VHFA Program Training

Vermont Housing Finance Agency

Affordable Homes for a Sustainable Vermont

VHFA Homeownership Programs

Program Overview

- **VHFA is not a product**. VHFA programs offer added benefit and features to an underlying Fannie Mae, RD, VA or FHA loan product:
  - Up to $5,000 in down payment and closing cost assistance.
  - Annual federal tax credit up to $2,000.
  - Reduced Vermont Property Transfer Tax with a savings up to $825.
  - When paired with a conventional product there are no loan level pricing adjustments and access to charter level mortgage insurance coverage rates.

- All VHFA first mortgage programs are **paired with an underlying conventional or government product** and must be **salable on the secondary market to Fannie Mae, Freddie Mac or Ginnie Mae**. U.S. Bank is the master servicer.

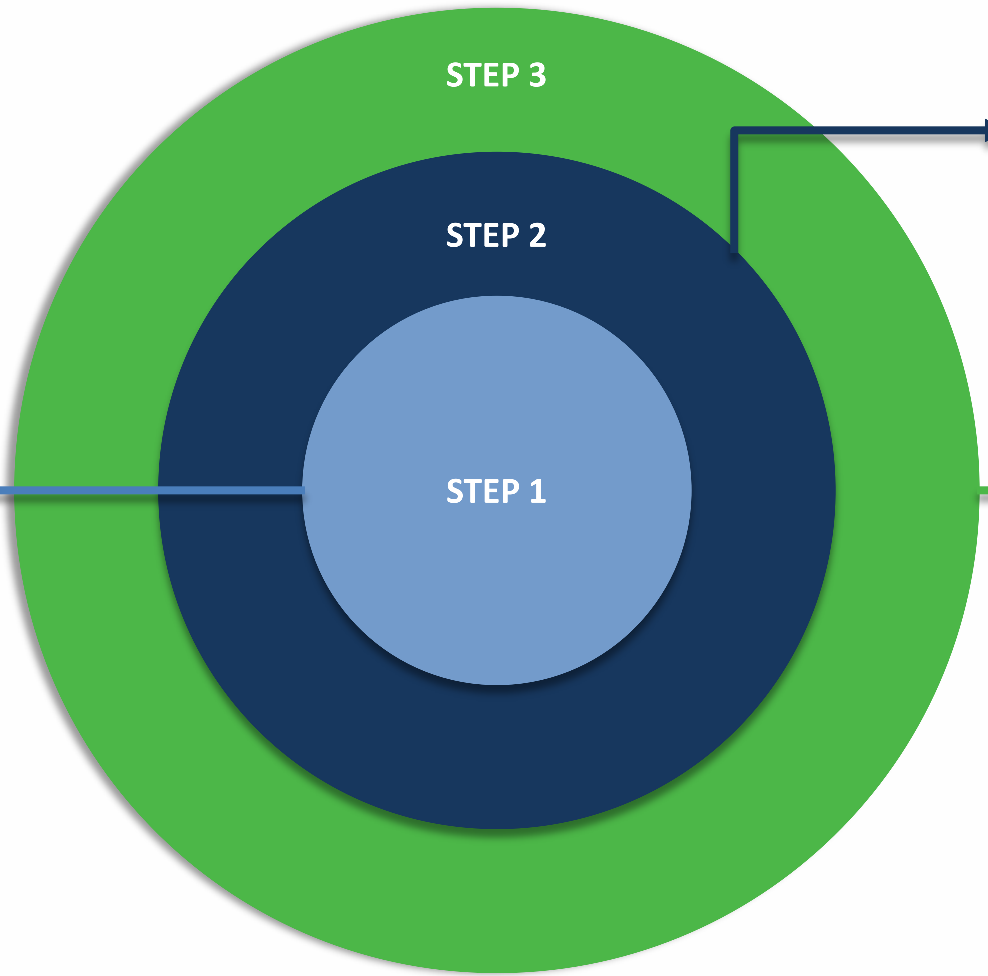
- VHFA ASSIST can only be accessed with a VHFA first mortgage program.

- Standalone VHFA MCC can be paired with any product approved by the lender.

VHFA Homeownership Programs

Decision Process

STEP 1
Automated decision (or manual where allowed) to Fannie Mae, Freddie Mac RD Guarantee, FHA or VA guidelines.



STEP 2
Manually verify U.S. Bank overlays.

STEP 3
Manually verify VHFA compliance requirements

VHFA Homeownership Programs

Qualification vs. VHFA Compliance Requirements

Qualification

STEP 1

- ❑ Do the **borrowers** meet the investor requirements for Fannie Mae, Freddie Mac or Ginnie Mae (RD, FHA or VA)?
- ❑ Does the **property** meet the investor requirements for Fannie Mae or Ginnie Mae?

STEP 2

- ❑ Do the **borrowers** meet any U.S. Bank overlays?
- ❑ Does the **property** meet any U.S. Bank overlays?

Meets all = Credit &Collateral Approved

VHFA Compliance Requirements

STEP 3

- ❑ Do the **borrowers and any non-borrowing spouse** meet the compliance requirements:
  - o Federal Act Income
  - o Prior homeownership
  - o Asset limit (ASSIST)
  - o Homebuyer Education and Counseling
- ❑ Does the **property** meet the VHFA compliance requirements:
  - o Acquisition Cost
  - o Property type
  - o Acreage
- ❑ Does the **transaction** meet VHFA compliance requirements:
  - o Purchase
  - o Owner Occupied

Meets all = VHFA Program Eligible

VHFA Homeownership Programs

What are they? What is the difference?

First Mortgage Program	Highlights	Can you add ASSIST?
ADVANTAGE	▪ Most expansive income limits (when paired with an underlying government product) ▪ No prior homeownership restriction (when not combined with ASSIST)	Yes
MOVE	▪ Typically the lowest rate offered	Yes
MOVE MCC	▪ Features a federal tax credit (Mortgage Credit Certificate)	Yes

Supplemental Program	Highlights
ASSIST	▪ Down payment and closing cost assistance loan
Standalone MCC	▪ Paired with a lender product only (no VHFA first mortgage program) ▪ Features a federal tax credit (Mortgage Credit Certificate)

VHFA Homeownership Programs

ASSIST down payment and closing cost loan

What is it?

- Down payment and closing cost assistance loan.
- Up to $5,000:
  - Cannot exceed 105% CLTV.
  - Other assistance or seller contribution must be applied to down payment and closing costs first.

How does it work?

- Lender will reserve ASSIST funds at the same time the first mortgage reservation is complete.
- Lender will table fund the ASSIST loan and be reimbursed by VHFA upon post-closing approval and purchase of first mortgage by U.S. Bank.
- Borrower will sign a disclosure, note and deed at closing.
- Closing attorney to send the original note and deed to VHFA immediate after closing.
- VHFA will record the deed and is the servicing and investor for ASSIST post-closing.
- Borrower repays ASSIST upon (a) sale or (b) payoff or refinance of the original debt.

VHFA Homeownership Programs

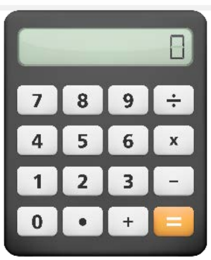
Mortgage Credit Certificate

What is it?

- Feature available Up to 30% of mortgage interest paid annually as a tax credit vs. a deduction
- Remaining 70% of the mortgage interest paid annually may be taken as a deduction
- A year over year benefit as long as the consumer lives in the home and holds the original first mortgage

Q: Why is a credit better than a deduction?

A: A tax credit is a <u>dollar for dollar</u> reduction in tax liability and can be used even when deductions aren't itemized!



Example

- ❑ $150k loan amount
- ❑ 4.75% rate
- ❑ $7,075 annual interest paid

=$2,122.50 (30% of annual interest)
=$2,000 tax credit (IRS cap of $2,000)

VHFA Homeownership Programs

Vermont Property Transfer Tax Savings

All consumers who obtain a VHFA first mortgage program (ADVANTAGE, MOVE or MOVE MCC) benefit from waived or reduced VT Property Transfer Tax:

Taxable Purchase Price Increments	Tax Rate for VHFA home buyer
$0 to $110,000.00	**0%**
$110,000.01 to $200,000.00	**1.25%**
$200,000.01 and up	Standard Rate = 1.45%

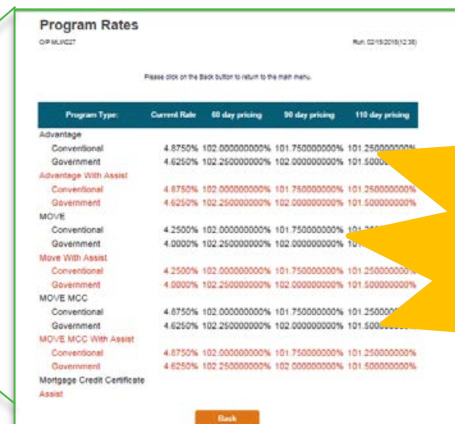
VHFA Homeownership Programs

Rates

Originating lender compensation is optimized at 60 days (reservation to U.S. Bank purchase) but allows for up to 110 days for loan delivery (reduced revenue).

Product	60 day pricing	90 day pricing	110 day pricing
Conventional	102.00%	101.75%	101.25%
Government	102.25%	102.00%	101.50%

Rates are updated every business day and published at 10:00 am ET. A reservation can only be submitted through the VHFA Loan Origination Center from 10:00a ET to 7:00p ET on business days that VHFA is open. The most recently published rates can be viewed 24/7 on www.vhfa.org.



Rates updated every business day at 10:00am ET

VHFA Homeownership Programs

Fees

First Mortgage Program Fees

U.S. Bank will net the following fees on all first mortgage programs (Advantage, MOVE & MOVE MCC) from the purchase post-closing, the lender has the option to collect these fees from the consumer at closing. **These fees should never be shown as payable to VHFA on the Closing Disclosure.**

Fee	Amount
Funding Fee	$400
Tax Service Fee	$58

Mortgage Credit Certificate Program Fees

For the standalone Mortgage Credit Certificate (MCC), VHFA collects and issuance fee. The lender has the option to collect a processing fee on both the MOVE MCC or standalone MCC.

Fee	MCC (Standalone with lender financing)	MOVE MCC
MCC Issuance Fee	$500	$0
Lender Processing Fee	$500	$500

VHFA Homeownership Programs

Federal Recapture Tax

A borrower should be directed to the IRS or to a tax professional for specific advice and guidance.

What is federal recapture tax?
MOVE, MOVE MCC and MCC include federal tax benefits for borrowers. As a result, in certain circumstances, the federal government may recapture a portion of the benefit.

Will recapture tax be owed?
Recapture occurs if all three (3) of the following conditions exist:

a) home is sold in less than nine (9) years from the purchase date,
b) the home sale results in a profit, and
c) combined adjusted gross income for borrower and non-borrower spouse exceeds maximum income* for recapture at the time of sale recapture tax may be owed.

How is recapture calculated?
The recapture tax owed is calculated by comparing three (3) different calculations and taking the lowest of the three: (a) 6.25% of the original principal balance, (b) 50% of the profit on the sale or (c) IRS recapture tax computation detailed in the Recapture of Federal Mortgage Subsidy Form 8828 instructions . Any tax filer who purchased a home with a mortgage revenue bond program like MOVE, MOVE MCC and MCC must complete and file IRS Form #8828 upon sale or disposal of the home.

Reimbursement of recapture tax paid
If recapture tax is owed and paid upon the sale of a VHFA financed home, the tax paid may be eligible for reimbursement by VHFA. To request reimbursement complete and send the Recapture Tax Reimbursement Form to VHFA with all documents requested. The request must be received no later than December 31 of the calendar year following the tax year in which the tax was owed and paid.

**Maximum income for recapture changes annually, a disclosure is provided at the time of closing that includes a maximum income grid, for detail on what the current income thresholds please contact a VHFA Participating Lender*