through our process than others, depending on their situation.



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Counseling

Application

- ▶ The first step towards homeownership with HDF is creating a profile on our secure site, hdf.force.com.
- ▶ After creating an account, you then submit a **complete application packet** that including all attachments listed on the cover sheet.
- ▶ Counselors use the information from these documents to:
 - ▶ Understand your situation;
 - ▶ Develop an action plan;
 - ▶ Determine your income eligibility for some loan programs.



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Counseling

Process

- ▶ After you have completed your application, you will be assigned an HDF counselor to work with.
- ▶ Your HDF counselor will:
 - ▶ Determine your eligibility for HDF's programs and loan products;
 - ▶ Assess your mortgage readiness;
 - ▶ Develop a personalized action plan;
 - ▶ Provide individual counseling, whether in-person, online or over the phone;
 - ▶ Put together your loan package, if you decide you would like to use one of HDF's loan programs.
- ▶ To use **any** of HDF's lending opportunities, you must **complete** HDF's counseling & education programs.



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Eligibility

- ▶ HDF counselors work with the information you supply to see if you are eligible for our loan products. Your eligibility depends on your first time homebuyer status, your income, where you are buying, and other parameters.
- ▶ *Eligibility is **not the same** as being approved for financing.*
- ▶ We will talk about lending and approvals in the next section.
- ▶ **HDF DEFINITION:** *First-time Homebuyer*
Someone who has never owned a home or enjoyed the benefits of homeownership,
OR
Someone who has not owned a home in the past 3 years.



Mortgage Readiness

- ▶ Counselors will determine your mortgage readiness by looking at your:
 - ▶ Employment history
 - ▶ Credit history
 - ▶ Income
 - ▶ Savings
 - ▶ And other information, to determine how much of a mortgage you will be able to afford.
- ▶ HDF looks at the same indicators as a bank to determine if you are ready to buy a home.
- ▶ **Please note:** HDF's counseling and education services are designed *to help you become mortgage ready*. We can work with you to develop an action plan to responsibly achieve your dream of homeownership.



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Mortgage Readiness Employment History

- ▶ HDF, like most lenders, looks to see if you have at least 2 years of stable employment.
 - ▶ Stable employment means that you were employed at the same job, same employer, or same industry for at least 2 years without any gap.
 - ▶ If you have less than 2 years of stable employment, your counselor will need to conduct an additional review.



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Mortgage Readiness

Credit History

Your counselor will pull a tri-merge credit report.

Scores

- ▶ HDF is not credit score driven, but most lenders will generally look for a score of 660 or better. Scores are just one factor used to determine the risk of lending to you.

Balances and Limits

- ▶ Your counselor will review your credit card balances.

Trade Lines

- ▶ A trade line is an account that has been open, active, and paid on time for the past 12 months.

Derogatory Items & Public Records

- ▶ Your counselor will take note of any negative events in your credit history: collections accounts, late payments, past due amounts, tax liens, and judgments will all negatively impact your score.



Mortgage Readiness

Credit History (continued)

- ▶ If you have declared bankruptcy, been foreclosed, or had a short sale in the past, you will not be eligible to borrow from HDF until the stipulated timeframes have elapsed.

Event	Time Frame
Bankruptcy	4 years
Foreclosure	7 years
Short Sale	7 years

Mortgage Readiness

Income

Using the information you provided in your application, your counselor will calculate both your gross annual income and your gross monthly income.

- ▶ **Gross annual income** is how much money you make annually before taxes or paying any debts or expenses.
- ▶ **Gross monthly income** is how much money you make in a month before taxes or paying any debts or expenses.
 - ▶ *Used to calculate your affordability ratio - a representation of how much of your income will be used to pay a mortgage.*
- ▶ The **front end ratio** determines what percentage of your income should be obligated to housing.
- ▶ The **back end ratio** determines what percentage of your income is obligated to debt + housing costs.

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Mortgage Readiness

Savings

- ▶ Your current savings or savings goal at the time of purchase must be sufficient to pay the closing and transaction costs of buying a home.

Debt

- ▶ Using your credit report and information from your application, the counselor will determine your monthly debt.
- ▶ High debt can impact your score and reduce how much you can borrow for a home.



Costs of Home Purchase

► Purchase Price

The amount of money that you are committing to pay for the home. A large part of this will be covered by a mortgage loan, and the rest will be paid through your down payment.

► Down Payment

When you make an offer on a home, you will commit to contributing some portion of the purchase price into the transaction. This is called an initial deposit or earnest money and will be credited to your transaction at closing.

The down payment is the amount that you contribute to the transaction and is usually represented as a percentage of the full purchase price. HDF requires that borrowers contribute 1% of the purchase price into the transaction.

- *Down payment assistance programs, such as HDF's SmartMove loan, can be used to increase the amount of the down payment and reduce the cost of monthly loan payments.*



Costs of Home Purchase (continued)

▶ Reserve Funds

Reserve funds are liquid assets that you are required to have remaining in your bank or investment account after closing.

▶ Closing Costs

Closing costs usually range from 4-7% of your mortgage amount and include the fees charged by lenders and third parties, including:

- ▶ Loan costs: lender's fees typically range from 1-2% of your loan, but can be as high as 5%.
- ▶ Escrow costs: established to pay taxes and insurance as they become due.
- ▶ Title Insurance: based on the value of the property being purchased.
- ▶ Insurance costs: your lender will require you to select a home insurance provider. Usually, the first year's premium will be paid prior to closing.
- ▶ Attorney Fees



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Next Steps

Once you have completed this process:

- ▶ Your counselor will create a personalized action plan based on their assessment of your file.
- ▶ You will receive this plan and a copy of your credit report when the assessment is complete.
- ▶ Your next steps will vary based on your counselor's assessment of **mortgage ready** OR **not yet mortgage ready**.



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Next Steps

If you are *Mortgage Ready*

You will receive instructions on how to contact your counselor to schedule an individual pre-purchase counseling session and a homebuyer's education course.

Individual Counseling Session

- ▶ You will meet one-on-one with your counselor to discuss affordability and the steps to buying a home in detail.
- ▶ At this meeting, you will also receive information on financing and loan options.
- ▶ After individual counseling you should begin your home search process, if you have not already done so.

Home Buyer Education

- ▶ Pre-Purchase Homebuyer Education (8 hour) is **required** for all HDF borrowers.
- ▶ You can complete this training in-person or online. Please visit HDF's website details.
- ▶ If you are purchasing a 2-4 family home, you will also need to participate in landlord training.



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Next Steps

If you are *not yet Mortgage Ready*

- ▶ If the counselor finds that there are **still some barriers to mortgage readiness**, you will receive:
 - ▶ **A customized plan** with suggestions to eliminate barriers
 - ▶ Information about classes and workshops that may benefit you
- ▶ HDF and your counselor will continue to reach out and support you as you take steps to become mortgage-ready



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Counseling

Next up: Lending

- ▶ The lending application is separate from your counseling application.
- ▶ Your counselor will provide you with the HDF loan application and instructions if you are mortgage ready.
- ▶ You must complete at least one individual counseling session before your lending application is considered complete.
- ▶ Once you submit the complete loan package to your counselor, it will be packaged and sent HDF lending staff for review.



Lending Programs

Making homes affordable

HDF offers a unique and exciting range of loan products designed to help you take the most sustainable and responsible direction toward homeownership.



Basic Requirements

- ▶ In order to apply for most of HDF's loan products, you must be a first time homebuyer, meaning:
 - ▶ You can't have owned a home at any time in the past three years.
 - ▶ You must be determined mortgage ready by our counselors, be income-eligible, and *remain* income eligible up until the day you close.

Income limits vary by program. Limits are listed for each of our available loan products at hdfconnects.org/borrow/fthb/
- ▶ You must have completed:
 - ▶ At least one individual counseling session.
 - ▶ Attended an 8-hour homebuyer education class and received a certificate of participation.



Basic Requirements (continued)

- ▶ For certain products, including SmartMove downpayment assistance loans, borrowers must use one of HDF's partner banks for their first mortgage.

Partner banks are listed for each of our available loan products at hdfconnects.org/borrow/fthb/

- ▶ All homebuyers who use one of HDF's loan products must also agree to attend post-purchase counseling events periodically over the life of the loan.



Underwriting

- ▶ Once you have submitted a complete loan package to your counselor, the lending department will process and underwrite your application.
 - ▶ Underwriting is a systematic assessment of your financial state that helps to determine whether the loan you are applying for will be appropriate to your needs and abilities.
 - ▶ **REMINDER:** counselors **do not** make lending decisions. These are made by HDF's lending department and our loan committee.
- ▶ *Eligibility is **not the same** as being approved for financing.*



Underwriting (continued)

- ▶ HDF's underwriters look at:
 - ▶ Savings (do you have sufficient funds?) If you are purchasing a 2-4 family home, you should have 4 months in reserve.
 - ▶ Underwriters also calculate **your ratios** using the information provided in your lending application.
 - ▶ The front end and back end ratios should not exceed 33/41. That is:
 - ▶ At least 33% of your gross monthly income should be able to go toward housing
 - AND**
 - ▶ 41% of your gross monthly income can go toward housing plus monthly debt.



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Lending

Loan Products

SmartMove

- ▶ The SmartMove program provides down payment assistance for 20% of the purchase price of 1-4 family homes that do not require rehabilitation.
- ▶ SmartMove is a second mortgage at 3% (APR: 3.42% to 4.74%) interest for 20 years, paid monthly.
- ▶ Eliminates the need for mortgage insurance, or PMI.
- ▶ The SmartMove program has graduated fees for loans up to \$40,000, and a flat fee of \$2,500 for loans greater than \$40,000.
- ▶ There is a spend-down requirement of \$25,000.
- ▶ You must use one of HDF's partner banks for your first mortgage.
- ▶ Find out more at hdfconnects.org/smct/ for Connecticut buyers and hdfconnects.org/smny/ for buyers in New York.



Loan Products

LEAP

- ▶ The Landlord Entrepreneurship and Affordability Program (LEAP), is an HDF-originated mortgage for first time homebuyers who wish to purchase and occupy a 2-4 family property.
- ▶ LEAP financing can be used for acquisition, down payment, or cover closing costs.
- ▶ An approved LEAP attorney must be used.
- ▶ Borrowers must be income-eligible. Discuss income limits with your HDF counselor.
- ▶ LEAP may be combined with Live Where You Work if the borrower is eligible.
- ▶ LEAP provides training and resources for new owner-occupant landlords.
- ▶ Find out more at hdfconnects.org/borrow/leap/



Loan Products

Live Where You Work (LWYW Fund)

- ▶ LWYW is a closing cost assistance loan available to borrowers who are purchasing in the town or city in which they work.
- ▶ Eligible borrowers cannot have more than \$15,000 in savings.
- ▶ Income cannot exceed 80% of area median income, or AMI.
- ▶ The income guidelines can change with funding cycles. Eligibility will re-determined when you apply for financing.
- ▶ The fee for LWYW is \$750.
- ▶ This is an interest-free loan with no monthly payments. It will be repaid on sale of the home, transfer of title, refinancing, or payoff of the first mortgage.
- ▶ Find out more at hdfconnects.org/lwyw/



Thank You

We look forward to working with you

Information on all of our programs and services is available online at hdfconnects.org.

If you have questions prior to creating an HDF account, select “First Time Homebuyer Program” at hdfconnects.org/contact/ to get in touch.

If you have an account with HDF, login at hdf.force.com to view your documents and contact your counselor.

