



Homebuyer Programs Overview

The Missouri Housing Development Commission's (MHDC) homebuyer programs are designed to help potential first-time homebuyers, qualified Veterans, or repeat buyers save money by offering mortgage financing with low interest rates, and tax credits. For homebuyers with limited savings, MHDC's programs provide the option for Down Payment Assistance (DPA) to be used for down payment and closing costs. All MHDC loans are provided by Certified Lenders for any eligible property in the State of Missouri. All interest rates and allowable closing costs are set by MHDC with no minimum down payment or minimum loan amounts.

MHDC offers potential homebuyers with three (3) different programs, each offering unique ways to save money and make purchasing a home more accessible:

First Place

The First Place program is a federal program funded through tax-exempt mortgage revenue bonds, targeting first-time homebuyers or qualified Veterans. The program is governed by IRS Tax Code Title 26 and has set purchase price and income limits. Interest rates are set by MHDC, and are often lower than market rates. The program offers both a DPA and non-DPA option. Participation in the First Place Program may constitute as a CRA eligible activity.

Next Step

The Next Step program is designed for those potential homebuyers who may exceed the income or purchase price limits of the First Place program. Homebuyers may be first-time or repeat buyers. This is a non-federal program where loans are pooled and sold as Mortgage Backed Securities on the TBA market. All interest rates for the program fluctuate with market trends and DPA is an available option as the market dictates. First-time homebuyers may pair MCCs with the Next Step program.

Mortgage Credit Certificate (MCC)

A Mortgage Credit Certificate enables a first-time homebuyer to claim a tax credit on their federal tax return for a portion of mortgage interest paid during a tax year, effectively reducing the first-time homebuyer's cost of borrowing. The MCC offers tax credits at 25%, 35% or 45% or up to a maximum of \$2,000 and can be used as a standalone credit or paired with the Next Step program.

Down Payment Assistance (DPA)

Not only can homebuyers* receive lower rates, qualified homebuyers are eligible to receive 4% of the total mortgage amount to help with down payments and closing costs. The DPA

comes in the form of a second loan that will be forgiven if the borrower stays in the home and maintains the original loan for ten (10) years. After year five, the second mortgage will begin diminishing by 1/60 every month until year ten when it will be completely forgiven.

Non-Down Payment Assistance (Non-DPA)

Qualified homebuyers may opt to use the First Place or Next Step Program without DPA to save borrowers money by lowering their initial interest rates. Typically, these loans can be .25% to .50% below the rates offered with DPA. Non-DPA Loans are best for buyers who have adequate funds to pay down payment and closing costs but are looking to save more money with better rates.

Master Servicer

MHDC utilizes a Master Servicer for all of its loan products and all originating lenders must sell all loans to the designated Master Servicer. All loans are sold to the Master Servicer as “servicing released” or non-recourse. Lenders are paid a Service Release Premium (SRP) for each loan sold and rates and fees paid are guaranteed, provided delivery takes place in the reservation period.

The Certified Lender will accept the loan application, reserve the funds, and process and approve the loan. At closing, the lender will fund the loan and provide the 4% DPA (as applicable). After closing, the lender will submit loan files to MHDC and the Master Servicer. Upon approval from both parties, the Master Servicer will pay the lender 100% of the unpaid principal balance, plus the SRP. MHDC will reimburse the lender for all DPA as applicable.

- First Place Program— 2% SRP
- Next Step Program— 1.5% SRP

Eligible Loans

- Initial purchase loans
- FHA, VA, or USDA-Rural Development
- FNMA HFA Preferred Conventional or Freddie Mac HFA Advantage Conventional
- 30-year loans
- Refinanced mortgage loans are not eligible. Exceptions are construction-to-permanent loans and bridge loans with an initial term of less than 24 months.

Eligible Borrowers

Eligible borrowers must meet credit score, debt-to-income ratio thresholds, and be within eligible household income ranges. Requirements vary by program. Minimum eligibility requirements include:

- First-time homebuyer, repeat buyer, or qualified Veteran**
- Minimum credit score of 640 (subject to change)
- Debt-to-income ratio of 45% or less
- Debt-to-income ratios up to 50% or less for FHA and Government Sponsored Entities (minimum credit score of 680 with these circumstances)
- The total gross annual household income must be within the established limits (vary by area)

- Loans are subject to federal compliance requirements and may have minimum credit scores greater than 640—lenders reserve the right to be more restrictive

Total gross annual household income is calculated using all sources of income for all borrowers and qualifying household members living*, or intending to live in the home including, but not limited to wages, overtime, bonuses, child support, alimony, commissions; and earnings from a second job; business and investments.

*See Training Video library and program operations manuals for details

Eligible Properties

The purchase price of a home financed through the program cannot exceed the established limits for Missouri properties. Eligible properties include:

- Homes within the purchase price limits (see website for details)
- Single-Family Detached
- Owner-Occupied Duplexes that are at least five years old
- Semi-Detached
- Condominiums
- Town Homes
- Doublewide mobile homes, modular or manufactured housing attached to a permanent foundation
- Some restrictions apply to flood zones

Rates, Fees, and Requirements

- Interest rates may vary and are posted publicly to the MHDC website
- Interest rates are fixed for the life of the loan
- Homebuyer must occupy the home within 60 days of closing as a primary residence
- Loans made in this program may be subject to recapture tax provisions under federal law
- No junk fees are allowed
- Lender's may charge standard closing fees

Recapture Tax

The **recapture tax generally applies** if a borrower disposes of a residence within nine years of the date of the closing of the loan or the date the borrower first assumed the loan from the previous owner of the residence, whichever is earlier. The recapture tax is limited to a maximum of 6.25% of the highest principal amount of the loan for which the borrower was liable, or one-half of the gain realized from the sale or other disposition of the residence, whichever is less.

What's next?

Interested lender institutions and lending agents must follow a certification process to begin selling MHDC loan products (information for onboarding can be found on the MHDC website). Each loan officer or agency official who will sell MHDC loan products must become certified through the lender onboarding process. This process includes

- Lender institution must be approved by the Master Servicer

- Lending agents must watch a series of training videos and sign a certification of completion
- Loan agents may attend a live question & answer session
- Each lending agent must complete a short certification quiz
- After completion of all certification steps, login credentials will be provided to each certified lending agent

****Exceptions and Notes:**

In the First Place Program homebuyers do not have to be first-time buyers if they purchase homes in **federally-targeted census tracts**. Consult the MHDC website for specific locations of target areas. Generally, loans originated in target areas will receive priority for the lowest First Place Home Loan rate that has been offered by MHDC in the last 12 months.

Qualified Veterans do not have to be first-time homebuyers. A qualified Veteran is any Veteran who served active duty and who applies for financing within 25 years after leaving active service.

First-time homebuyers are defined as those persons who have not owned a home or had an ownership interest in a primary residence for the past three years.