MHDC Missouri Housing Development Commission

LENDER TRAINING:
Next Step Loan
Program Overview



EQUAL HOUSING OPPORTUNITY

MHDC.com

Single Family Programs

First Place MRB	Next Step Taxable/TBA
▪ DPA ▪ NON DPA	▪ DPA ▪ NON DPA

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NEXT STEP PROGRAM NEED

Some homeowners lack equity and need down payment assistance to purchase their next home.

The Next Step Program benefits Missouri borrowers in several ways:

- **Bridges the gap between lack of equity and down payment needed to purchase their next home.**
- **Allow first-time buyers who fall outside the income limits for the First Place Program to achieve homeownership.**

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NEXT STEP PROGRAM

- Funding for this program is provided by the sale of the MBS, Mortgage-Backed Securities, in the TBA market or by the sale of taxable bonds.
- Next Step loans not regulated by IRS tax code.
- Mortgage interest rates may vary from the First Place program and may be updated more frequently.

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NEXT STEP LOAN PRODUCTS

There are a number of different loan products rates in the Next Step (TBA) loan program:

Government

- DPA
- NON DPA

Conventional FNMA/FHLMC

- DPA
- NON DPA

You can find the current rates on our website at https://mhdc.com/services/lender-resources.

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DPA

NEXT STEP DPA

- Down Payment Assistance Loan (DPA) must be paired with a 30-year fixed-rate first mortgage.
- 4% of the total loan amount for down payment and closing costs.
- DPA is a forgivable second mortgage.
  - No monthly payments.
  - Forgiven after 10 years in the home and on the loan.
  - At closing, the lender will front the 4% DPA and will be reimbursed from the Master Servicer.
  - MHDC does not subordinate.

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NON DPA

NEXT STEP NON DPA

- Non-DPA is also paired with a 30-year fixed-rate first mortgage.
- Homebuyers eligible for lower interest rate than those who use DPA.
- Rates result in lower monthly payments.
- Program does not provide down payment and/or closing cost assistance.

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MHDC NEXT STEP INCOME LIMITS

- Homebuyer must meet total gross annual household income limits.
- Household income limits are set by HUD and updated annually.
  - Published and available at https://mhdc.com/services/lender-resources

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PURCHASE PRICE LIMITS

- Homebuyer must purchase within set purchase price limits.
- Purchase price limits are set by HUD and updated annually.
  - Published and available at https://mhdc.com/services/lender-resources

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BUYING NEW BUT KEEPING OLD HOME

If a borrower lives in their current home and wants to buy another home using the Next Step program, this will be allowed, however the following must be met:

- **The borrower must live in the new home as their primary residence.**
- **The NET rental income from the retained home counted for MHDC income qualifying purposes.**
- **All credit underwriting guidelines will still have to be followed.**

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QUICK SUMMARY OF PROGRAMS

First Place MRB	Next Step Taxable/TBA
▪ Must be FTHB ▪ Lower Income/Purchase Price Limit ▪ DPA 10 year forgivable	▪ Does not have to be FTHB ▪ Higher Income/Purchase Price Limit ▪ DPA 10 year forgivable

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