

How SONYMA Can Help You and Your New Homebuyers

2014 CXHE Conference
September 29, 2014

Presented By:



Our Mission

- SONYMA's core mission is to provide:
 - Capital to promote affordable and sustainable homeownership opportunities for low- to moderate-income citizens of New York State; and
 - Mortgage insurance to lower the cost of borrowing for both eligible homebuyers and owners of affordable multifamily buildings

SONYMA's Key Advantages

- Up to 97% financing for 1-2 family homes
- Down Payment Assistance (DPAL) available – up to \$15,000
- Requirements for homebuyer education and counseling by nonprofit agencies
- No limit to the amount of subordinate financing when using qualified grants or subsidies
- Special rates available for Veterans and military personnel
- Can be used for purchase/renovation for homes suffering from deferred maintenance

SONYMA Product Advantages

- No max CLTV. No limit to the amount of subordinate financing when using qualified grants or subsidies.
- Exempt from ATR requirements enables 40/45 ratios
- Longer rate locks (100 day for existing homes)
- Up to 97% financing for 1-2 family homes, including condos and manufactured homes
- 95% financing for Co-ops
- 90% for 3-4 family homes
- Guarantor may be added to loan for borrowers with thin credit history or no credit history.
- No points; no origination fees; no added fees (LLPA/Delivery Fees) (Lenders may charge up to \$850 in ancillary fees)

Achieving the Dream Program

- One income eligibility limit regardless of household size
- Now set at 80% of area median income
- Found at: www.sonyma.org click on “income limits”
- Features up to 97% financing at a current rate of 3.875%
- 1-2 family homes ONLY
- Can do 2-family new construction, target areas only
- MUST be a first-time homebuyer w/ exception of eligible Veterans
- Standard 100-day rate lock, with 240 days for construction/rehab
- DPAL (Down Payment Assistance) available at 0.375% higher rate



Homes for Veterans

- 3.875% interest rate
- DPAL can be used with NO increase in rate
- No first-time homebuyer requirement for veterans with other than dishonorable discharge
- Active duty, and active or retired National Guard and reservists who are first time homebuyers are eligible
- 97% LTV/No maximum CLTV (95% co-ops, 90% 3-4 family)
- Can be paired with Remodel NY for renovation funds or Construction Incentive for new construction

SONYMA Down Payment Assistance (DPAL)

- 0% interest. No monthly payment. Second mortgage lien, forgiven in equal monthly installments over the first 10 years of borrower occupancy
- Can be layered with other down payment assistance programs, including First Home Club
- Borrowers receive the GREATER of \$3,000 or 3% of the purchase price, not to exceed \$15,000.
- Increases SONYMA's standard rate for most programs by 0.375%. (Program Exceptions: Habitat for Humanity; Homes for Veterans; Energy Star)
- DPAL funds can be used to pay for a one-time mortgage insurance premium, down payment or closing costs

Grant/Subsidy Friendly

- No Max CLTV when using eligible grants or subsidies
 - Must be sponsored by a Federal, State or Local Gov't Agency
 - Must be subordinate to SONYMA 1st mortgage and DPAL 2nd mortgage, if applicable
 - Borrower's minimum contribution based upon "net" sales price. Sales Price less the amount of all subsidies (including DPAL) is applied to down payment

What's New and Coming Up Next?



1. Strategic Objective

- Expand lender use of SONYMA Express®
 - Significantly decreases days from application to approval
 - Aligns SONYMA delivery process with industry norms
- Expand Remodel NY to provide much needed renovation financing
- New Conv/FHA Plus programs with more competitive rates

2. Strategic Objective

- Build out consumer education component of website
- Staff for greater outreach capability
- Attend more local events in targeted areas
- “800 Room” enhancements
- Created Consumer Direct Committee in SONYMA Advisory Council

3. Strategic Objective

- Provide more training to homeownership counselors
- Partner with eHome America to provide online training with live follow-up component
- More active role in local member events (including sponsorships)
- Additional information about events and benefits of homebuyer counseling on our website

Want to Learn More?

- **SONYMA University**
 - Series of free one hour training classes to promote awareness of programs, benefits and origination process
 - Series of “shorts” geared to consumers on topics ranging from homeownership readiness to post-closing homeownership maintenance
 - 14 seminars so far, with over 800 attendees
 - Special class geared toward homeownership counselors on **Tuesday, October 28 at 10 am**



Questions?



2014 CXHE Annual New York State Conference

Using SONYMA and FHLB to Improve Your Homeownership Services

September 29, 2014



Federal Home Loan Bank of New York

- » Government Sponsored Enterprise (“GSE”) created by Congress in 1932 as a result of the Great Depression and its effects on the housing market
- » FHLB NY is a privately held co-op, owned by 340 Member institutions in NY, NJ, Puerto Rico and the US Virgin Islands

OUR MISSION

To advance housing opportunity and local community development by maximizing the capacity of community-based Member-lenders to serve their markets

- » We are a primary provider of liquidity to our member institutions
- » Through the Affordable Housing (“AHP”), First Home Club (“FHC”) and Community Lending Programs (“CLP”) we help members meet the housing needs of very low-, low- and moderate-income households



Changing Times

January 23, 2006

**FREE MONEY
FINANCE**

43% OF FIRST-TIME HOME BUYERS PUT NO MONEY DOWN

Here's one for the "yikes, yikes, and triple yikes" file!!!! USA Today reports that [43% of first-time home buyers purchased their homes with no-money-down loans](#). And if this isn't bad enough, the average first-time homebuyer put down only 2%.

FIRST-TIME HOME BUYERS MISSING OUT ON HOUSING RECOVERY

Tougher lending standards squeeze out potential borrowers.

By *David Francis*, **December 10, 2012**

<http://money.usnews.com/money/personal-finance/articles/2012/12/10/first-time-home-buyers-are-missing-out-on-housing-recovery>

FIRST-TIME BUYERS AND NEW-HOME DEMAND: REVERTING TO NORMAL

By: *Brad Hunter*, **July 10, 2014**

<http://www.builderonline.com/money/first-time-buyers-and-new-home-demand-reverting-to-normal>

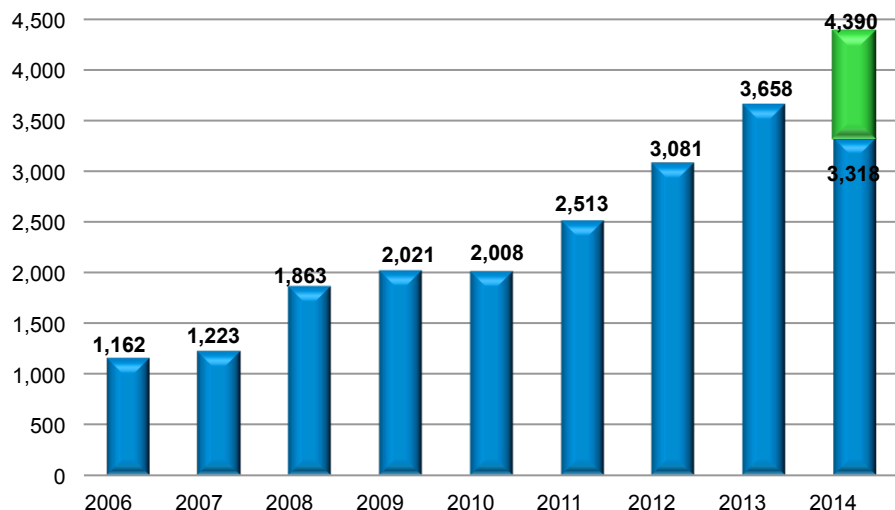


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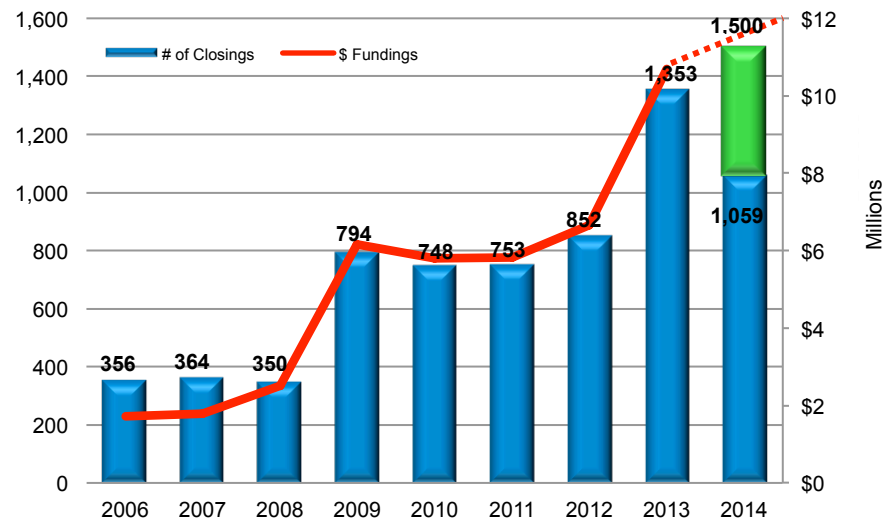


First Home Club Growth

Household Enrollments



Household Funding



First Home Club Program Stats

- Total Pipeline: 6,447 households in active savings status
- 2014 Projections: 4,300 Enrollments; 1,500 Closings; \$12 Million in Matching Grant Funds
- FHC Membership: 81 Participating Members, 49 Active Members
- Top 5 Member Participants: 76% of Enrollments, Closings and \$\$ Funded in 2012 and 2013
- Increasing Enrollments Trend: Yr. over Yr. increase – **23%** in 2012; **18%** in 2013; **20%** in 2014 (projected)
- Increasing Closings Trend: Yr. over Yr. increase – **13%** in 2012; **59%** in 2013; **10%** in 2014 (projected)



AHP and FHC – Where The \$\$ Comes From

- » The **Affordable Housing Program (AHP)** was established in 1990 (across all 12 HLBs)
- » 10% of FHLBNY's prior year's net income funds the annual AHP. This is income that would have otherwise been distributed as dividends to the Members of the co-op (**Private capital, not government funds**)
- » **First Home Club (FHC)** is a “set-aside” program of the AHP – (established 1995)
- » Up to 35% of the annual AHP allocation may be set-aside for FHC
- » AHP allocation for 2014 is \$33.9 million, of which \$11.8 million was set-aside for FHC
- » Additional funds may be allocated to the FHC from recaptures or de-obligations of previous AHP awards
 - » \$528 million in AHP Allocated since inception:
 - » \$453 million went to the AHP “Competitive” Program
 - » \$75 million went to the FHC “Set-aside” program



First Home Club Structure

Overview:

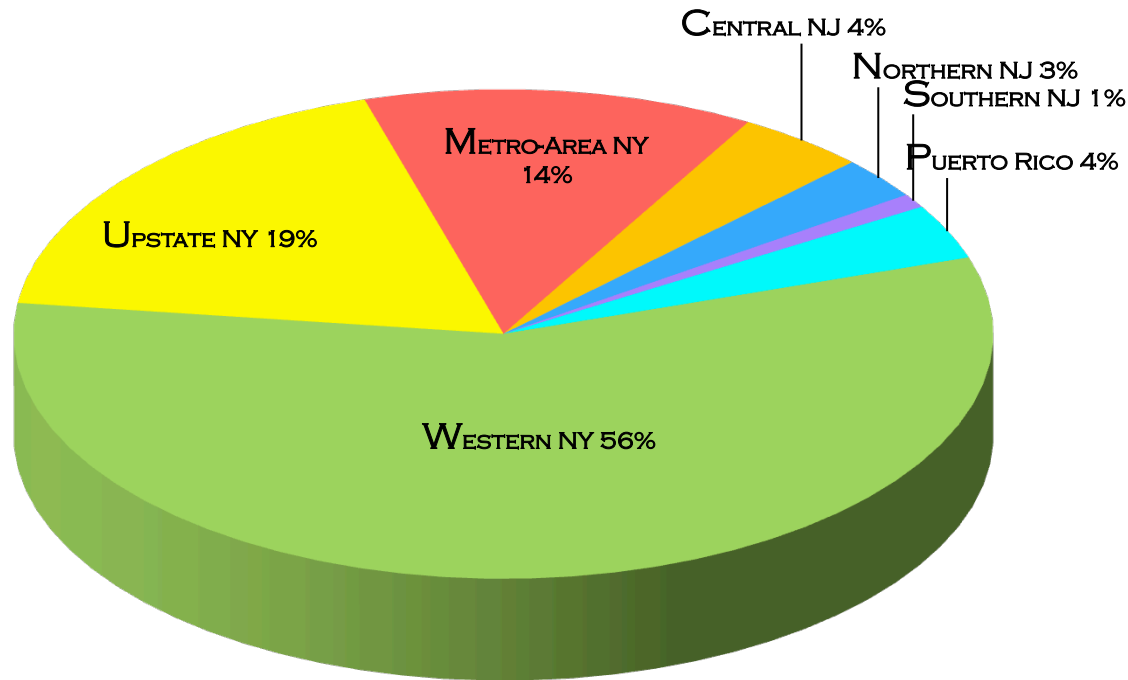
- » Non-competitive set-aside of the Affordable Housing Program (AHP) established in 1995
- » Provides down payment and closing cost assistance to first-time homebuyers with incomes at or below 80% of the area median income (adjusted for family size)
- » Assistance provided as a 4:1 match of household savings in a dedicated account up to a \$7,500 maximum
- » Up to an additional \$500 towards defrayment of non-profit housing agency counseling costs available

Requirements:

- » Households must be enrolled through a Member
- » 10 – 24 months of systematic savings in a dedicated account with the Member
- » Completion of a HLB approved homeownership counseling program
- » Member must originate household's mortgage
- » Funds must be used for down payment and closing cost assistance
- » Five year retention period



First Home Club Funding Trends



» FHC Funding Since Inception:

- » 8,746 households funded
- » \$59,941,714 in FHC subsidy
- » **NYS has received 89% of FHC \$\$**

» FHC Funding by Enrollment Aging*

- » 40% within 10-12 months
- » 48% within 12-24 months
- » 6% within 25-30 months
- » 5% within 31-36 months

*calculated for 2012 – 2014 closings



First Home Club Partners

FHC Membership:

- » 81 Participating Members
- » 49 Active Members
- » 57 in NY State

FHC Non-Profit Counseling Agencies:

- » 163 Approved Agencies
- » 129 Based in NY State
- » 31 CXHE Regional Member Agencies

Role of the Counseling Agency

Keys to Success:

- » Understanding household eligibility and income qualification
- » Active communication with Members as to enrolled households/pipeline management
- » Educating homeowners as to key milestones in the process and determining their readiness for life as a homeowner

Benefits:

- » FHC provides an additional \$500 subsidy to defray the cost of providing counseling upon receipt of a cost breakdown

Results:

- » Overall, FHC households experience a lower default rate



FHC Growth: A Challenging Environment

Challenges:

- » Handling unprecedented growth of enrollments/closings
- » Members challenged with internal decentralization across branch networks and managing delegation of program administration to counseling agencies
- » Increase in exception requests, retro-enrollments, and rush reviews
- » Gaining control of FHC Program financing and future household funding demands

Solutions:

- » Streamlined internal process flows and forms
- » Decreased “touch points” in household lifecycle
- » Creation of Program Guidelines
- » Established key timeframes for FHLBNY/Member administration
- » Increased ownership and accountability from Members as to eligibility and underwriting, as well as stricter adherence to program requirements and deliverables
- » Gathering ideas on how to better manage the program financing and household funding – Best solution remains yet to be determined..... Ideas welcomed!



»**Any questions or comments?**

