



Financing Affordable Homeownership

In

A Tightened Credit Market

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Overview

- ◆ What Got Us Here!
- ◆ The Keys to Recovery
- ◆ Resuscitating the First Time Buyer Market
- ◆ Dispelling the Myths of Financing
- ◆ Conventional Financing – What's Available
- ◆ What's Next – New Ideas for the Future



What Got Us Here?

- ◆ Subprime excesses and abuses
- ◆ Irrational exuberance
- ◆ Foreclosures escalate
- ◆ Credit tightens and mortgage prices increase
- ◆ First-time homebuyers stay “on the sidelines”
- ◆ Property values decline, communities suffer



The Keys To Recovery

1. Resuscitate the first-time buyer market
2. Improve access to mortgage capital on flexible terms
3. Maintain occupancy of foreclosed homes
4. Facilitate property renovation
5. Develop creative new solutions



Dispel the Myths

1. Lenders don't want to make mortgage loans in this market
2. Declining markets policies of lenders are limiting recovery options
3. The only game in town is FHA
4. Rehab financing cannot be done "at scale"
5. Owning a home is risky and a poor wealth building tool



First Time Homebuyers

First time homebuyers are not engaged and that directly impacts community stability

Traditional Obstacles

- ✓ Lack of Cash for downpayment
- ✓ Credit Challenges
- ✓ Carrying Costs are Still High

New Obstacles

- ✓ Lack of Trust of Lending Industry
- ✓ Misunderstandings
- ✓ High anxiety



Conventional Mortgage Financing

- The Move to Risk Based Underwriting
 - LTV
 - Credit
- Private Mortgage Insurance Issues
- Declining Markets Challenges
- Affordable Mortgage Products that Work
 - Home Possible
 - MCM
 - State HFAs



Home Possible

- ◆ Financing still available up to 100% of LTV
- ◆ Up to 105% with affordable seconds
- ◆ Straightforward pricing
 - No risk grid
 - Pricing credits for below 80% of AMI
- ◆ Homebuyer education for new buyers
- ◆ Available to all Freddie Mac lenders



Sourcing Channels

- ❑ Real estate professionals
 - They are listening and motivated
 - Not just NAR, but also AREAA, NAHREP, NAREB
- ❑ Nonprofit Counseling Agencies
 - Rebalance the effort
 - Work toward a sustainable model
- ❑ Employers
 - Not must traditional financing support
 - Key is “trusted messenger”



What's Next?

1. Renovation Financing Innovations
2. Employer Unsecured Financing
3. Shared Equity Structures
4. Ownership Equity Protection (Syracuse)
5. Creative New Federal Possibilities

*Out of times of turmoil
come opportunities*