



Fannie Mae™

---

# HomeReady® Mortgage and HFA Preferred™

Low Down Payment Homeownership Products Panel

July 12, 2016



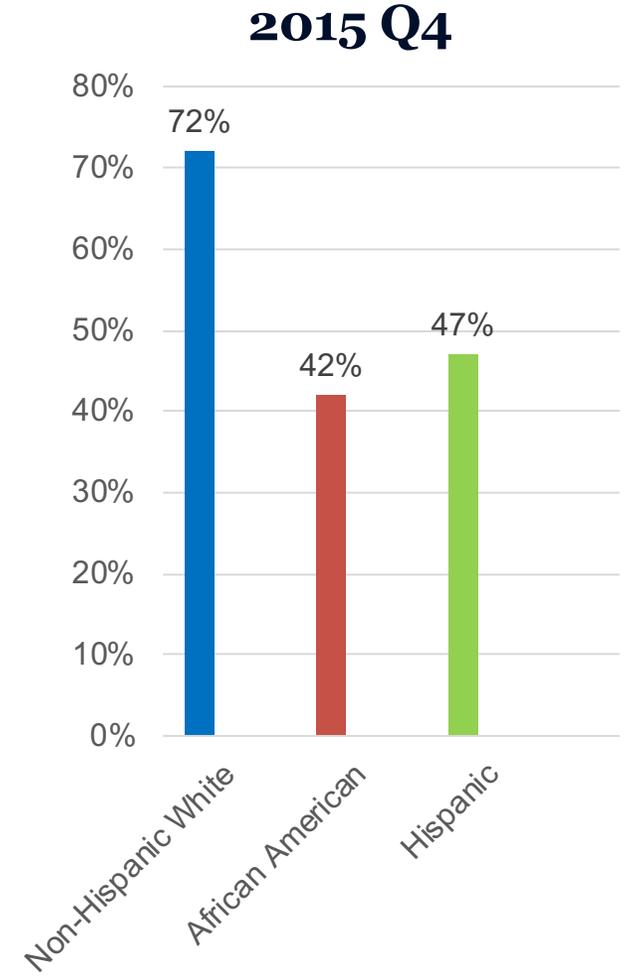
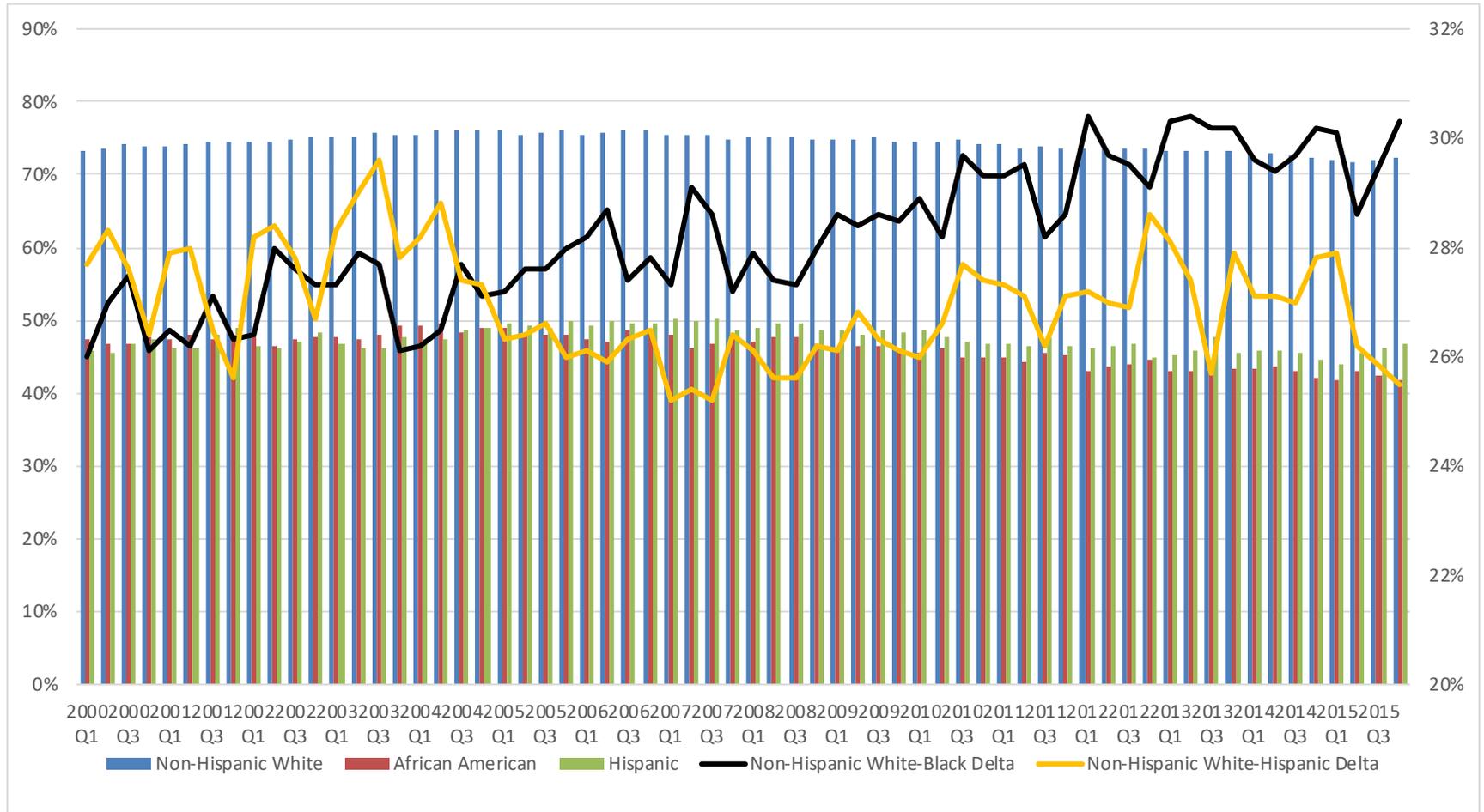


## Affordable lending objectives

- **Serve** the needs of our customers seeking business growth and CRA opportunities
- **Reduce** the homeownership opportunity gap – homeownership disparity between minority and non-minority borrowers
- **Support** achievement of Fannie Mae’s regulatory housing goals and, in particular, increasing access to credit for low- to moderate-income borrowers



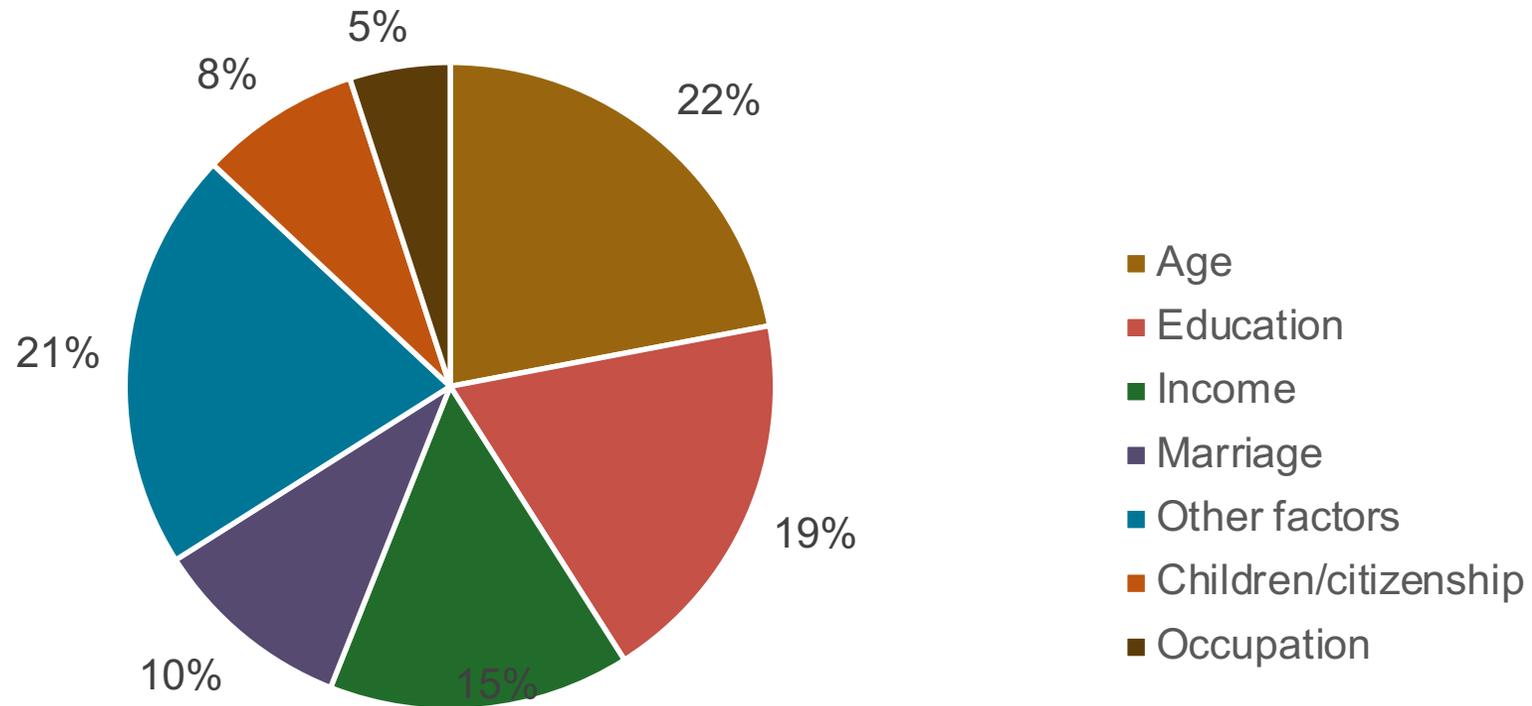
# Historic homeownership rates and gaps



Source: Data from American Community Survey & Housing Vacancies and Homeownership Survey



## Attribution of the 2014 homeownership gap\*



Source: Data from American Community Survey & Housing Vacancies and Homeownership Survey

\*Gap between Non-Hispanic Whites and the combination of African Americans and Hispanics. All other races are excluded.

Notes: Other factors include credit, savings, other sources of downpayment (e.g., gifts), and other unobserved differences between these two groups.



# Low-income purchase opportunities

- Age is one key borrower differentiator; we also find differentiation across credit score, income, race, and whether the borrower is a first-time home buyer. One distinct borrower group is more likely to be rural and tends to prefer 15-year mortgages.
- Using these clusters helps us to better understand the primary market home buyers who are eligible for housing goals, and to identify better ways to serve them.

	Cluster 1: Boomers +	Cluster 2: Single Millennials	Cluster 3: Financially Conservative	Cluster 4: Families	Cluster 5: Older FTHB
Share	19%	39%	7%	14%	21%
Age	60s	Low 30s	Mid 40s	Late 30s	Late 30s
CLTV	Lowest CLTV	Highest CLTV	Low CLTV	High CLTV	Highest CLTV
DTI	Mid DTI	High DTI	Lowest DTI	Highest DTI	Mid DTI
Credit score	Highest	High	High	Mid	Lowest
FTHB	Least FTHB	High FTHB	Mid FTHB	Mid FTHB	Highest FTHB
UPB	Low UPB	High UPB	Lowest UPB	Highest UPB	Low UPB
Other Characteristics	Condos	Single	15-Year Mort. Rural	2 Borrowers High 1-Unit Share High Minority Share	Mostly Single Lowest AMI High Minority Share

Source: Analysis of Fannie Mae data

Notes: We identified populations (using K-Means algorithm) that are most helped by our low-income housing goal, using data from January 2012 to March 2016 that hit our low-income purchase goal. Research in progress. Results are preliminary and subject to change.



---

# Conventional Lending Mortgage Products

## Explore your options

- Available conventional options - **HomeReady<sup>®</sup>** and **HFA Preferred<sup>™</sup>**



# Affordable lending solution: HomeReady



## Launched in December 2015

- Designed to address lender challenges with our prior affordable lending product, MCM
- Innovative underwriting flexibilities offer opportunities to serve more borrowers
- Supports achievement of Fannie Mae's regulatory housing goals and may help support lender CRA goals

## HomeReady status

- More than 750 lenders already use the product
- Monthly application volume has exceeded 2015 monthly MCM application volume
- Delivery volumes are gradually picking up; > \$1B YTD 2016



## HomeReady borrower eligibility

- Borrower income eligibility requirements based on our regulatory housing goals
  - Currently 80% AMI, 100% AMI, and no income limits based on census-tracts
  - Effective July 16, income eligibility will be simplified to 100% of area median income or no income limit (for low-income areas)
- DU messaging to flag loans meeting income requirements
- Income Eligibility Lookup Tool to help identify borrower eligibility



# HomeReady pricing

## Simple pricing structure

- Zero LLPAs for LTV > 80% and credit scores  $\geq 680$
- Reduced MI coverage >90% LTV
- Better than or equal to standard Fannie Mae product pricing



## HomeReady and homeownership education/counseling

- Pre-purchase homeownership education via Framework provides tools and resources for successful homeownership
  - Post-purchase support with ongoing access to homeownership advisor
- As of 6/13/2016, 8,093 borrowers have purchased the course and 94% have completed it. Customer feedback is consistently positive:
  - 95% say they have learned as much or more than they expected
  - 91% say they increased their understanding of the home buying process
- Next generation, Framework 2.0 course being developed for mid-year launch with enhanced content, navigation and accessibility capabilities



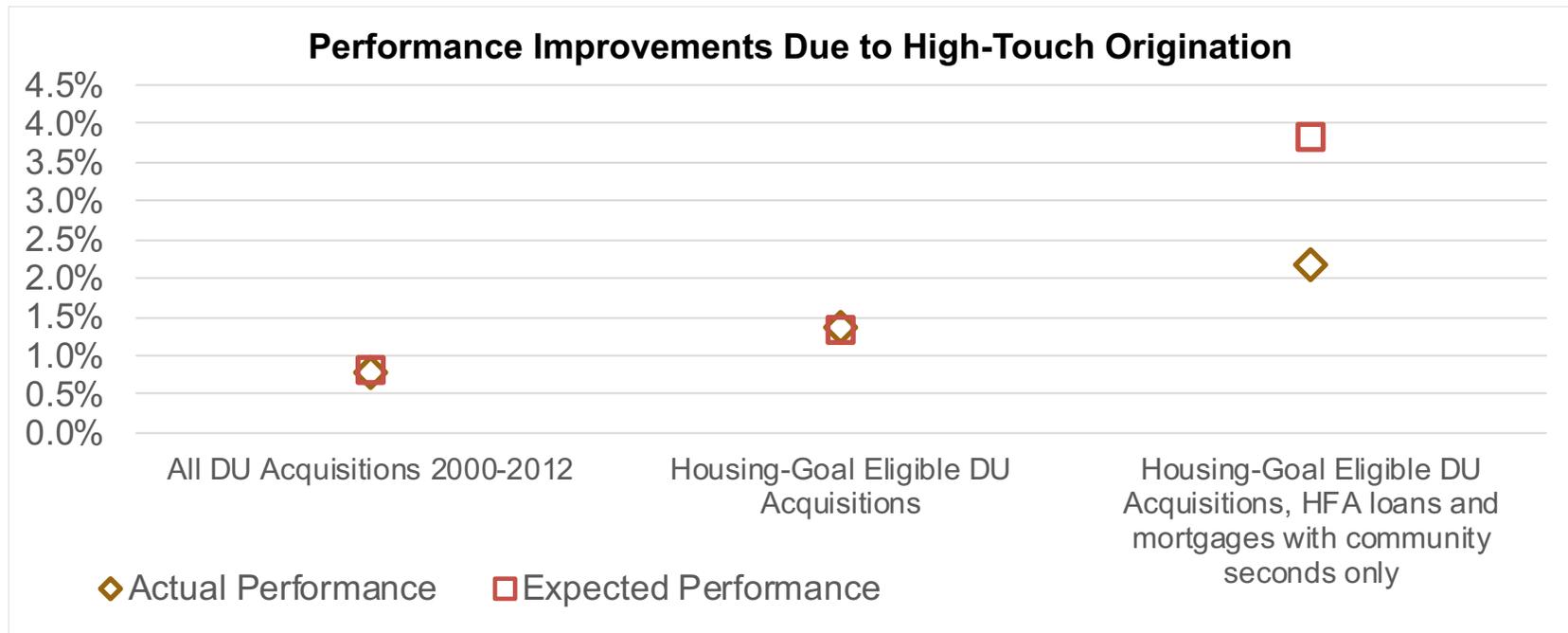
### *Coming Soon*

- Financial incentive to lenders of \$500 LLPA credit when borrowers complete optional pre-purchase homeownership counseling



# Housing counseling

- Counseling benefits credit investors: Programs that include counseling improve loan performance
- And benefits borrowers: Helps borrowers budget and improve their credit
- But is underutilized: Only 1% of first time home buyers get some form of pre-purchase housing counseling



Source: Analysis of Fannie Mae data



# Working with Housing Finance Agencies (HFAs)

## Fannie Mae Partnership with HFAs

- More than 40 HFAs are collaborating with Fannie Mae to support affordable homeownership
- HFAs bring many valuable attributes
  - A careful, high-touch, mission-motivated approach to consumers from application through the life of the loan

## Why do lenders partner with the HFAs?

- Potentially earn CRA credits\*
- Down payment assistance
  - Acceptable Community Seconds®
  - Grants
- Mortgage Credit Certificates (MCC)
  - This tax savings provides a family with more available income to qualify for a loan and meet mortgage payment requirements
- Support of home buyer education

*\*Lenders must confirm with their regulators.*

<https://www.ncsha.org/housing-help>

NCSHA  
NATIONAL COUNCIL OF STATE HOUSING AGENCIES

HOME | ABOUT US | ABOUT HFAS | MEMBERSHIP

Advocacy & Issues | Resource Center

HOME :: ABOUT HFAS

### HFA DIRECTORY

Housing Finance Agencies offer individuals, families, and businesses a wide range of support and assistance. Click your state to find HFAs and organizations near you that can help you with your housing finance questions and concerns.



## HFA Preferred™\*

HFA Preferred™ is Fannie Mae's affordable lending product available exclusively to eligible HFAs to serve low- to moderate-income borrowers. Underwriting flexibilities and features include:

- **Loan-to-value (LTV) ratio up to 97%** with no first-time home-buyer requirement
- Reduced MI coverage with **no loan-level price adjustment (LLPA)**
- Borrower **income limits set by the HFA**
- **Home buyer education** requirements established by HFA
- **1-to 4-units principal residence**, including eligible condos
- **New underwriting flexibilities\*\*** permitted (non-occupant borrowers, non-borrower household income, rental income from accessory dwelling units, and boarder income (follows HomeReady® requirements))

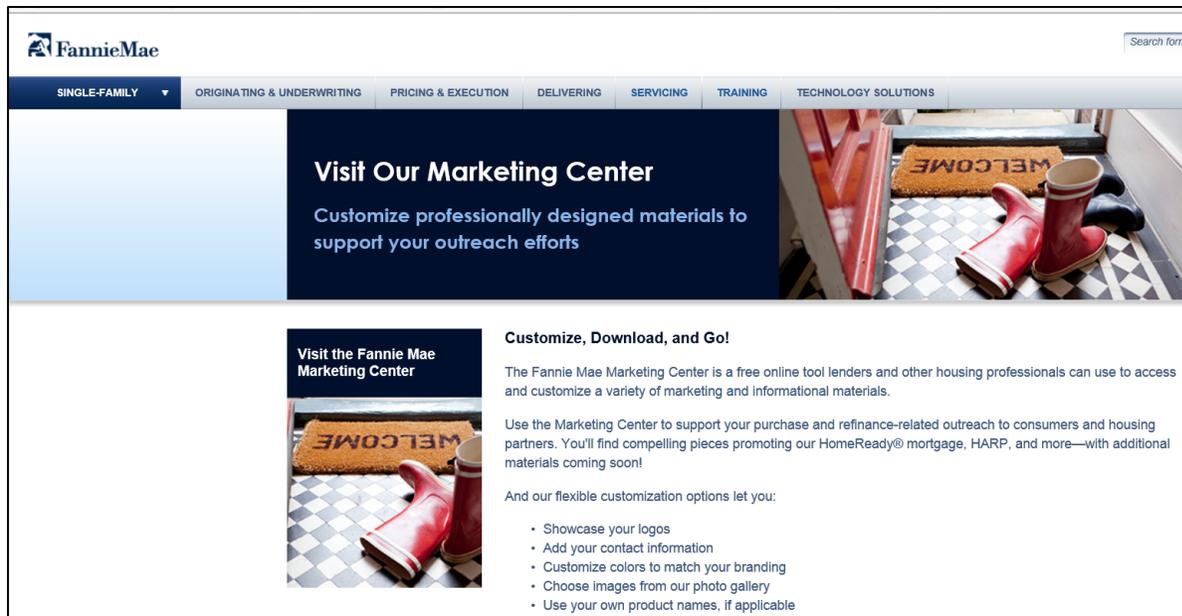


\*HFA Preferred products are variances to our HomeReady® product, refer to the HomeReady® sections of the **Selling Guide (refer to section B5-6)** when reviewing Fannie Mae's eligibility and underwriting requirements. \*\*Not currently offered by all HFA programs.



# New Fannie Mae Marketing Center

- Self-service consumer and realtor marketing materials available
- Customizable – add photo and contact information and include company’s logo and product name(s)
- Flyers and frequently asked questions resource materials available in both English and Spanish translations
- <https://www.fanniemae.com/singlefamily/marketing-center>





# Spanish Language Resources

## Spanish Language Resources for Lenders

Use these resources to better support your Spanish speaking customers.



<https://www.fanniemae.com/singlefamily/spanish-resources-for-lenders>

- New online resource for lenders and HFAs to help support their Spanish-speaking borrowers
- Spanish and English versions of many loan origination documents side-by-side
  - Loan application
  - Loan estimate
  - Verification forms
  - Closing disclosure
  - Security instruments
  - Links to outreach materials in Spanish
- Customizable sample notice to borrowers to help consumers understand that the mortgage transaction will be conducted in English



---

# Questions?