



homewise[®]

your partner in homeownership

Proposal Number: '18/21/P

Title of the Proposal: Affordable Housing Trust Fund (AHTF)

Name and Address of the Proponent:

Homewise, Inc.

1301 Siler Road, Building D

Santa Fe, NM 87507

ORIGINAL

2018-2019 AHTE APPLICATION

General Information

Applicant Name(s): Homewise, Inc.

Address: 1301 Siler Rd Building D

Federal Tax ID #: 85-0346325

City Business Reg. #: 17-00063137

CRS#: 02-062377-00-1

City/State/Zip Code: Santa Fe, NM 87507

Telephone: 505-955-7039

Project Contact: Laura Altomare

Email Address: laltomare@homewise.org

Amount of Allocation Requested: \$ 200,000

Type of Applicant:

Partnership Corporation Non-Profit* Other

* Non-profit must provide proof of non-profit status. This proof includes submittal of current registration as charitable organization with the NM Attorney General's Office, covering the most recent Fiscal Year, or proof of exemption. Information can be obtained online at <https://secure.nmag.gov/coros/>. Verification should be in the form of the first page of the "NM Charitable Organization Statement."

Project Name: Down Payment Assistance for Home Purchase Customers below 120% AMI

Project Address (if applicable): Homewise, Inc. 1301 Siler Rd Building D

City/State/Zip Code: Santa Fe, NM 87507

Priority Project

Select one of the categories your project falls under:

- Rental Vouchers** - Provide supported rental vouchers (includes access to counseling, health services, case management, and other services) to renters earning less than 50%AMI;
- Emergency Shelters including permanent supported shelter housing** - Development, construction, and preservation of shelter/permanent supported rental facilities, including infrastructure improvements;
- Provision of Rental Units and Support Services for Low Income (up to 50% AMI) and Extremely Low Income Renters (less than 30% AMI)** - Acquisition, conversion, preservation and new construction of tiered income multi-family rental properties; including infrastructure or one-time emergency rental assistance;
- Down payment Assistance/Increase of Ownership Opportunities** - Down payment assistance in the form of soft-second mortgage that “buys down” principal amount of loan to lower monthly payment; Acquisition, conversion, preservation and new construction of homeownership housing;
- Homeowner Rehabilitation Programs, Energy Efficiency Upgrades, Accessibility Retrofits** - Acquisition, conversion, and preservation of affordable housing that accommodates needs of current householders.

Project Description:

Please provide a narrative of your project. Specifically who will be served, anticipated outcomes, etc.
(If needed continue on a separate sheet)

Homewise’s down payment assistance program is a critical part of our integrated home purchase services. Through this program, we help Santa Fe families overcome their challenges to home purchase, which typically include affordability, down payment, and credit. AHTF funds would be used to provide down payment assistance to families earning under 120% of AMI.

Homewise provides down payment assistance in the form of a 0% interest, deferred loan that is due upon sale or transfer of title. Because no monthly payments are required on the deferred down payment assistance loan, the homeowner’s overall monthly mortgage payment is significantly lower than without the assistance. The loan is repaid when the owner sells the home (or otherwise transfers ownership) and those loan repayments are then revolved to assist future buyers.

Our requested funds of \$200,000 would help an estimated 20 homebuyers to achieve their home purchase goals. We will utilize these funds in conjunction with our Homewise mortgage product, which allows us to offer a 30-year fixed rate loan and eliminate mortgage insurance. In addition, our Homewise mortgage

lowers the up-front cash required of our buyers compared to other loan options in the marketplace. The result is a home purchase package that lowers monthly payments, lowers the upfront cash required, reduces the total interest, and eliminates the mortgage insurance paid over the life of the loan. We use down payment assistance loans for borrowers who still face an affordability barrier and need their monthly payment further reduced. AHTF funds will help us create an additional 20 homeowners who would otherwise be priced out of home purchase.

1. Funding:

How will the AHTF allocation be used for this project? What additional funding sources are secured or will be secured upon receipt of allocation? The City of Santa Fe requires financing from other sources to be committed prior to the release of funds from the AHTF.

AHTF funds will be used for down payment assistance loans for households under 120% of AMI. These loans, ranging in size from \$5,000 to \$20,000 based on the borrower's need, will be at 0% interest and will be due upon sale or refinance. In addition to down payment assistance, Homewise provides amortizing second mortgages to homebuyers that eliminate the cost of mortgage insurance thereby reducing the monthly mortgage payment and maximizing the amount which a homebuyer can borrow. Sources for the amortizing seconds are secured and include grants from the CDFI Fund of the US Treasury Department and NeighborWorks America, as well as loans from a number of sources including the CHRISTUS St. Vincent Regional Medical Center, Santa Fe Community Foundation, Calvert Foundation, religious investors, UBS Bank, Wells Fargo, Bank of America and New Mexico Bank and Trust.

Leveraging/Matching Requirement:

\$3 to \$1 Leveraging: for every \$1 allocated through the AHTF, at least \$3 dollars from other sources will be expected (leveraged funds can include long-term mortgages, other sources of grants, owner equity, proceeds from Low Income Housing Tax Credits, or the current value of land); organizational resources should be used to provide \$1 of match (See Exhibit A for example)

Briefly Describe:

As shown in the following budget, Homewise expects to leverage each AHTF dollar with nearly \$20 dollars and match each AHTF dollar with \$3.79 of Homewise matching funds. Leverage will come from the Homewise Mortgage, which includes a first mortgage at 80% of loan to value and is sold to Fannie Mae for permanent funding. In addition, the borrower's cash contribution toward their home purchase also serves as leverage funds. The required match will come from the Homewise amortizing second mortgages, funded by Homewise from sources we have secured. It is the amortizing second mortgage that eliminates the need for mortgage insurance and maximizes the affordability to the homebuyer.

Project Budget and/or Development Pro-Forma: demonstrate use of leveraged and matching funds as well as evidence that operating budget is sufficient to administer the proposed program/project (please attach documents as well as give brief overview below)

The following summary shows how AHTF funds will be used in a typical home purchase transaction. This sample also demonstrates the leverage and match achieved for each transaction and for the entire project.

Typical Home Purchase Transaction

Average sales price	\$240,000
Closing costs	\$5,208
Total Transaction cost	\$245,208

Sources of Funds		Project Budget for 20 homebuyers assisted	
First mortgage, sold to FNMA	\$192,300	\$3,846,000	leverage
Homewise Amortizing Second mortgage	\$37,900	\$758,000	Homewise match
Average Buyer's cash contribution	\$5,008	\$100,160	leverage
Down payment Assistance Loan	\$10,000	\$200,000	AHTF
Total Home Purchase Financing	\$245,208	\$4,904,160	

<i>Requested AHTF</i>	\$200,000	Ratio
Total Leverage	\$3,946,160	\$19.73 to \$1
Total Homewise Match	\$758,000	\$3.79 to \$1

Homewise will fund the operating costs of administering the down payment assistance loan program itself so that the entirety of the award can be deployed as direct assistance to homebuyers. The attached financial documents demonstrate that Homewise has sufficient resources budgeted to administer the project.

2. Need/Benefit & Project Feasibility

Demonstrate, using data-based analysis, that there is a clear connection between the proposed project/program and adopted Priority(s), and evidence that the proposed project/program meets current and future market demands. Provide narrative below (use additional sheets as necessary):

The City's Five Year Consolidated Plan and its Annual Action Plan (2017-2018) reflect the following goal: "Increased homeownership opportunities and support for long-term affordability and accessibility for current homeowners." Homewise's down payment assistance deferred loan program immediately furthers this goal by removing key barriers to home purchase and creating additional opportunities for affordable homeownership.

The residential housing market in Santa Fe continues to become less affordable: "The growth in median home values and in median sales prices for both single-family homes and condos has far outpaced the growth in income." (Final Consolidated Plan). Housing values remain high and income increases of potential homebuyers are incremental. The Santa Fe Association of Realtors reported that as of December 31, 2017, the median home purchase price in the city was \$325,000. The annual income needed to purchase this home is about \$92,320 (Homewise data, January 2018) using a typical FHA loan, well above the median income of the Homewise customer (\$60,702), the median income of a Santa Fe renter (\$37,835, Census data), and the median income of a 4-person family between 80% to 120% of AMI (\$62,200). In fact, the median income of a 4-person family was stagnant between the first and third quarters of 2017, while the median price of a home rose 3% during that same period (Wells Fargo/NAHB Housing Opportunity Index).

Prospective homebuyers face three main obstacles to homeownership: affordability, down payment and credit. Down payment assistance helps improve affordability by lowering the monthly payment associated with the home purchase. AHTF is a particularly important source of down payment assistance funds as it is one of the only sources available to families above 80% of AMI. Because Santa Fe is a high-cost market, many families still need assistance to reach their homeownership goals, even though their incomes are higher than what many assistance programs allow. Despite the challenges facing prospective Santa Fe homeowners, there continues to be strong demand for home purchase. According to the Santa Fe Association of Realtors, the volume of single-family home sales in the City increased 16% in Q4 2017 over Q4 2016. Our own leading indicators show a growth in demand for home purchase services as well. In 2017, Homewise worked with 880 clients to put together an individual home purchase action plan, about 14% higher than the prior year.

The down payment barrier also hampers opportunities for homeownership in Santa Fe. Down payment requirements have increased in recent years. A family in Santa Fe earning over 80% AMI, or about \$50,000, that saves \$150/month in a savings account with a 1% interest rate, would need at least 20 years to save \$43,000 for a 20% down payment on a \$215,000 home. For families without those funds, the main alternative is FHA, which still requires a 3.5% down payment plus closing costs, or about \$14,000. Homewise uses our Homewise Mortgage to lower that barrier still, requiring a minimum 2% upfront cash contribution from the individual or family, or about \$4,300. While it would take over 7 years for the family to save for the FHA mortgage, the Homewise Mortgage shortens that time to about 2 years. We use our Homewise Mortgage to leverage the impact of the down payment assistance loans. Our product removes the upfront

cash barrier while the down payment assistance loan brings down the monthly payment to a more affordable amount, thereby helping create new opportunities for homeownership.

The final obstacle to home purchase is credit. Qualifying for a mortgage is a major barrier for many families in Santa Fe. In 2017, the majority of FHA purchase loans (57%) went to borrowers with credit scores between 650 to 749, and only 23% went to borrowers in the 600 to 649 range. Outside of Homewise, most prospective homeowners would rely on an FHA loan, a public homeownership program to overcome these challenges. Yet, the majority of banks in Santa Fe do not offer FHA mortgages and even fewer participate in the state housing finance agency's first-time homebuyer programs. Many lenders have established minimum credit score requirements that are higher than what the secondary market requires, potentially disqualifying families and individuals in Santa Fe who wish to become homeowners. Most importantly, other lenders do not offer financial coaching or education programs that help the prospective buyers improve their credit to meet strict loan standards. In addition, none of these lenders offer a product comparable to the Homewise Mortgage, which reduces the down payment requirement, eliminates expensive mortgage insurance, and has a minimum credit score of 640.

Through Homewise's free one-on-one home purchase preparation, and our homebuyer education and financial literacy classes, Homewise clients receive the help they need to improve their credit profiles to meet our strict underwriting standards. We reward their hard work of reducing their debt and saving for a down payment with our lower cost Homewise Mortgage and, where needed, we offer down payment assistance loans. In 2017, clients who started with a credit score under 640 and went on to become homeowners increased their score by an average of 68 points through our home purchase preparation process. Homewise's supportive services are critical to making our down payment assistance program successful both in the short term and long term as it helps us qualify buyers for purchase who are poised for long-term success.

What is the timeline for the project?

Homewise assists over 200 households purchase homes in Santa Fe each year, the vast majority of whom purchase homes in the City and are below 120% of AMI. It is anticipated that the AHTF funds will be fully deployed in down payment assistance loans within the first six to eight months of the contract period.

Site Information (if applicable) NOT APPLICABLE

If your proposed project include acquisition, conversion, preservation and new construction of homeownership or rental housing, please provide the following information.

Site control is or will be in the form of*: Deed Option

Lease (Term _____ Years) Purchase Contract Other (explain)

* If project is recommended for funding, proof of site control must be provided before funds are

disbursed.

Expiration Date of Contract, Option, or Lease _____ (month/year)

Site Description:

Area of Site: _____ acres or _____ square feet

Is site zoned for your development? Yes No Zoning _____

If no, is site currently in the process of re-zoning?

Yes No Re-Zoning _____ When

is zoning issue to be resolved? _____ (month/year)

Has the City approved the site plan and/or plat? Yes No

If yes, provide a copy of the site plan/plat.

Are there any other development reviews and approvals required? Yes No

If yes, explain:

List any required reports or studies underway or completed such as soils report, environmental assessment, traffic study)

Has the City issued the building permit? Yes No

Are all utilities presently available to the site? Yes No

If no, which utilities need to be brought to the site? _____

Who has responsibility of bringing utilities to site? _____

Describe briefly how the project will meet the City of Santa Fe's green code, what the anticipated HERS will be for newly constructed/renovated dwellings and/or how other other green building criteria will be met. If relevant, describe how the project is consistent with other priorities such as access to opportunity and employment areas, transportation routes, walkability, redevelopment and infill.

N/A

3. Affordability:

Outline the affordability time period for this project based on the following: (i.e. loans to \$14,999 – 5 years, \$15,000 to \$40,000 – 10 years, 40,001-\$100,000 – 15 years and over \$100,000 – 20 years). Describe any efforts to deepen affordability so that the project can serve a wider diversity of income earners.

To ensure long-term affordability and the responsible use of AHTF funds, Homewise will utilize a deferred mortgage that is due upon sale to recapture AHTF Funds. Recaptured funds will be revolved to provide additional down payment assistance loans to future buyers. The mortgage does not expire or forgive, ensuring that funds are recaptured beyond the minimum affordability periods required. Using this deferred mortgage tool to recapture funds ensures that Homewise's down payment assistance loan program complies with the City's long-term affordability requirements.

4. Demonstrated Capability - Organizational Capacity

Describe the expertise of your organization and past projects to provide the type of housing or programs proposed for funding. Also, include any partnerships and/or collaboration with other organizations that will expand and deepen access to the housing/services through the project:

Homewise, founded in 1986, began its home purchase program in 1992. Since that time 4,324 families and individuals have purchased homes through Homewise (as of 12/31/17). Homewise has been recognized for its effectiveness towards its mission of supporting homeowners toward the goal of financial security through homeownership, including maintaining the home as a valuable asset for building family wealth. The efficiency of Homewise is audited and reviewed by various funders including the City of Santa Fe, NeighborWorks® America, Opportunity Finance Network through the Aeris™ Rating system, the New Mexico Mortgage Finance Authority and our private auditors. Historically, these audits have consistently returned a result of no significant findings.

Since 2008, Homewise has been in the number one or two market share position for home purchase lending for loans under \$250,000 in Santa Fe, a scale that positively influences the entire market. Since inception, we have created over 4,324 new homeowners and deployed almost \$520 million in home purchase loans (as of 12/31/17). By creating successful homeowners at a high volume, we help make our neighborhoods more resilient.

Our customers face obstacles of down payment, affordability, and credit in their efforts to become homeowners. Homewise helps clients overcome credit, savings, and debt obstacles through one-on-one financial coaching and free homebuyer education and financial literacy classes that prepare clients to qualify for a mortgage and become a financially successful homeowner. Homewise's mortgage product meets our customers' needs in achieving and managing homeownership in a way that builds financial security through competitive long-term fixed rates, low fees, and the elimination of mortgage insurance.

Working in partnership with other organizations that will expand and deepen access for affordable housing opportunities is at the heart of Homewise's work. Our capacity to drive and support successful collaborations is demonstrated by our experience in Santa Fe, where we have established and sustained long-term successful collaborations with community cornerstones such as CHRISTUS St. Vincent Regional Medical Center (CSVRMC), Santa Fe Community College, the City of Santa Fe, Santa Fe Community Foundation, MIX Santa Fe, and others. Another way we work to expand and deepen access for affordable housing is through our Business Campaign for Homeownership, in which we work with local businesses to deliver presentations and materials at the workplace. Through this campaign, now serving over 200 local businesses, employees learn of Homewise services including free financial literacy and homebuyer education classes in Spanish and English, individual one-on-one financial coaching services, real estate sales services and affordable fixed-rate financing for home purchase. Our business partners make the process easier for their employees by creating a comfortable and convenient starting point during work hours. Through these partnerships, we have made a significant positive impact on the financial stability of individuals and families through successful homeownership, as well as the vitality of our greater community.

Year after year Homewise has increased the homeownership rate in Santa Fe through providing Financial Literacy and Homebuyer Education classes, creating successful new homeowners, and the developing new affordable homes:

Metric	FY 15	FY16	FY17	FY18 in progress (as of 12/31/17)
# Attending Educational Classes (HBE and Financial Literacy)	550	677	723	424
Total # Homebuyers Created	194	185	205	150
\$ Loaned for Homeownership	\$32,601,219	\$34,084,776	\$44,012,225	\$34,658,368.50
Total # Homes Developed	27	40	46	37

Describe your staffing and attach resumes of key personnel:

The Homewise staff responsible for Home Purchase services has many years of experience in financial coaching, homebuyer education, real estate sales, and lending and has created a seamless process for homeowners seeking these services. That team is backed by a skilled accounting and finance staff and a marketing department with expertise in messaging and media appropriate for these services. The Homewise staff has administered several previous CDBG and AHTF allocations for home purchase lending.

The staff directly responsible for Home Purchase lending includes:

Mark Vanderlinden, Chief Lending Officer, has over 30 years of experience in mortgage lending and operations management at Fannie Mae, Federal Home Loan Bank of Atlanta and the New Mexico Mortgage Finance Authority. He is responsible for managing Home Purchase Lending services.

Sheryl Kassetas, Mortgage Loan Originations Manager, Gina Smyer, Mortgage Loan Closing Manager, and Phil Vargas, Mortgage Loan Underwriter, oversee the underwriting, origination, and closing of home purchase loans, including a team of 10 Loan Officer and Loan Processing staff members.

Wade Carlson, Chief Financial Officer, David Brasier, Controller, Sarah Geisler, Senior Business Analyst, and Kate Preteska, Business Analyst, use their combined corporate accounting, business management and project and records management to oversee reporting and tracking of all government contracts awarded to Homewise.

Laura Altomare, Director of Communications and Development, and Rachel Silva, Marketing Manager, bring their seasoned marketing and communications expertise to develop the Homewise messaging and media strategies that will reach the target market for the home purchase services.

Michael Loftin, Chief Executive Officer, has over 40 years of experience in housing and community development. He oversees Homewise's programs and services from strategy development to implementation and operation.

Demonstrate Financial Soundness. Please submit the following documentation:

- Audited Financial Statements for 2015 and 2014.
- Current Statement of Assets & Liability

SUBMITTAL REQUIREMENTS

Please attach one (1) unbound copy of the following items in the following order:

_____ Audited Financial Statements for 2016 and 2015

_____ Current statement of Assets & Liability

_____ Project budget

_____ Leverage calculations

_____ List of current board members

_____ Fiscal Policies and Procedures

_____ Letter of compliance demonstrating cleared findings; or progress towards clearing findings