

Other Homeownership Products and Programs

INDIVIDUAL DEVELOPMENT ACCOUNTS

Individual Development Accounts (IDAs) are matched savings accounts that help lower-income individuals and families save for a specific goal such as homeownership, opening a small business, or going to college. Some HFAs offer IDAs that can help borrowers save for the purchase of a home, either directly or through a network of community organizations. Generally, these IDA programs are funded by the U.S. Department of Health and Human Services' Assets for Independence program. This program requires states to match all federal funds on a dollar-for-dollar basis.

Homeownership IDAs provide grant funds to match the savings of a participant over a specific amount of time, up to a specified amount, to be used for down payment and closing costs. The HFA's contribution is generally structured in multiples of the participant's contribution. For example, the HFA might contribute three dollars for every one dollar the borrower saves. Qualifying participants work with assigned counselors to set up a monthly or annual savings deposit schedule and then deposit funds into an IDA-designated savings account over a specific period of time. Borrowers who follow the plan and save the required amount will receive the agreed upon matching grant funds at the time of the loan closing. Borrowers who decide to exit the program may choose to withdraw the money they have contributed to the savings account at any time, but lose the match benefit. Income eligibility requirements for HFA IDA programs may be more restrictive than for standard HFA program requirements. Pre-purchase homebuyer education is typically required.

Number of HFAs that Offer IDAs

Of the 53 HFAs covered in this Guide, three HFAs offer individual development accounts: Indiana, Michigan, and New York.

Potential Benefits

- IDAs can help lenders reach lower-income consumers who might have difficulty saving for down payment and closing costs.
- IDA matching funds do not have to be repaid by the borrower.

Potential Challenges

- IDA programs generally require 12-36 months to complete.
- IDA programs are dependent on availability of both federal and state match funds.

ALTERNATIVE PRIVATE MORTGAGE INSURANCE OPTIONS

Direct funded mortgage insurance: Many HFAs offer lenders with alternatives to the traditional mortgage insurance products required on loans with loan-to-value ratios above 80 percent. Some HFAs offer direct-funded mortgage insurance. HFA direct-funded mortgage insurance programs typically offer reduced mortgage insurance coverage requirements. In some cases, HFAs offer their own captive mortgage insurance product. In other cases, HFAs may purchase a pooled mortgage insurance policy from a mortgage insurance company and offer lenders the ability to utilize the policy in an effort to keep mortgage insurance rates low on their first-lien mortgage products. Some HFA direct-funded mortgage insurance programs come with the additional benefit of providing insurance to help borrowers make their monthly payments in the case of job loss. Coverage is capped at a specific number of months or dollar amount.

Low and no-mortgage insurance first-lien mortgage products: As mentioned in the first-lien mortgage section, many HFAs also offer no or low mortgage insurance products. In many cases, these products are Fannie Mae or Freddie Mac products developed specifically for the HFAs to reach low- and moderate-income borrowers that are only available through HFAs.

Mortgage insurance for a specific purpose: In a small number of states, HFAs offer mortgage insurance to lenders for specific loan purposes, such as to lend against property on tribal lands.

Potential Benefits

- Reduced mortgage insurance requirements make payments more affordable for the borrower.
- Some HFA mortgage insurance programs offer additional insurance to cover borrowers in the event of job loss.

RESOURCES

General information about IDAs from CFED

<http://cfed.org/programs/idas/>

CFED list of IDA programs in each state

http://cfed.org/programs/idas/directory_search/

Individual Development Accounts

POTENTIAL BENEFITS

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POTENTIAL CHALLENGES

IDA programs generally require 12-36 months to complete.

IDA programs are dependent on availability of both federal and state match funds.

Alternative Private Mortgage Insurance Options

POTENTIAL BENEFITS

Reduced mortgage insurance requirements make payments more affordable for the borrower.

Some HFA mortgage insurance programs offer additional insurance to cover borrowers in the event of job loss.