



**Missouri Housing**  
Development Commission

# LENDER TRAINING: Next Step Loan Program Overview



MHDC.com 

# Single Family Programs

## First Place MRB

- DPA
- NON DPA

## Next Step TBA

- DPA
- NON DPA

## Mortgage Credit Certificate

- Stand Alone
- Next Step DPA
- Next Step NON DPA

## 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.**

# NEXT STEP PROGRAM

- **This is a forward commitment program**
- **Mortgage interest rate is set usually on a daily or even more frequent basis, depending on market conditions.**
- **These loans have to be closed and purchased by the master servicer usually within 90 days.**
- **Extensions will be allowed but at a cost to the lender.**
- **Next Step loans do not have to meet IRS regulations, only MHDC regulations.**

# FUNDING NEXT STEP

- **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.**
- **Mortgage interest rates may vary from the First Place program and may be updated more frequently.**

## 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>.



# NEXT STEP DPA

- **Down Payment Assistance Loan (DPA) provides non-first-time homebuyers with a 30-year fixed-rate first mortgage at affordable rate.**
- **In addition, it will offer 4% of the total loan amount to go towards down payment and closing cost assistance.**
- **4% will come in the form of a forgivable second mortgage.**
  - **No monthly payments on the DPA.**
  - **10 year forgivable loan.**
  - **At closing, the lender will front the 4% DPA and will be reimbursed from the master loan servicer.**
  - **Keep forms 793 and 794 to meet FHA compliance.**
  - **MHDC does not subordinate.**

## NEXT STEP NON DPA

- **NON DPA provides homebuyers with a 30-year fixed-rate first mortgage at an even lower rate.**
- **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.**



# 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>

# 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>

## 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 old home must be counted against the borrower for MHDC income qualifying purposes, whether the borrower has rented the home or not.**
- **All credit underwriting guidelines will still have to be followed.**

# QUICK SUMMARY OF PROGRAMS

## First Place MRB

- Must be FTHB
- Lower Income/Purchase Price Limit
- DPA 10 year forgivable

## Next Step TBA

- Does not have to be FTHB
- Higher Income/Purchase Price Limit
- DPA 10 year forgivable

## Mortgage Credit Certificate

- Must be FTHB
- Lower Income/Purchase Price Limit
- 1% MCC fee