Bridging the Wealth Divide: Expanding Homeownership in Communities of Color and Rural America

Sara Morgan – Fahe / 09-28-2017
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Strength in Numbers
Fahe and our Members create transformational change in: KY, TN, VA, WV, AL, MD

Fahe is on a mission to eliminate persistent poverty in Appalachia. We provide our Network of 50+ local leaders with the resources of finance, collaboration, innovation, advocacy, and communication to help craft long-lasting solutions for the needs of our region.

Fahe coordinates a network of 502 Direct packaging partners in: AL, DE, FL, GA, IN, KY, MD, MI, MS, NY, NC, OH, PA, SC, TN, VA, WV, VT

Fahe—declared a “Champion of Rural Housing” by USDA—streamlines the delivery of 502 Direct affordable home loans and uplifts our nation’s rural area alongside 40+ packaging partners in 18 states.

Fahe is licensed to originate and service loans in: KY, TN, VA, WV, IN, AL, FL, MI, MS, and soon ME

Fahe delivers housing capital and supports long-term success for homeowners through quality customer care and personalized account management.
Barriers to Homeownership

- Housing Stock
- Appraisal gap
- Lenders
- Homebuyer ready borrowers
Fahe is on a mission to eliminate persistent poverty in Appalachia. We do this by providing our Network of 50+ local leaders with the resources of finance, collaboration, innovation, advocacy, and communication which allows them to bring leadership, housing, education, health and social services, and economic opportunity to Appalachia. By working hand-in-hand with our Membership we help the people of Appalachia craft long-lasting solutions for the needs in our region.
<table>
<thead>
<tr>
<th>Loan Program</th>
<th>Credit Score</th>
<th>Income Limits</th>
<th>Ratios</th>
<th>LTV</th>
<th>Property Eligibility</th>
<th>Lender Requirements</th>
</tr>
</thead>
</table>
| USDA Guaranteed     | 620+ for all borrowers  
                      | True no score w/ 3 alternative credit trade lines | Family Size  
                      | 1-4 $78,200  
                      | 5-8 $103,200  
                      | 29/41 | 100% | [http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do](http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do) | GUS accept or refer with conditions acceptable of credit waiver |
| FHA                 | 620+ for all borrowers | None       | 31/43 | 96.50% | All areas eligible | DU Accept |
| VA                  | 640+ for all borrowers  
                      | True no score w/ 3 alternative credit trade lines | None       | None  | All areas eligible | VA Eligibility DD214 |
| Conventional        | 680+         | None         | 36/45 | 80%  | None | DU Accept |
| Conventional No MI  | 680+         | $97,650      | 28/45 | 97%  | KY Properties | DU Accept |
| Home Possible       | 620+         | 100% AMI per census tract (unless property is located in a underserved area then there are no income limits) | 29/41 | 97%  | (down payment assistance available) None | AUS Accept |
| USDA Direct         | 640+ for all borrowers  
                      | True no score w/ 3 alternative credit trade lines | 80% AMI for household size | 29/41 | 100% | [http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do](http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do) | N/A |
| Project Reinvest    | Qualify for First Mortgage through Fahe | 100% AMI | 105% | None | Qualify for First Mortgage through Fahe | |

**Ratios**

- **LTV**: Loan To Value Ratio
- **Income Limits**: Income limits for different family sizes.
- **Ratios**: Ratios for different programs.
- **Property Eligibility**: Eligibility requirements for different programs.
- **Lender Requirements**: Requirements for different lender programs.
<table>
<thead>
<tr>
<th></th>
<th>Fahe As Direct Lender</th>
<th>Local Partner as Standard Broker</th>
<th>Local Partner as Basic Broker</th>
<th>Local Partner as Homebuyer Counselor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homebuyer Ed Certification via Member/Partner</td>
<td>If needed</td>
<td>If needed</td>
<td>If needed</td>
<td>Yes</td>
</tr>
<tr>
<td>NMLS Licensed Person</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Take An Application</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Rate Lock</td>
<td>Yes</td>
<td>Yes-Broker chooses rate and days locked</td>
<td>Yes-No choice in rate, only days locked</td>
<td>No</td>
</tr>
<tr>
<td>Initial docs originated in</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Process the application</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Underwrite</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Close in the name</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Industry Practice</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes-Fahe differs here in that we recognize NWA Certificates where industry only recognizes HUD</td>
</tr>
<tr>
<td>Earn</td>
<td>3.5-4%</td>
<td>1.5%-2.5% chosen by Broker</td>
<td>1%</td>
<td>$375.00</td>
</tr>
</tbody>
</table>
361 loans of $43,179,758

63 grants of $342,247

94% First time homebuyers
48% Female headed households
20% Minority households
868 people
Average AMI of 59%
Invested $291M in Appalachia in FY2017.
Manages more than $1.15 Billion in assets
Served nearly 80,000 people last year
Touched 25,000 homes.
Thank you

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Vicky García – Latino Credit Union / 09-28-2017
The New Immigrant Experience: The Struggle to enter the financial mainstream
NC’s Latino population grew more than **1,000%** (1990-2015)
By 2020, NC’s Latino population is projected to reach **1.3 million** or **12%** of the population.
Hardships Latinos Face in NC:

- Language Barrier - Cultural
- Discrimination – Housing & Lending
- Fear of Deportation and Law Enforcement
- Robbery - Fraud
Latinos Become Trapped in Informal and Cash Economies

- Unbanked
- No Credit History
- Informal Financial Sector
- Expensive
- Dangerous
- Substandard
“I used to carry my money and hide it in small packets at home. It wasn’t until I was robbed at gunpoint with my son at my side that I realized I needed to put my money in a safer place. At LCCU, they help me understand how things work and make me feel comfortable.”  

- Roberto, member since 2001
In NC 314,326 Latinos live in households that earn 50,000 or less

$32,000 Median Income

<table>
<thead>
<tr>
<th>Homeownership (household heads)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In owner-occupied homes (in thousands)</td>
<td>86</td>
</tr>
<tr>
<td>In renter-occupied homes (in thousands)</td>
<td>116</td>
</tr>
<tr>
<td>Homeownership rate</td>
<td>42.6%</td>
</tr>
<tr>
<td>vs. 74.2% Whites and 47.9% African American</td>
<td></td>
</tr>
</tbody>
</table>

Needed to create a product to benefit the community:

- Bilingual Service
- Available with SSN or ITIN
- Same competitive rates and low fees for all members
- No PMI or unnecessary fees
- Affordable financing available without credit history
- We keep the loans in our portfolio
- Financial Education available
• Alternative forms of ID
• No or limited credit history
  • Rental history
  • Utility bills
• Diverse sources of income
• Good savings
Two Products:

5 year ARM
• Up to 30 years
• Max LTV of 95%

Fixed
• Up to 20 years
• Max LTV of 90%
Impact:

TOTAL FINANCING (millions):

- 2013: $92
- 2014: $112
- 2015: $141
- 2016: $174
- 2017: $192

FIRST TIME HOME BUYERS:

- 82%

ITIN HOLDERS:

- 86%

DELINQUENCY:

1.10%

NET CHARGE OFFS SINCE 2004:

0.69%
LATINO CREDIT UNION:
ETHICAL FINANCIAL PRODUCTS & EDUCATION TO EMPOWER COMMUNITIES

- $256 million in assets
- 103% growth in 5 years

- $528 million total financing
- 99% repayment

- 19,302 participants
- 1,674 graduates
Before You Go

Please complete your session evaluation!

You can find it in the Conference app.
Bridging the Wealth Divide: Expanding Homeownership in Communities of Color and Rural America

James Hunter – Hope Credit Union / 09-28-2017
¼ of Nation’s Persistent Poverty Counties are Located in the Mid South
Affordable Housing Product (AHP)

- Manual Underwriting
- Holistic approach using non traditional trade lines
- Maximum 42% DTI
- Minimum FICO Score 580
- Up to 100% Loan to Value (LTV)
- No Mortgage Insurance (MI)
HOPE’s Financing Impact

100% LTV financing
% of mortgages

- National, 2016: 14%
- HOPE, 1/16-6/17: 69%

Source: National Association of Realtors

HOPE mortgages with >96.5% LTV
1/11-6/17, % of mortgages originated (total n=1078)

Source: National Association of Realtors
135 MORTGAGE LOANS
$17,076,086 TOTAL LENDING

56% increase in Mortgage Lending from $10,931,510 in 2015

Hope credit union enterprise corporation

#OFNCONF  #CDFIsINVEST
2017 national avg. credit scores:
• Conventional loan: 753
• VA: 708; FHA: 684
• Hope: 666.2

Source: Home Buying Institute
Medium HH income:
• Homebuyers nationally, 2016: $86,100
• Hope, 2016-17: $47,390

Source: National Association of Realtors
76% of Mortgage Borrowers were First-time Homeowners.

73% of Hope Mortgages were made to People of Color.

#OFNCONF #CDFIsINVEST
HOPE’s Impact Is Even More Pronounced When Compared with Home Buyers Nationally

<table>
<thead>
<tr>
<th>Racial minorities % of home buyers</th>
<th>First-time home buyers* % of home buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>National, 2016: 15%</td>
<td>National, 2016: 32%</td>
</tr>
<tr>
<td>HOPE, 1/16-6/17: 78%</td>
<td>HOPE, 1/16-6/17: 90%</td>
</tr>
</tbody>
</table>

Source: National Association of Realtors
*For HOPE, borrowers not refinancing or who haven’t purchased a home in the last 3 years are assumed to be first-time home buyers.
**HOPE’s Mortgage Portfolio is Improving Lives Across the Mid South**

<table>
<thead>
<tr>
<th>967</th>
<th>754</th>
<th>341</th>
<th>$2.7M+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages to first-time homebuyers</td>
<td>Households with income less than $50,000</td>
<td>Borrowers with credit scores under 620</td>
<td>Equity built from borrowers paying down principal</td>
</tr>
</tbody>
</table>

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Thank You!

James Hunter
SVP, Mortgage Lending

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