Lender Appreciation & Learning Event

It’s All About You!
Welcome!

We appreciate You!
Today’s Agenda

Introductions
Home Advantage Updates
House Key Opportunity
Marketing Updates

Introducing: ENERGY SPARK HOME LOAN
So What Can You Do To Help?

- Reserve late in the process
- Submit files early!
- Submit clean files.
- Make sure your DU findings, Final 1003, and signed underwriting transmittal match
HFA Preferred

- $97,000 Income Limit
- No Loan Level Pricing Adjustments
- Does not need to be a first time homebuyer
- Cannot own another property at the time of loan closing
Did You Know?

- Home Advantage DPA – Option 2
- Up to $10,000
- 1% Interest Payment Deferred
- Needs Based
- Veteran Exception
Future Ideas?
House Key Opportunity

It’s coming back!

- New Construction (with or without dpa assistance)
- Land Trusts
- DPA Programs

  Seattle  ARCH  Tacoma
  HomeChoice  Veterans  Opportunity
Opportunity DPA

- Up to $10,000
- 1% Interest Payment Deferred
- Needs Based – Qualifying Income
- Veteran Exception
- Income Limits:

<table>
<thead>
<tr>
<th>County</th>
<th>1-2 persons</th>
<th>3 or more persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>King/Snohomish</td>
<td>$53,650</td>
<td>$65,800</td>
</tr>
<tr>
<td>Clark</td>
<td>$47,050</td>
<td>$58,800</td>
</tr>
<tr>
<td>All Other Counties</td>
<td>$41,300</td>
<td>$51,600</td>
</tr>
</tbody>
</table>
Homebuyer Education

Online Option: One Year In

• 2,701 families served through March
• $50.00 per person: Each person on the loan needs a certificate
• Our online course only: MI certificates no longer accepted
  Link from: wshfc.org/buyers/education
• Takes 5-6 hours on average – start and stop at will
Homebuyer Education

Coming Soon:
Class Registration through Eventbrite!

• No more paper!
  Online registration, instructor confirms attendance,
  Commission emails certificate

• Watch for it this summer
  Input welcome: We’ll work with you to develop
Marketing WSHFC programs

WSHFC Marketing Materials

WSHFC Multi-Cultural Initiative
WSHFC Homeownership Marketing Materials

Do you know how to find them?

Have you used our “fillable” co-branded Home Advantage Flyer?

Did you know you can now add your company’s logo?
Go to: wshfc.org/SF
Home Advantage

Fillable Flyer:

Add your photo and contact info!
How Can We Help You?

Suggestions?
Multicultural Initiative

• Do you speak another language? Let us know!

• Language translator on our website

• Online homebuyer ed in Spanish: ehomeamerica.org/wshfc
Multicultural Initiative

• Upcoming outreach to Latinos for Homeownership Month!
• Partnering with Univision & El Rey Radio
• Bilingual in Spanish?
  Contact us!
  Simona.Álvarez@wshfc.org
Time for a Break
INTRODUCING:

Pilot Program

ENERGY SPARK
HOME LOAN
Encourage homebuyers using the Home Advantage program:

To make modest energy improvements at the time of purchase

OR

Purchase a newly constructed home that exceeds current Washington State energy efficiency building standards
How will this be accomplished?

- Offer homebuyers a reduction on their *Home Advantage* first mortgage rate
- Offer Lenders extra time to close and deliver loan
- Allow borrowers to use financing models that already exist to make improvements
- Encourage home builders to make extra improvements over current standards
- Require a Pre & Post Energy Assessment (audit)
Existing Homes

First Mortgage Loan Products that can be used at the time of purchase with the Home Advantage Program:

- F.H.A. 203k Streamline / Limited \((up\ to\ $35,000)\)
- F.H.A./ V.A. Energy Efficient Mortgage (EEM)
- Fannie Mae Energy Improvement Feature \((up\ to\ 10\%\ of\ appraisal)\)
Using the 203k Streamline (Limited)

- Note: New HUD Handbook 4000.1 extended to September 14\textsuperscript{th} 2015
- All FHA 203k Streamline guidelines apply
- WSHFC allows Downpayment Assistance
- WSHFC additional overlays: (Section 4.1 of Home Advantage Manual)
  - Borrowers’ requirement is 1\% of the purchase price or $1,000, whichever is greater (no gift)
  - No manufactured homes
  - Lender initial & final certifications
  - Allow lender fee: Greater of 1.5\% of the rehab portion of the loan, or $350
F.H.A. 203k Streamline (Limited)

HUD Handbook 4000.1
Effective September 14 2015
203k covered on Pages 311-345
203k Streamline (Limited) page 320
Limited 203(k) Compared to Standard 203(k) Resource

<table>
<thead>
<tr>
<th>PROGRAM GUIDELINE</th>
<th>203(k) LIMITED REPAIR</th>
<th>203(k) STANDARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOWN PAYMENT AND CREDIT UNDERWRITING</td>
<td>SAME AS 203(k)</td>
<td>SAME AS 203(k)</td>
</tr>
<tr>
<td>BORROWER</td>
<td>OWNER- OCCUPANT BORROWERS, HUD APPROVED NON-PROFITS, GOVERNMENTAL AGENCIES</td>
<td>SAME AS LIMITED</td>
</tr>
<tr>
<td>ELIGIBLE IMPROVEMENTS</td>
<td>NO MINIMUM REPAIR REQUIREMENT</td>
<td>A minimum $5,000 requirement for improvements. Any repair is acceptable. No luxury items.</td>
</tr>
<tr>
<td></td>
<td>Up to $35,000 Rehabilitation costs. Cannot be used for structural repairs or major remodeling or repairs. No luxury items.</td>
<td></td>
</tr>
<tr>
<td>203(k) CONSULTANT</td>
<td>203(k) CONSULTANT IS NOT REQUIRED</td>
<td>A 203(k) CONSULTANT IS USED</td>
</tr>
<tr>
<td>CONTINGENCY RESERVES</td>
<td>A contingency reserve is not required. Mortgagors may have the option to establish a reserve up to 20% of the financiable repair and improvement costs.</td>
<td></td>
</tr>
</tbody>
</table>
Maximum Mortgage Calculation: Limited 203(k) Purchase

<table>
<thead>
<tr>
<th>Step 1: Establishing Value</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Adjusted As-is Value</td>
<td></td>
</tr>
<tr>
<td>Appraised Value</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 2: Establishing Financeable Repairs and Improvement Costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Construction, Repairs and Rehabilitation (Work Plan/Cost Estimates)</td>
<td>$</td>
</tr>
<tr>
<td>Contingency Reserve (____% of Cost of Repairs) up to 20%</td>
<td>$</td>
</tr>
<tr>
<td>Inspection Fees (# of Inspections x $ per Inspection)</td>
<td>$</td>
</tr>
<tr>
<td>Title Update Fee</td>
<td>$</td>
</tr>
<tr>
<td>Rehabilitation Escrow Account Total</td>
<td>$</td>
</tr>
<tr>
<td>Cost of Permit(s)*</td>
<td>$</td>
</tr>
<tr>
<td>Other Fees* (Explain)</td>
<td>$</td>
</tr>
<tr>
<td>Sub-Total of Repair Costs &amp; Fees</td>
<td>$</td>
</tr>
<tr>
<td>Origination Fee (Greater of $350 or 1.5% of Sub-total of Repair Costs &amp; Fees)*</td>
<td>$</td>
</tr>
<tr>
<td>Discount Points (____% of Subtotal Repair Costs and Fees)*</td>
<td>$</td>
</tr>
</tbody>
</table>
Energy Efficient Mortgage

- All FHA / VA E.E.M. requirements apply
- WSHFC allows Downpayment Assistance
- WSHFC overlays:
  - Manual downgrade allowed - if ONLY for the EEM (Accept/Ineligible)

HUD Handbook 4000.1
Effective September 14 2015
Energy Efficient Mortgage Page 349-354
EEM: Energy Package

- The energy package is the set of improvements agreed to by the Borrower based on recommendations and analysis performed by the qualified home energy rater.
- The improvements can include:
  - Materials, labor, inspections, and the home energy assessment by a qualified energy rater;
  - If the Borrower desires, labor may include the cost of an EEM Facilitator (general contractor); and
  - Borrower labor (Sweat Equity) is not permitted to be included in the loan amount.
EEM: Cost-Effective Test Example

Annual Savings: $164
Useful Life: 7 Years
Total Savings Over Useful Life: $164 x 7 = $1,148
Water Heater Cost: $1,000
Maintenance and/or Repairs (within 7 Years): $100

- Is it okay to finance this item?
- YES – Savings over 7 years is greater than the cost of the item plus the cost of maintenance and/or repairs.
- $1,148 - $1,100 = $48
EEM: Maximum Financeable Energy Package

• The maximum amount of the energy package that can be added to the Base Loan Amount is the lesser of:

  - The dollar amount of a cost-effective energy package as determined by the home energy audit; or
  - The lesser of 5 percent of:
    • The Adjusted Value;
    • 115 percent of the median area price of a Single Family dwelling; or
    • 150 percent of the national conforming mortgage limit.
EEM: TOTAL Mortgage Scorecard (cont.)

- If the Mortgagee obtains an Accept or Approve on a mortgage application that does not include the financeable energy package:
  - FHA will recognize the risk rating from TOTAL Mortgage Scorecard; \textbf{and}
  - Permit the increase to the Mortgage Payment without re-underwriting or rescoring.
Fannie Mae
Energy Improvement Feature

- All Fannie Mae guidelines apply
- Can be used with the WSHFC HFA Preferred program
- WSHFC allows Downpayment Assistance
- WSHFC overlays (same as 203 Streamline / Limited)
Highlights of the Fannie Mae Energy Improvement Feature

- Link to Fact Sheet [https://www.fanniemae.com/content/fact_sheet/energy-improvement-feature-factsheet.pdf](https://www.fanniemae.com/content/fact_sheet/energy-improvement-feature-factsheet.pdf)
- Up to 10% of the “as-completed” value
- HERS Audit required – also need to provide appraiser energy audit
- Appraisal based on the “as-completed” value
- Manage the escrow account & monitor completion of the work
- Ensure that the improvements are completed and loan purchased within 75 days
- Can include energy audit cost in improvements
Common Energy Upgrades

- Whole house air sealing, duct sealing
- Replacing a furnace/cooling system
- Upgrading a water heating system
- Fixing or replacing a chimney
- Insulating an attic, crawl space, and/or pipes and air ducts
- Replacing doors or windows
- Installing active and passive solar technologies

**Improvements subject to approval by originating lender and must be completed shortly after closing**
What you need to know

• Reserve funds (lock) near as possible to the closing date
• Your company is responsible for draws, escrow agreement and completion
• Any residual funds must be applied to principle on first mortgage
• Lender fees for rehab are not included in $1500 cap
• WE WILL GIVE YOU AN EXTRA 15 DAYS on reservation if improvements improve efficiency by 10% as shown on energy audit.
Energy Rating Audits

HERS RESNET

EPS
New Construction

Newly Constructed homes exceeding current WA State standards by 15%

• Northwest Energy Star Homes ®, LEED ® for Home Silver, Gold or Platinum, Department of Energy Zero Energy Ready Home, Passive House, and Built Green ® 3, 4, or 5 Star

OR

• Energy Assessment (RESNET HERS) documenting equivalence to a Northwest Energy Star Home
Existing homes must have improved efficiency by at least 10% after improvements

- Pre-closing energy assessment documenting home energy performance
- Homebuyer has improvements done at closing per recommendations
- Post Closing energy assessment documenting improvement of at least 10% over the preliminary energy assessment
Resources: Energy Auditor Coverage
Resources

• On the website www.wshfc.org/EnergySpark
• Finding Auditors
  • Earth Advantage – Energy Performance Score – list of auditors
  • RESNET HERS- National Organization – WSU maintained list of auditors
• Building Certification Examples
• Contact me! Ainsley Close Ainsley.close@wshfc.org or 206-254-5359
Homebuyer Attends Homebuyer Education

Pre-approved for mortgage with participating lender

Offer accepted by seller

**Energy Assessment Performed**

Works with Lender to determine upgrades to be performed

Lender approves upgrades per underlying mortgage type

Lender submits pre-closing compliance package to WSHFC

(INCLUDING PRE-CLOSING ENERGY ASSESSMENT DOCUMENTING HOME’S CURRENT ENERGY RATING)

Loan is closed & escrow holdback account set up for upgrades

Homebuyer moves into new energy efficient home!
Happy Homebuyers are in their home

Upgrades are completed & lender verifies

**Energy auditor performs follow up assessment**

Lender approves escrow to disburse funds to contractor for upgrades

Lender submits post-closing compliance package to WSHFC
*Including post closing energy audit showing new energy rating*

Lender submits bank package to ServiSolutions for purchase

Within 75 days from date of Reservation
With the incentives we hope to...

- Raise Awareness
- Increase demand from the public
- Drop the barriers
- Offer training
- Save our homeowners money
- Save our valuable resources
THANK YOU!