Requirements for HOME Homebuyer Program Policies & Procedures
June 25, 2019
Transcript

0:00:03 Sandy Patel: My name is Sandy Patel. And I am with TDA, your technical host. I will be serving as a host today. I am going to run through some technical instructions on how to ask questions and things like that before I get handed off to our wonderful presenters. Today's webinar audio is broadcasted through your computer speakers. Only use the dial in number if you are unable to use the computer audio. So if you cannot hear any audio, please make sure your audio is connected by choosing call using computer. Please close the email and all other programs on your computer and silent your cell phone and give your undivided attention to our presenters today. If you have any technical problems you can email me at spatel@tdainc.org or you can send a chat message to the host.

0:01:03 SP: That will come directly to me and I can help you with any issues that you may be having. All participants will be muted during the webinar. Questions can only be asked in writing using the Q&A tool. You can ask a written question at any point during the presentation. The panelists will collect those and answer them when we stop for questions. To ask a written question, use the Q&A tool. It is located at the right hand side of your WebEx screen. You can see a screenshot of what it looks like up on the screen. If you do not see it, click on the triangle and it will expand the box. Please ask questions to all panelists. Then just type your question in the box and click send. Again, those you can do at any point during your presentation. Questions will be answered verbally. And some simple questions may be answered in writing using the Q&A tool. We may not be able to answer... We may not be able to get to all the questions, but we will try to answer the common ones first. For post-webinar questions, if you are a PJ, please contact your HUD field office. Other program participants, please contact your PJ. With that, I am going to hand it off to Stephen Lathom at TDA Consulting.

0:02:39 Stephen Lathom: Well, thank you, Sandy. And good afternoon everyone. We're going to get the right slide deck pulled up here and get us started. So again, welcome to everybody. Today's webinar is going to review CPD Notice 18-09 which provides guidance on requirements for HOME homebuyer program policies and procedures. The notice addresses several provisions of Section 92.254 of the HOME Final Rule as it was changed and updated in 2013. Much of our time will be explaining the requirements that PJs develop and implement homebuyer program policies. But we also want to make sure that we point you to additional resources that are available and will be forthcoming. So with that, I want to point out that we have in the chat box, we have a link by which you can download the slide deck for today, the CPD notice itself if you have not had the chance to review that yet, and also a supplemental policy checklist that we've developed that you can use and we'll talk more about later to help review your own policies and make sure you're hitting all of the elements required.

0:03:58 SL: So today, we're going to be addressing three big regulatory requirement areas pertaining to homebuyer program policies. First, we're going to cover the requirements that as PJs you have and follow written policies for underwriting HOME assisted low income buyers, for responsible lending criteria to make sure that the buyers we're assisting obtain sustainable first mortgages, and also for handling requests to subordinate your HOME lien and accommodate future refinancing by those buyers. The 2013 HOME Final Rule require PJs to implement these policies no later than January 24th of 2014. So we recognize that most of you on the call today have had such policies in place for a little while, but this webinar and the notice are

really there to help you refine and make sure that we're hitting all of the right elements moving forward. Next, the rule also requires that HOME assisted buyers receive pre purchase counseling.

0:04:47 SL: We're going to cover the latest guidance on that topic including the content of the counseling, options for covering the cost of counseling, and also how the counseling issue is sort of changing coming into next year with the final implementation of the HUD counseling rule. And then finally, we're going to talk about requirements that apply when PJs provide down payment assistance or other direct buyer assistance through either for-profit or non-profit lenders who are also providing the first mortgage to the buyer. So when the same lender is processing the application for HOME and is the one making the first mortgage loan, there's some additional requirements that we need to take into account. Before we get into all of the material, we want to start with a quick and a short poll to review some of the basic homebuyer activity requirements.

0:05:32 SL: So I'm going to ask Sandy if she can open up the poll and you'll see that on the right hand side of your screen. And there should be four questions. So question number one is a true/false. HOME funded direct buyer assistance can be used to acquire existing homes but can't be used for newly constructed homes. True or false? Question number two, PJs homebuyer program policies only apply when HOME funds are provided directly to the buyer like in a DPA project. Again, true or false? Question number three, direct homebuyer assistance can be used for closing cost, the buyer's down payment, and direct financing of some portion of the purchase price sometimes called principal write-down. Again, that's a true or false. And then our fourth is a multiple choice, homebuyer kind of assistance can be A, provided directly to the buyer, B, be invested in development cost and passed through the developer to the buyer, C, both of the above, or D, none of the above. We're going to give about another minute for people to answer those. And we'll see how much of this you've already kind of figured out for yourselves by reading the notice. And while we wait for that, I'm going to just let Monte if he'd like to introduce himself to everybody as well briefly.

0:06:51 Monte Franke: Hi everybody it's Monte Franke here. I've looked through the list of people who are in the participants list, the attendee list, and I recognize a lot of names, not all of you but I've worked with many of you over the years, I've worked with the program since actually before it began and I'm still trying to learn everything that I can about the program and trying to get it all right. I guess Steve that when I finally get it all right that's when I can finally retire right?

0:07:21 SL: Yeah. And then they'll change the rule again as well.

0:07:24 MF: Okay.

[chuckle]

0:07:29 SL: So it looks like the poll is closed, it takes just a few seconds for everything to kind ofrun through the computer and it's going to show us the overall results.

[pause]

0:08:02 SL: So we're just waiting for the poll results to come up. Again we had three true or false questions and one multiple choice just to kind of see where we're at.

[pause]

0:08:28 SL: I see some comments through the chat that people aren't necessarily hearing us so it's a little

bit of dead air any time we've got one of these polls just waiting for it to process. Okay so our first question; homebuyer assistance can be used to acquire existing homes but can't be used for newly constructed homes, that was false and most of the people that answered the question absolutely got that. So HOME can fund helping people buy existing homes or new homes. Of course when we're buying existing homes or new homes they have to meet certain property standards but we can help people buy both new and existing homes. PJs homebuyer program policies only apply when HOME funds are provided directly to the buyer like in a DPA project, that one also was false and for those of you that answered the question, again, overwhelmingly we understand that the homebuyer program policies apply in all cases, whether we're giving direct buyer assistance or we only funded the construction of the house and no direct buyer assistance was provided.

0:09:33 SL: Also question number three, homebuyer assistance can be used for closing costs, or buyers down payment and direct financing sometimes called principal write-down, true or false? Again that was true. Most of us got this absolutely right. One of the things here is we don't have to make the fine distinctions necessarily between those elements like you do in CDBG but we can provide assistance towards all three of those different pieces of helping a buyer. And then finally, again most of us got number four right, we can provide homebuyer assistance either directly to the buyer in the form of down payment assistance is what we generically we'll call it often, bringing a check to the closing or in the case when we've developed a unit often the assistance sort of passes through from the developer to the buyer and so most of the folks that answered the question also answered the appropriate answer question C. So Monte as I hand it off to you, it looks like we're in pretty good shape, we've got a lot of folks that already have some of these core basics down. So I'm going to hand it off to Monte and I'll be back with you in a little bit.

0:10:39 MF: Steve if they got them all right does that mean they can go now?

0:10:44 SL: I guess so. I would hope they would stick around but obviously we've got a lot more detail we just want to kind of get people engaged as we get going. So I should have handed the control over to you Monte and it's all yours.

0:10:56 MF: Okay thanks. Good afternoon again everybody, I guess it's still good morning to those of you who are on the west coast. Looks like we have over 500 people participating at this point so that means that a lot of HOME projects are being worked on right now and hopefully we can make that time useful to you. As Steve mentioned, this isn't really a new requirement although there were some things added in the 2013 Final Rule that were addressed in CPD 18-09 notice. The reason we're doing this is because whenever HUD issues a notice, they're not only just repeating what's in the rule, but giving you additional guidelines and, what we like to call, safe harbors for how, so what you should do and how you can do it and hopefully you are able to improve your practice. Those of you, most of you probably already have homebuyer policies in place and we're hoping that by going through these things with you, those of you who need to tweak your procedures or those of you who still have to develop things or are perhaps new to the HOME program or the homebuyer activities, can make certain that you're doing things in compliance with the rules and in the best interest of your program and your participants.

0:12:16 MF: So with that let's get started. The requirements as I mentioned they added in 2013 92.254. As most of you know that section 92 is the HOME rule in 24 CFR, book 24 is the HUD regulations and part 92 or chapter 92 is the HOME rule. So you'll see references to 92.254 and other things throughout this presentation. 92.254(f) was added then, and it requires PJs that operate HOME-assisted homebuyer programs or activities to develop and implement policies and procedures for those activities. And at a minimum they have to address the three things that Steve has already mentioned. There must be standards for underwriting the assistance to homebuyers or the homebuyers that are assisted with HOME funds.

There must be responsible lending standards and there must be standards for refinancing or re-subordination of HOME liens during the period of affordability. In addition to that 92.254(a)(3) was added to require homebuyers to receive counseling.

0:13:39 MF: Most of you were already requiring counseling, but it wasn't technically a HOME requirement. I think when we did the study of homebuyer activities in HOME in 2005, we found that over 90% of you were already requiring it. So it's not a new requirement but in fact we've got new HUD counseling rules taking effect and going into effect next year, and some of you will need to update your counseling requirements and perhaps be a little more specific and prescriptive about what you require, because we all know that counseling does have an impact on rates of default and foreclosure and will improve the outcomes of your program. And then 92.254(e) was added to address the situation that Steve mentioned when the PJ allows a first mortgage lender, private or non-profit, to also originate the HOME assistance. In that kind of situation, the HUD has added some requirements to ensure that the PJ has proper oversight to make certain that all... that all the requirements are met. These things were added in the 2013 Rule and took effect either in 2013 or some of them in January of 2014, so they've been around for some time, but hopefully the guidance we provide you today will help you tweak your policies.

0:15:16 MF: Now the purpose of these requirements is to maximize the likelihood that homebuyers who are assisted with HOME funds will sustain homeownership. Of course, requirements for written policies and procedures are always grounded in the principles of transparency and fair treatment. But the three core themes of this particular requirement are as you see on the screen – affordability, sustainability, and reasonableness of the assistance. You will see these themes both in this webinar as well as infused throughout the 18-09 notice. Obviously, we all share the goal of placing homeowners only in reasonable situations in which they can have a high likelihood of success. In this case, we mean homeownership that they can sustain or afford, can afford. However, as managers of public funds, we also want to provide only as much assistance as is necessary to achieve that sustainable homeownership as there's a high demand for these limited resources and we want to assist as many families as we possibly can with those limited funds. At the same time, we don't want to give a buyer so little assistance that they just get into homeownership but can't sustain it over time. The assistance that we provide to any given buyer cannot be more than is needed but it needs to be enough to make the unit both affordable and sustainable. Sustainability was an important part of a lot of the 2013 rule changes that you've had to implement.

0:17:02 MF: Because we are required to look at only giving as much assistance as is necessary to make the unit both affordable and sustainable, HUD requires PJs to individually evaluate each assisted buyer and determine the reasonable amount of assistance. While it may have been practice in the past to have a one size fits all or automatic amount of assistance provided to all homebuyers or at certain income levels, that's not permissible and the 2013 rule made that explicit. We have to look at individual homebuyers and determine what assistance level is appropriate for them.

0:17:48 MF: Now HUD considers the requirement of homebuyer policies and procedures to be in essence a best practice that will make the HOME program more transparent and fair, and it will help to ensure positive outcomes for homebuyers, communities and PJs. The policies that are included in this will help to ensure that low income homebuyers are well prepared for the responsibilities of homeownership, and that they are treated equitably. The policies will also mitigate the risk that can result from deficient underwriting and questionable mortgage loan features, and help to minimize foreclosures that negatively impact homebuyers, communities and the PJs themselves. Communities will benefit from avoiding more foreclosures and the PJs can prevent the loss of funds and potentially having to repay HOME dollars due to failed projects that are lost to foreclosure. We truly believe that your investment and time in developing or refining these policies will improve the outcome of your homebuyer activities.

0:18:58 MF: Now as was probably suggested by the quiz questions, the poll questions that you took up front, a PJ has to apply its homebuyer program policies to all homebuyer activities that are assisted with through HOME, regardless of the way in which the assistance is provided to a particular unit. So that means it must apply the standards not only when it provides HOME funds as a direct subsidy to the homebuyer, but also when a homebuyer purchased the unit that was developed with HOME funds regardless of whether or not the homebuyer receives any direct subsidy or assistance at the time of purchase. So the lending standards apply irrespective of how the first mortgage loan was financed and who provided it, and the standards are not limited only to HOME funded homebuyer loans. The PJ is required to look at the underwriting and the terms of other lenders or to the project to ensure that the PJ standards are met and that loan the person gets into complies with the PJ's own for appropriate first mortgages. The housing counseling requirement at[1] 92.254(a)(3) applies to all homebuyers who receive either a direct HOME subsidy or purchase units developed with HOME funds, and the refinancing standards similarly apply all assisted homebuyers regardless of how the assistance was provided. The requirement that 92.254(e) apply...

0:20:39 MF: And make sure that when you're working through a for-profit or non-profit lender that certain standards are met, so that's one that might or might not apply to your particular PJ in the programs that you run, but it is there in case you are working and allowing other lenders to originate your assistance. Now, what are the policy elements that you have to have to have a complete homebuyer program policy meeting the requirements in 92.254? You see on the screen, there are actually seven requirements that are required by the Final Rule, and they are also the seven elements that you'll see in the checklist if you've already downloaded, or download after this particular session. Those seven are first of all, buyer underwriting standards. That's where we're going to spend a big part of our time today. These are aimed at ensuring that buyers can afford the home and are receiving an appropriate level of assistance based on their specific circumstances.[2]

0:21:55 MF: The PJ also has to have standards to ensure that HOME assistance is provided behind the first mortgage or other senior debt that is responsible and reasonable for the low-income buyer. In other words, PJs, you can't put on blinders and pay attention only to your loan, you've got to look at all of the lending that's occurring with each project. Next, subordination or refinancing standards. As a matter of fair treatment and transparency, the PJ is required to have written standards for how it will treat requests for refinancing that will require any HOME junior assistance to be subordinated to new senior debt. When and under what conditions will you subordinate your HOME loan to let a buyer refinance in the future? Those are standards that you have to have as well. Next is counseling.

0:22:51 MF: We've already mentioned that the requirements will come into play in 2020 where you have to have to have HUD-approved counselors. PJs in the interim, you need to have your standards for now and then make sure that when those go into effect in 2020 you are meeting[3] those requirements and only using HUD certified counselors. Next there's resale and recapture, that's not really a topic for the notice, the CPD 18-09 or today's webinar, but it is a core requirement and policy in your homebuyer activities. HUD previously issued a notice, CPD 12-03 that went through the requirements under both resale/recapture and included its own checklist as to what was required to make sure you were in compliance. I know that many of you PJs on the phone have been going through over the last couple of years with your field offices getting them to review your guidelines and approve them because HUD does now require that the field office

[1] Audio gap in recording completed based on trainer notes.
[2] Audio gap in recording completed based on trainer notes.
[3] Audio gap in recording completed based on trainer notes.

explicitly approve those guidelines to ensure that they were in compliance.

0:24:07 MF: We won't address it today, but we refer you to it because it is a core element of homebuyer program policy. And then there are two potential additional policies that you may have to add if they are applicable to your program. The first one is the lending partners requirement, and that's the 92.254(e) standards, and those apply if you are providing assistance via a third party for-profit or non-profit lender who's also originating the first mortgage. In these situations, HUD requires that you have adequate oversight to ensure that the transaction complies with all HOME requirements.

0:24:54 MF: In addition, if you happen to be running a homeowner rehabilitation program where your rehab loans amortize, you're required to underwrite those as well, but those underwriting standards can be different or unique and do not necessarily have to follow all of the things that you do for homebuyer loans. Of course, those of you who don't amortize your loans, HUD still recommends as a matter of best practice that you consider the sustainability of homeownership and some of the other principles that are part of the homebuyer policies, but it is not a regulatory requirement if your rehab loans do not amortize. We're going to address each of these areas with of course the exception of resale/recapture during this webinar, and at the end it will help you go through the review. But with that quick overview, I'm going to pass this back to Steve and allow him to go into the first topic on buyer underwriting requirements.

0:26:02 SL: All right, thank you Monte. So it looks like I've got control back. We're going to go ahead and start to talk about buyer underwriting. So before we dive into detail on the underwriting requirements, again I just want to talk a little bit about the context for underwriting. Underwriting at some level is a term used in our industry to label the process for both evaluating risk and making good investments, or looking to make sure the HOME investment protects both the consumer and the program. And we accomplish this by ensuring we're only investing when there's a high likelihood of the homebuyer being successful over time, or at least the period of affordability. We want to be clear this is a PJ responsibility. We understand that buyers are being underwritten by their first mortgage lenders, but this is not necessarily for the same exact reasons or the same exact standards. As we all learned in the foreclosure crisis, sometimes underwriting decisions made by the lending industry may not be entirely appropriate to protect the low-income buyers that we're trying to serve through the program. And so while you might coordinate your file with the buyer's lender and necessarily will do so in certain ways, PJs are expected to independently underwrite the buyers according to your own standards, which will often be different than what a bank might be willing to do.

0:27:13 SL: For example as we'll talk about in a few minutes, that the bank might be willing to say go to a front-end ratio of 33%, whereas the PJ's policy might cap the mortgage payment at 30% for their low-income buyers. Finally, as we're going to touch on more later, underwriting and establishing these standards will really involve standards for both setting minimums and maximum financial targets, where we're seeking to balance the inevitable tension between ensuring that our investment is enough to produce a sustainable outcome but is not excessive that otherwise results in limiting the reach of our program that already, as we know, has limited funding compared to the overall need that's out there. Underwriting also refers not just to the policies. We talk so much about policies and procedures. We're talking about the policies and the metrics used to determine the investment, but also the process for investing. The PJ's program policies and procedures need to address the standards but also be clear about the process for reviewing the primary mortgage of each buyer, who's going to do the work, what documentation will be collected, reviewed and included in the file.

0:28:21 SL: Also, to be clear, this underwriting has to happen prior to executing an agreement with the homebuyer. Before we've entered into that agreement providing the assistance to the buyer, we have to

have underwritten them. And then finally, as we'll talk more about later, I imagine, we need to recognize that underwriting is distinct from, and in addition to, determining income eligibility. One of the things that we want you to look at is the difference between income for eligibility purposes, which is really about making sure that somebody doesn't have too much income, versus income for underwriting purposes where we may take a slightly different perspective because we're looking to make sure there's enough income to meet the obligations of homeownership. For example, sometimes we see PJ's local policies that will exclude consideration of certain types of household income. For example, we may have a situation where a household is receiving child support on behalf of, or as the result of, a child who's 16 ½.

0:29:19 SL: If you're using the Part 5 definition, which most of you do for income, that clearly is going to be income in the eligibility purposes. We can project forward 12 months, we expect to continue to receive it; but perhaps we've made the underwriting decision that it's not the best idea to base the buyer's monthly payment on that child support continuing because we know it's going to go away in about 18 months. That's the type of example in terms of paying attention to the difference between how we do income for eligibility, which is reasonably prescribed for us once we've chosen either the Part 5 or the 1040 definition, but also how we're going to define income for underwriting purposes.

[background conversation]

0:30:07 SL: For those of you that have already looked at the checklist that we've released today or saw a prior iteration of that checklist that was published at various industry trainings over the past couple of years, most of those elements deal with underwriting the financial aspects of the buyer's purchase. Your local policy needs to establish standards related to the buyer's debt ratios, both in terms of their housing and their total debt, usually referred to respectively as the front and back-end ratios, both of which we're going to talk more about in a few minutes. The notice also discusses how we may need to account for other non-debt but still fixed monthly expenses of a household, especially when they're substantial enough to affect the sustainability of homeownership. You need to address buyer's assets, including how much of their own assets they need to invest towards the purchase, how much in terms of liquid assets they should have left following the purchase, and at what point buyers might have so many assets that, in fact, they should be making a larger investment towards their purchase.

0:31:05 SL: And then finally, a PJ should establish a maximum HOME investment that they're willing to offer to each individual buyer. Technically, in the case of a straight up-down payment assistance program, a PJ could provide the full maximum per unit subsidy to a buyer if they needed it. But in practice nearly every PJ already sets a limit on how much they'll invest in direct buyer assistance. For example, saying in their program design that no matter how much you technically need from an underwriting standpoint, nobody gets more than say $30,000 or $40,000. Of course, that depends on your local market. But most PJs should be setting a maximum limit. Finally, just to point out, HUD is not establishing, in the notice or through this webinar, trying to give you specific numerical underwriting or financial benchmarks that PJs have to use when they put together their standards. You have discretion to determine your local policies, including those specific thresholds and limits that are most appropriate to your local program design, your market, and the populations that you're trying to receive.

0:32:06 SL: HUD tells us the elements that we have to touch on, but you have to come up with the specific numbers. Okay, the first thing we want to look at in trying to figure out how much a buyer can afford, is we're really asking how much of a monthly payment they can make. Of course, banks are going to look at a buyer's credit history as well but once we weed out folks with a history of not making their payments, we primarily start by looking at two things. First, we don't want a buyer making a mortgage payment that exceeds some percentage of their income. Again, this is usually called the front-end ratio or sometimes the

housing ratio. And the conventional market usually will limit the front-end ratio to somewhere in the range of 28%-33% depending on the lender and the program. And at the same time, we know it's risky if the buyer has total debt payments each month, including their housing payment, and other consumer debt, like car loans student loans, credit cards, et cetera that are too high because ultimately that will be unsustainable as well. We call this the back-end ratio or the total debt ratio. And again, in the conventional market, banks are often limiting this in the range of 38%-43% depending on the buyer's gross monthly income, depending on their credit profile, etcetera.

0:33:23 SL: In a lot of ways, I tend to think about the back-end ratio, sort of, in reverse. If we have a back-end ratio of say 40%, just to keep the math easy, what we're really implicitly deciding is that after taking into account the required housing and consumer debt payments, we think a household is able to live on the remaining 60% of its income, to deal with all the other expenses of living that don't show up as debt payments. Things like utilities and home repairs but also other living expenses like food, transportation, health care, clothing, all of the stuff that it takes us to survive in this world. So it's axiomatic that lower ratios will make housing more affordable to the families we serve, but that also means that each buyer will require more assistance and will serve fewer people. On the other hand if we hold out our program to only serve buyers who can afford payments in the upper end of the spectrum, that's not likely to work out well for us either. So the challenge for PJs in establishing your policies is to strike the right balance. Providing enough assistance to serve a reasonable range of buyers, but not over subsidizing individual participants either.

0:34:25 SL: So let's look at an example of how these lending ratios work out. So for these examples we're going to assume that our buyer has an income of $36,000 a year which conveniently enough for those of us that don't like to do math very quickly is a nice round $3,000 a month. So let's say the lender is willing to provide a mortgage with a front-end ratio of 33%, that is they'll let the buyer have a mortgage payment equal to 33% of their monthly income, which works out in this case to $990.

0:34:56 SL: On the other hand the PJ may have assessed its... The need in its community and determined that its appropriate front-end ratio is going to be only be 30%. Many housing counselors who work with the buyers we serve feel standard lending ratios leave very little margin to handle life's other necessities and surprises and encourage low-income buyers to try to achieve monthly payments that are somewhat less than a lender might sometimes allow, when they are maximizing things. Of course on the other hand, lenders and realtors are often trying to maximize the amount of loan. So while that might be okay in certain middle income or upper income groups, it's not always going to be the best case for low income buyers. So often we're going to see PJs setting their limits, little bit lower than what the bank might have.

0:35:37 SL: So in this example if the PJ has decided it doesn't want their participating buyers to pay more than 30% of their income, that results in a maximum payment of only $900, 30% of the $3,000. So obviously that $90 savings is going to be more sustainable, it's going to give buyers a little more margin to put together some savings or to deal with things like a sick child or an unexpected car repair or what have you. But there's a cost, $90 a month doesn't sound like a lot, but all else being equal, $90 over a 30-year mortgage at a 5% interest rate results in the first mortgage that would then be about $16,700 less and would mean this particular buyer could need additional HOME assistance to make up that gap. So just sort of showing the impact of these policies.

0:36:28 SL: The front-end ratio is just one issue, of course, we also need to look at the buyer's total debt. So including housing debt, the back-end ratio is intended to limit total debt payments, that a household has each month to make sure there's enough income left for the other expenses of living. So let's say we're working with the same $36,000 a year, $3,000 a month and a back-end ratio of 40% which works out to

$1,200. So the maximum mortgage payment is going to be the lesser of the front-end ratio times the income or the total debt allowed minus the existing debt. So what we find with a lot of the buyers that we serve in the HOME program is that the back-end ratio becomes more of the limiting factor in how much of a mortgage the folks we're serving can afford and we're going to see that on the next slide.

0:37:17 SL: So here's how we see that coming out. We want the front-end ratio to only be 30%, which is the $900 a month, we want the back-end ratio to be no more than 40% which is $1,200. Well they've already got $400 in consumer debt, so the maximum housing payment when you do this underwriting would be either the $900 or $1,200 minus $400 which is $800. So the consumer debt in this situation is reducing the buyer's sustainable payment by about $100 a month. And again when you look at the impact of that in a 30-year mortgage at 5% interest, that's about $18,600 in how much less the buyer can afford. So you see how these ratios work together, and existing debt can really eat into the mortgage payment a buyer can afford. And that's part of why HUD expects us to establish upper limits or ceilings on how much a buyer should borrow. We don't want them to take on so much debt that their mortgage taking into account, both housing payments or total debt payments is unsustainable and leads to a foreclosure. At that point it's not really clear we're helping them.

0:38:18 SL: But you need to make sure that buyers are making meaningful and reasonable contributions towards the purchase of their home which we'll talk more about in a few minutes. So a lot of PJs go one step further and establish a minimum expectation in terms of a buyer's monthly payment. For example requiring a buyer to take a first mortgage with a front-end ratio equal to somewhere in the neighborhood of at least 20% to 25% of their gross income, in an effort to make sure that we're not effectively using the buyer's down payment assistance to sort of subsidize excessive levels of consumer data. Obviously, the debt ratios are really important metrics and our primary consideration in the mortgage lending community, but HUD also requires the PJ's policy to consider... That beyond the ratio there may be other expenses that fall outside of those debt ratios that we need to take into account. There might be other extraordinary fixed costs of the household, whether we're talking about utilities or transportation, child or elder care, health insurance cost..

0:39:24 SL: So the rule requires that we think about and what our policy is going to be, should we have lower ratios for lower income buyers especially, say, buyers that are below 60% AMI instead of just below 80%, to ensure that they have sufficient funds remaining after their housing costs, to cover those other living expenses. Should we look at some other sort of a ratio analysis of the total debt ratio plus these other factors and make sure that's below a certain income or a certain ratio, or should we have some sort of an examination of residual income?

0:40:00 SL: The notice doesn't give us a lot of explicit prescriptive requirements about which of these approaches we use, but PJs need to make sure that when you establish these policies, the point is that we're being very clear about what expenses will be counted, what documentation will be needed to ensure that we're treating households in a uniform fashion. We also need to make sure that we're not using standards that have, that raise fair housing concerns or have a disparate impact. But the idea again is that many households have fixed and uncontrolled expenses that are extraordinary enough that they could affect their ability to sustain the housing if we're not taking those into effect. The next factor that we want to look at is a buyer's assets, so the affordability of a house is not just driven by the ongoing monthly payment but by the investment a buyer needs to make initially to get into the house usually towards his or her down payment and closing costs. So the rule also requires your policy take into account the buyer's assets to acquire housing and their financial resources to sustain housing. So at a high level, your policy needs to address three basic questions which we're going to take a deeper look at in just a second.

0:41:14 SL: How much should the buyer invest? How much should the buyer have left? And do they even need the assistance? And all of these questions are about a buyer's financial assets. So the PJ's policy needs to establish requirements about the buyer's minimum investment, this is likely to be different than the bank's down payment requirement. Usually we're actually expecting a little bit less because if our buyers could afford to make the full down payment that the bank requires and pay their closing costs they often wouldn't need our help. But in some cases, lenders will still require that some portion of the buyers down payment and closing costs come from the buyer and not from your assistance. So you need to be aware of that. Some approaches that we regularly see from PJs include a standard that says a buyer has to contribute some purchase, some percentage of the purchase price, say 1% maybe up to 3%, that decision gets made based on the relative income levels in the area and the cost of your housing in terms of how people approach that. Other PJs have set their policy based on a specific nominal dollar amount saying for example that every buyer has to invest at least $1,000 towards their own purchase.

0:42:20 SL: The second question is also pretty important, and I think this is one that PJs left to their own devices have not necessarily picked up on and put into their policies. And that's how much should the buyer have left? We want to balance making sure buyers are making a reasonable contribution towards their purchase but also not leave them with nothing left in their bank account at the end. Things happen. There're costs associated with moving, especially since many of our buyers were previously renting and now may be responsible for their own homes, they might have to buy a lawn mower or basic maintenance tools. But we also want people to have buffers against unexpected expenses. The surprise car repair, pricey prescription, what have you. So PJs are also required to establish how much cash the buyer should have post-closing to sustain homeownership in the face of these kind of both predictable and unpredictable costs of living. Most of our focus so far has been on the minimum assets that a buyer needs to contribute and have left. But our policy also needs to deal with another question, does the buyer even need the assistance or could they afford to do this without our help?

0:43:27 SL: It may not be very common, but some buyers who are low income actually do have substantial assets available. Maybe they've managed to put aside significant savings or perhaps they received an inheritance, a judgement or some other significant infusion of cash. Most PJs here focus on liquid assets, so we tend to ignore tax preferred retirement accounts like 401(k)'s etcetera. And then we establish some upper limit beyond which the buyer has to contribute the excess towards their purchase. It's quite common to see PJs set this anywhere from say $10,000 to $25,000 or even higher, in high cost areas. So for example we might have a PJ that says look, if you've got more than $25,000 in liquid assets then the amount over and above that, you need to contribute even if that's more than our minimum $1,000 contribution just to make up an example there.

0:44:24 SL: So well most of what we're discussing so far in the underwriting policy focuses on sustainability. Ultimately PJs are also responsible for determining the appropriate amount of assistance. Enough to ensure sustainability but not so much to be excessive. The goal as Monte pointed out is to right-size the level of assistance in accordance with your own standards to ensure that each specific homebuyer is treated based on their particular circumstances and receives neither more than is necessary but also not so little that it's not enough to achieve financial sustainability. The appropriate assistance for a particular household depends on the purchase price of the home, their individual circumstances, the financing terms available in the local market etcetera. The PJ's underwriting standards whether they're the front-end and back-end ratio, minimum down payment limits on other expenses or asset limits, are largely going to determine the amount of HOME assistance. But in some cases, mathematically, we say the buyer needs a certain amount, but that amount may be so high that it's above a limit that the PJ has otherwise determined is reasonable. So PJs should have programmatic limits again as we talked about earlier, on the maximum amount of direct homebuyer subsidies that will be provided to any one buyer.

0:45:39 SL: Those numbers range dramatically across the country based on the market realities that many of you are in. And then finally one more slide before we take a break and do some Q&A. I see there's a lot of questions building up. So one other thing to touch on is credit history. Obviously lenders consider credit history, they do a lot based on credit scores and those sorts of things. Your policy as a PJ can definitely take credit history into account but if you're doing that, we want to recognize that borrowers may have limited credit histories and you may need to look at alternative forms of credit performance. And also that regardless of how you're dealing with credit whether it's sort of indirectly through that's something the bank primarily looks at or whether you have explicit credit standards, you want to make sure that credit history issues are being addressed in the required counseling which we'll talk more about later. So with that, I'm going to turn it back over to Monte for a moment to see what kind of questions we've had coming in.

0:46:48 MF: Thanks Steve. We've got a number of questions a few of them I think just to repeat some items that you've covered in the presentation. Just one, I know you mentioned this, but to be clear, can you clarify the income definition that can be used for this purposes of a buyer underwriting being different? And income eligibility definition that might be used for just qualifying a person as well income?

0:47:20 SL: Sure. No, that's a great question. So of course what we hopefully all know is that the HOME rule requires PJs to select either the Part 5, some often call it the Section 8 definition of income, or the IRS adjusted gross income or sometimes referred to as the 1040 definition. You got to pick one or the other of those definitions for each of your programs or each of your projects. Most PJs overwhelmingly, PJs use the Part 5 definition across most of their programs. Some PJs will use the 1040 definition for their homebuyer programs. In both cases, those definitions are what they are, they're heavily prescribed, they're very clearly regulated in terms of what counts and what doesn't. And in both cases, we're looking forward 12 months. And so if I know that… the example I used was the child support, it's regularly being received, it's court ordered, there's no reason to doubt that it will continue. It's going to continue for the next 12 months. So income eligibility is... Is pretty prescribed. We have to do what HUD says we have to do.

0:48:27 SL: On the other hand, when we look at underwriting, there may be scenarios where for eligibility purposes we have to count this income but for underwriting purposes it doesn't make sense to rely on that income continuing to be available to make the mortgage payment. We're helping somebody get in most cases a 30-year mortgage. So we can't guarantee that their income continues for 30 years. If we know that in the near term, let's say over the next 16 to 24 months that that source of income is going to go away, it's entirely appropriate to say that after we've income qualified somebody, we're going to take a different perspective on how much income is available to make the payment when we're sizing the level of assistance. So I don't want people to think that we said, hey we're changing the definition of income. Income eligibility is still income eligibility, but when we start to talk about how much of a mortgage we expect a specific household to take, that's where we can take a different perspective.

0:49:31 MF: Okay another question that came in Steve was, they said they observed that there's the multifamily underwriting spreadsheet or tool that's available and that they had heard that there was a buyer underwriting spreadsheet under development. Can you comment on where that is and if we're likely to see at any time in the near future?

0:49:57 SL: Yeah actually I think there were. It turns out behind the scenes there were two different spreadsheets underway. So obviously there was a multifamily one that was being worked on, we're not involved in that and I think that the same provider had been working potentially on a single family development underwriting one in particular. We're working with HUD and we expect later this year to release an underwriting tool, an excel spreadsheet that helps evaluate the buyer end of the transaction and

we're going to talk about that at the end of the webinar with some next steps. But we hope to have that available for release probably in the third or fourth quarter, there will be some in person trainings that address that is the plan and also it would be released on the HUD Exchange.

0:50:44 MF: Okay great thank you. We did have one question that asked if there was any HUD policy or perspective or limitations on buyers receiving cash back at closing, are you aware of any?

0:51:00 SL: I don't think that HUD has a specific policy per se. Obviously in most cases what we're looking at is to make sure that buyers have made a certain minimum investment, sometimes as, you know, it can be very difficult to get the settlement statement to balance exactly. I don't think there's a particular concern if somebody walks away from closing with $25 of their down payment back. Sometimes that's just the static in how the numbers balance out. But clearly, I think it would be more of a concern if we saw that people were regularly getting very sizeable amounts of cash back at closing and that was bringing their investment down below the PJ standard. In most cases at this point because the closing statement is supposed to be prepared and provided at least 72 hours in advance, I believe the standard is, we're able to make sure that we're getting the exact right amount of buyer assistance and not necessarily having to deal with a refund at closing. But those nominal amounts, I wouldn't be particularly concerned about.

0:52:03 MF: Okay. We do have a question that runs to looking at other costs and they said while they've been able to find maintenance and other kinds of costs online, they're asking if we were aware of any sources for transportation costs that could be used in looking at the other costs outside of the debt ratios.

0:52:32 SL: I'm not specifically familiar with a resource to say this is where you can look up the average expense for transportation. I know that I've seen some studies that kind of look at the combined transportation and housing costs in the academic literature, but I don't have a specific resource to point people to there...

0:52:57 MF: Okay, questions just came in, Steve is that I'm looking at them, you started to answer this when we got into the income eligibility versus underwriting and one of them indicated that one of their PJs may still be using the census long form which I just want to comment is no longer a permissible definition of income to be used under HOME, technically doesn't exist anymore but the other one that came in, Steve, well it says the lender counts a 125% of social security, can we use a 100% for income eligibility and 125% for underwriting similar to the lender?

0:53:45 SL: Yeah that's a really interesting question. So it's not uncommon for mortgage lenders to look at social security or other forms of untaxed income and gross them up as it were because if I'm getting $10,000 from social security but not having to pay taxes on it, that's more similar to somebody otherwise getting $12,000 of income and having to pay taxes on it. It's certainly a perspective that the lenders can take. I don't see that a PJ couldn't take it, I don't know that I would personally advise it but that's not the regulatory issue. If you're going to do that though, you should define that in your policies and procedures and do it on a consistent basis. So if you wanted to say that we're going to, for underwriting purposes, assume that you can in essence what you're sort of saying is we would go to a higher ratio, mathematically it's almost like a larger percentage of their income is going to the payment because we know none of that source of their income is going to taxes. You could do that, but you would clearly need to include that in your policies and procedures and define how you're going to do that. Anytime you're going to say we're either including income that's not included for eligibility purposes or excluding income that is included for eligibility purposes, your policies and procedures should define what that is.

0:55:06 MF: Yep. And a question just came in on student loan debt and how that's counted and some take it

as a total debt and others look at it as just what the person is currently paying monthly, are there expectations on how we treat the student debt or is that up to the PJ to define?

0:55:30 SL: Again I think that's up to the PJ to define. So HUD gives us the elements that our policy needs to take into account, they're not giving us any specific numbers. So we need to determine how we're going to do that and if we're going to look at that differently than sort of the norm we should be defining what we're doing differently.

0:55:51 MF: And similarly there were some questions on the assets, different tests that you talked about and how much can be left and things like that but I think your answer that you just gave is probably similar for most of those that it's up to the PJ to define how they will treat those. HUD doesn't set a... Specify a minimum or maximum or anything of that nature, correct?

0:56:15 SL: Right, right. I think the one thing that we would point out is that similar to the discussion of income for eligibility versus income for underwriting, then for eligibility purposes, we're not trying to redefine what assets are, which assets get counted, if you're using the Part 5 definition we're not defining away, the imputed asset requirement, what we're saying is there may be some things for the Part 5 definition are assets but that you and your policy want to say I'm not going to consider those as assets available towards the purchase. So for example, money in a 401(k) account is an asset under the Part 5 definition but I probably I'm going to set a policy, and most PJs that I've seen set policies to say, I'm not going to... I'm going to exclude consideration of your 401(k) and not make you take an early withdrawal from that towards your down payment. So I think that's what we're talking about there.

0:57:18 MF: There's a number of other questions but we're probably going to have to move on and I want you to end with this particular one which is a question of the... If I'm a PJ that has multiple programs, down payment assistance, homebuyer development projects and other things going on not just one type of homebuyer activity, can I have different standards for each of those programs or activities?

0:57:43 SL: Sure. And that's pretty common. So I regularly see PJs that have again what we generically would call a down payment assistance program where we're providing assistance to help somebody just go buy a house if it's for sale, anywhere in town, find the house you want, if it meets our standards we're going to inspect it et cetera, but we will help you buy that house. Often those programs have a certain limit, a PJ might say we'll give you up to $20,000 in that kind of a scenario but they'll also have a slightly different limit for example for the houses that they've funded the construction of with HOME maybe through a CHDO or through some other sort of a developer where they say these houses that I funded the construction of I'm going to provide up to $30,000 or $40,000 just to pick an example out of thin air. So it's certainly acceptable to do that. We often also see PJs, particularly state PJs, that may have different limits in different parts of their area.

0:58:36 SL: So in counties that are high cost counties, they may provide a higher total level of assistance than in counties that are more affordable or even within a PJ, within a local PJ, where there are certain parts of town that are kind of more up and coming and where the difference between what a typical low income buyer can afford and what a typical starter home cost is greater than in some other part of town. So we've seen that type of thing. Again any time you're going to do that, you need to define in your policies how you're making those decisions so that again everybody kind of knows what the rules of the road are going in and there's some transparency about how people are being treated.

0:59:16 MF: Okay. Great. I think probably we should move on now, Steve. And then there are still a lot of unanswered questions but I know that we have the opportunity to answer them. There's more at the end of

this session and also on Thursday when we have office hours. So hopefully, we will get to people. But I think the thing I wanted to observe overall that discussion was just come back to the point that you made a few moments ago that basically HUD has put this out as a requirement, as a best practice, but is not specifying the specifics, the metrics, the minimums, the maximums. That's up to a PJ to define for its particular market and its particular set of homebuyers as to what works and what is fair and reasonable. So a lot of these things we won't be able to give you specific answers or metrics, the trade offs. And you'll have to work with whatever it is that you have available to you locally, the lenders that you work with, the non-profits that you work with, and others who work with the homebuyers there and figure out a good set of standards that you can follow.

1:00:31 MF: Remember, the purpose of policies and procedures is to have fair and equitable treatment and to be transparent so that people understand the standards that you are applying. So some of those questions are really sort of dished back to the PJ to figure out. I will go ahead and start now. And Steve, I'm just going to mention that few people said you're sort of fading in and out a little bit. So while you're on mute, if you can play with your mic a little bit and see if it might be situated a little bit better to keep it more consistent. There were a number of comments along those lines.

1:01:11 SL: Okay. Great.

1:01:13 MF: Yeah. Homebuyer policy, and responsible lending is the next topic. It's the second topic. We spend most of our time on buyer underwriting, going through those with Steve. But we have to go onto the other elements of homebuyer program policies that HUD requires. And the next topic is responsible lending. So what is responsible lending? It really deals with the issue of making certain that the terms and requirements of any senior debt. In most cases, we're talking about a first mortgage or a trust deed ahead of the HOME assistance which is likely to be in second or a junior position. We want to make certain that those terms and requirements are reasonable given lending market conditions and do not put the homebuyer at undue risk. Another way of stating this is you can't put blinders on and just pay attention to your own loan. You've got to look at what you're behind because the issues related to the senior lending could in fact jeopardize your investment.

1:02:24 MF: Now, those of you who looked at the proposed rule that came out before the 2013 Final Rule was adopted might remember that the proposed rule talked about any predatory lending policies. But the final rule, the term became responsible lending. This is really a broader term and it reflects the realization that some loans might not be predatory but nevertheless, they aren't reasonable or responsible products for low income families that you serve in your HOME program. So as we begin this talk about responsible lending, let's go back two of those core themes that I mentioned earlier, sustainability and reasonableness. First, we're talking about making sure that when you help somebody buy a house, you structure the deal so that it is sustainable for them. As Steve's already discussed, you've got to look at the ability to pay the loan under buyer underwriting. But you'd also want to make sure the loan product doesn't have unnecessary costs or risky loan features that could threaten homeownership in the near term or in the long term.

1:03:31 MF: And we'll talk more about some of those loan features in a few minutes. Some loan products might have excessive costs associated with them which could be either a high interest rate or excessive fees that are attached to the loan. Not only do these have an impact on sustainability, and Steve did refer to an example of a higher interest rate and its impact on a homebuyer's ability to borrow, and therefore the PJ having to put more money into the project to make it affordable. But it is also about the homebuyer being able to make all the payments then to sustain homeownership. So responsible lending really affects both the homeowner and the PJ. But in all of this, we need to make sure is we define what a reasonable loan is that we achieve a balance. We want to establish reasonable standards to make sure our loans that our

buyers get are good enough without necessarily limiting ourselves to only those buyers who can afford to get the very best loan terms the market has to offer.

1:04:47 MF: Our job is to help people get into homeownership, and that means that sometimes we don't get the people that can qualify for the very best loans. In a couple of places in the notice, you saw HUD mention or refer to fair housing and being careful about the fair housing implications of your responsible lending policies and your homebuyer policies. You have to be careful about disparate impact, that might be an unintended result of lending standards that are too strict, and limiting the types of acceptable loans might then limit the areas or types of buyers that can qualify and participate. And so we need to be careful and think about what the impact is of the standards that we adapt. I guess the good news then in the discussion today is that it's a little bit easier now that we have the Consumer Financial Protection Bureau and their standards that they developed. What I'll be talking about mostly in this case is qualified mortgages, but also there are the higher rate loans that we will be talking about as well.

1:06:02 MF: A qualified mortgage is one that meets the requirements established by CFPB or meets the standards of Freddie Mac and Fannie Mae. The regulations that CFPB put out established the ability to pay as a set of standards to do a reasonable analysis of income and debt to income ratios and making certain that those things are adequately documented. It also required or prohibited certain mortgages from being qualified mortgages if there were risky loan features where the loan is not fully amortized over a period not to exceed 30 years. But for example, we mean things like interest only and negative amortization loans as not being qualified mortgages, and it also established a cap of 3% of points and fees that cannot exceed 3% of the loan amount.

1:07:08 MF: The ability to pay regulation doesn't prohibit banks from lending outside of these standards. There are non-qualified mortgages and some of them are actually okay deals, but it does create a safe harbor for loans that fit within the definition of a qualified mortgage. Banks that do make qualified mortgages receive certain legal protections against claims that they made loans that might be toxic. So banks have an interest in making these kinds of mortgages, but the qualified mortgage definition is not all inclusive of what you might want to consider as good loans.

1:07:47 MF: Not all good loans are covered by these standards. Under most circumstances you might avoid non-qualified loans. Some non-qualified loans might be fine for your buyers. For example, loans from state housing finance agencies are not subject to the QM standards. There are also exemptions for Habitat Humanity loans, CDFI loans, the Community Development Financial Institutions, and even loans from CHDOs. Similarly loans from rural development - USDA direct loans - that can offer effectively low interest rates, are not technically subject to the QM standards and there are some exceptions in rural areas that allow things that look like, for example, with balloon payments, that might not be permissible elsewhere. So while the QM standards are a big improvement and exclude some of the worst loan products out there, the QM standards are for the general market and may not address the unique considerations facing low income buyers that your HOME program serves. QM standards are a great starting point for you in determining what responsible loans you will permit ahead of you, but PJs can't just rely on this standard and need to think through additional issues in defining the loan structures and features of the mortgages that you expect your buyers to get and also the cost associated with those loans.

1:09:14 MF: First let's talk about loan structure. On the left hand side of the screen you see the things that... Or do not meet the qualified mortgage standards. That's interest only, negative amortization loans, loans that won't amortize within the 30-year period. They define loans in excess of 30 years as not being qualified. They also define balloon loans and other loans like that that have some exceptions we won't go into today, but there are some exceptions to the prohibition against balloon loans meeting the qualified

mortgage standards. However you might notice that things like adjustable rate mortgages are not necessarily precluded from being qualified mortgages, and there may be circumstances where you want to actually not allow loans that do meet the qualified mortgage standards. For example, you might want to consider whether you only are going to permit fixed rate mortgages or whether you'll allow adjustable rate loans and under what terms and what conditions you would allow adjustable rate mortgages.

1:10:26 MF: You might want to decide if you'll accept a 15-year product, mortgage product, or versus a 30-year product or whether in some circumstances you might even allow a loan to go longer than that. You might want to consider whether you'll allow mortgages that don't require a tax and insurance escrow which we know is quite rare but there are some of those out there, and you might also be working in an area where balloon payments are in fact common and can still meet the qualified mortgage standards. So again, qualified mortgage standards are a starting point for you. It's recommended that you look at those and start with those, but build your own definitions of the types of loans that you will accept.

1:11:17 MF: We also need to talk about the loan costs, so in defining responsible loans, you need to consider what to be reasonable loan costs. When we talk about loan costs, we're mostly talking about upfront fees and interest rates. As I mentioned, the QM standard limits lender fees and points to a level that can't exceed more than 3% of the loan amount. There are some different standards for below $100,000 and things of that nature. You need to look at whether or not that cap is a sufficient protection from your understanding of your market and your buyers or whether you need to have a different standard for the fees and points that are charged with the loans that you will get behind. Secondly, is the interest rate. There's not a specific interest rate cap in the qualified mortgage regulations, but the standard splits loans into what they call higher price loans and non-higher priced loans. The higher priced loans are determined by a rate being 1.5% above the FFIEC index for your particular market and other federal regulating agencies, and you...

1:12:37 MF: Those that are above that would be considered a higher priced loan but those aren't necessarily prohibited from either being considered qualified mortgages or from being perhaps acceptable mortgages to you based upon the market conditions and the buyer characteristics that apply to a particular loan. Do you want to require your buyers to receive market rate or near market loans, or will you consider higher priced loans under some circumstances? You need to define that as a matter of policy and a matter of transparency. Finally, the qualified mortgage regulations limits... Sharply limit, don't completely eliminate but sharply limit prepayment penalties which is an important standard for you to have particularly in times of changing interest rates. Of course, these are all good starting points. But again, you need to determine what limits you'll put on front fees and points, and interest rates, and prepayment penalties.

1:13:41 MF: It might be as simple, as you say, and a loan cannot be a higher priced loan as defined by FFIEC and CFPB, or you might say that some other PJs use, cap the interest rate against the Freddie Mac weekly average or a state housing finance agency loan rate. We've seen a number of different standards being used. And it's up to the PJ to define that. Finally, there may be some other closing costs that you suspect that you want to avoid. And they're not as common these days but hearing about credit life insurance single-premium credit life insurance and other loan requirements that were considered predatory at one point have largely been cleaned out, but not everything is gone. And so you want to look at loans in your market and see if there are other costs that you do not consider acceptable. With that, I'm going to hand this back to Steve.

1:14:52 SL: Okay. Thank you, Monte. So now, we're on to the next element. Let's talk about refinancing. So this is the third required policy element from 92.254(f) talking about refinancing and subordination. For those of us that may not know the term, subordination is the term given to the process where one lender,

in this case, the PJ, agrees to effectively get in line behind another lender or to subordinate your interest. When you first help a homebuyer, your HOME loan is generally in a second position behind the first mortgage from a bank. But when the owner wants to refinance that original first mortgage, unless you agree to subordinate, the new loan would not be in first position anymore. They won't do that. And so you need to be agreeable to sort of getting back in line to be the second mortgage to that new loan. That's what subordination is all about. And so it stands to reason that if we've put a lot of effort into underwriting the buyer the first time around, making sure the loan that they're getting is a responsible loan, that we don't want to undo all of that work by just letting them go and get any new mortgage in a refinancing. We want to make sure that the new loan they're getting is a good one just like we made sure the first one was a good one.

1:16:07 SL: So that's mostly what this is about. There's also another aspect to it. For those of us that are using the recapture provisions of the HOME rule which is most of you, especially in DPA-only-type projects, because the HOME rule, as we know, requires us to limit our payoff or more precisely the recapture of HOME assistance to the net proceeds of sale, we always have an interest in knowing who is in front of us and how much debt is in front of us, and making sure that loan is responsible. Because if it leads to foreclosure or even just a reduced sales price after paying off the first mortgage, you're going to get less of that original HOME assistance back to assist future families with. And also if you're using the resale provisions, you've got even more at stake because a foreclosure in that instance can lead you to having to repay the entire HOME investment in the project, not just the buyer assistance. So that's the context for why we need to be looking at this. When we develop our subordination policies, a PJ has to determine first whether it's going to permit refinancing and will subordinate to do so and under what circumstances.

1:17:12 SL: So you have to have policies and procedures in place to ensure the new loan is affordable and sustainable to the homeowner. And while you're not required per se to do full re-underwriting, you do need to at least make sure the new mortgage has been reviewed to ensure that its terms and features and cost otherwise comply with your established responsible lending policies that Monte just talked about. So your process needs to delineate who's going to review the new mortgage, who are the staff responsible for making that determination, what documentation is going to be collected and reviewed and put in the file. So again, never forget the process elements. But as we think about this from a substantive standpoint, there's several kind of key decision points that PJs need to think about. First, you got to decide if you're even going to consider subordination at all. Most PJs that I see are more than happy to accommodate a so-called rate and term refinancing transaction. That's where the buyer is only seeking to lower their interest rate or extend the term of their existing loan in order to lower their monthly payment, but where there's no increase in the amount of the loan taken or no equity take out to be used for some other purpose. Even there, often we see PJs allowing the closing costs on that new loan to be rolled in, but just no substantial cashback.

1:18:29 SL: On the other hand, some PJs will allow their assisted buyers to take cash out under certain circumstances. For example, you might want to let them take equity out to make further improvements to the home. Some PJs will let them do that for family or medical... Extraordinary family or medical emergency type cost. Some PJs might not even specify the eligible uses of the equity take out but will then look largely at a total loan to value limit, making sure that the combined loan to value of the new first mortgage plus the HOME loan doesn't exceed some percentage of the current market value of the property. The bottom line is that your policy needs to set the conditions for will you allow people to take out equity and if that's permitted, you should specify what circumstances you'll consider that for. So that again we're being transparent and everybody's being treated fairly. And again you need to make sure that process takes into account whether the new loan is reasonable. Often if we are allowing people to take out additional equity, and now we're behind more debt and the payment is going up, then their PJs regularly do include in their

local process that they're going to re-underwrite the buyer to make sure that the loan at that point in time is also sustainable.

1:19:43 SL: So that's kind of what we're talking about with subordination. Basically again, don't put all this effort in on the front-end to making sure we help somebody get a sustainable and reasonable first mortgage and then undo it by subordinating to an unreasonable first mortgage. That's really kind of what we're after here. So I'm going to hand the ball back to Monte both figuratively and literally in the dialogue box and let him talk a little bit about homebuyer counseling.

1:20:13 MF: Okay, thanks Steve. I didn't get much of a break there but I guess I'm back on. The next topic is counseling and as we have mentioned already, the requirements in 92.254(a)(3) that all HOME assisted buyers receive counseling and that was the standard practice before this was added as the best practice in 2013. And we've also mentioned that it applies to both direct assistance to homebuyers as well as homebuyers who purchase units that were developed with HOME funds, whether or not they received direct assistance at the time of purchase. The counseling must be provided before the written agreements with the household is executed. Which hopefully means that they will be getting the benefit of the advice before they actually go out and find a home and begin the home purchase process. During the heyday of the financing boom back in the early 2000s, counseling was occurring at the last minute before closing and seemed to be of no real value. So this is making certain that it's being done at a time that hopefully is more appropriate and will assist the buyer in making their selections. The HUD counseling rule published in 2016 phases in the requirement that all HUD programs including HOME that require counseling have it done by counselors who are certified by HUD and the new training and the standard tests and standards are out.

1:22:03 MF: And that becomes effective in 2020. So you want to make certain that you bring your program into compliance with those requirements by 2020. And consider what you have in place right now to make sure that your buyers are getting the maximum benefit from counseling that they receive. As of that effective date in 2020, all homebuyers assisted under the HOME program will be required to receive housing counseling performed by a certified housing counselor who's passed the HUD certification exam and is employed by a HUD approved counseling agency. There's a lot more information on the certification requirements. If you go to the HUD Exchange which I'm sure virtually everybody on the call has been there. But there is a housing counselling page, and that will tell you about the requirements that would also link you to the HUD page that has all those who are currently certified. So you'll need to go there to get more on those requirements. For the PJ requirements under 92.254(f), HUD requires that the PJ policy should specify the qualifications of the counselor, the curriculum that they are to deliver and the amount of counseling that's to be provided. Of course these standards, the HUD standards will apply as of the August 2020. But you'll need to still make some determinations about how much counseling you want and how recent the counselling must be and how the counselling will be paid.

[pause]

1:24:16 MF: I'm sorry we lost the HUD... There's a slide that is missing where I wanted to talk about the counseling elements that are required. And so I'll just go through them just orally and hopefully we can get that added that added later. The notice indicates the counseling must address the decision to purchase the home, selection and purchase of the home, financial issues that arise during the period of ownership including financing, re-financing, default and foreclosure and the sale or other disposition of the home. The delivery mechanism is flexible. It can be in person. It can be on the phone. It can be via the internet. But the counseling is required to be individualized to ensure the guidance and advice provided is tailored to a particular client's needs. Also, the PJs specifies standard for how long the counseling certificate is valid. As we all know, sometimes the purchase process can take a long time, many months or even years to

complete. And, as a PJ, you must decide how long that counseling is good for, or what would have to be updated if the process drags on too long.

1:25:30 MF: And, in addition, HUD requires that the counseling must provide what it calls, a reasonable effort for follow-up communication with the client when possible. So not simply looking at it as a one time event but the ability for follow-up should be present in the requirements as well. Now, paying for counseling, how can the cost of counseling be paid? Well, you really have several options and they're not all great but you do have options. You can pay for counseling as a program admin cost. As most PJs will quickly tell you, that all their admin dollars are gone or stretched very thin, so this might not be the preferred option, but it might be the means need to be used when no other options exist for paying for the counseling. A PJ can also pay for counseling as a HOME project soft cost. However, this is possible only if the household that receives the counseling becomes a HOME assisted household. If the household does not end up purchasing the unit, for whatever reason, there's no project to charge it to so it's not eligible as a project cost.

1:26:46 MF: So the cost for people who are a counseled but don't ultimately buy a HOME assisted unit cannot be covered as a project's soft cost. The rule now also permits the PJ, or its sub-recipient if that's the case, to charge the buyer a reasonable counseling fee. Reasonable means the fee must be related to actual costs. Any fees that are collected are treated as applicable credits under OMB cost principles in 2 CFR 200. They are not program income so you don't need to report them in IDIS. But they are applicable credits that off-set your cost of doing those things. If counseling is provided at no cost to the program, such as paid for with another source, like a state grant or other non-federal funds, you may be able to count the cost of counseling as a program match. But, once again, only the costs associated with actual HOME assisted purchasers, not general counseling that's done for people who are not assisted. So these are the options that you have in figuring out how to pay for counseling costs: Admin project cost, reasonable fees, or match. Your program policy should identify who, when, and how the counseling gets done, and how the counseling will be paid. That policy is likely to be need to be updated, even if you've already got one, when the HUD counseling rule takes effect in August of 2020. And with that, I'm going to give it back to Steve.

1:28:30 SL: Thank you, Monte. So the next piece to talk about is when we're providing assistance through other lending partners. So this was the final of the three areas that we talked about the HOME Final Rule in 2013 added. This is about when a PJ elects to deliver its homebuyer assistance through parties that are also the first mortgage lender. Many of our programs operate where the assistance is... People are applying for their assistance in concert with their first mortgage, either through a for-profit or a non-profit lender. Some of us allow the local bank to basically take the application for the DPA Program and then submit it to the PJ on behalf of the potentially eligible client. Other PJs may have funded a non-profit sub-recipient, or a non-profit developer, or a CHDO that's also potentially providing first mortgages. When that happens, when the HOME assistance is being processed through either a non-profit or a for-profit entity who is also the first mortgage lender, we can't just assume that the first mortgage lender's interests are fully aligned with our own interests in ensuring that we're only providing the necessary assistance, in full compliance with the program requirements.

1:29:43 SL: And so, for this reason, HUD has added some provisions that come into play when we have a lender playing those dual roles, providing both the first mortgage and helping people get the HOME assistance. So first of all, if we're going to do that, 254(e) requires that we have a written agreement between the PJ and the lender that covers several things in addition to all the other standard written agreement requirements that can be found in 92.504(C) (2) or (4), depending on what role the lender is playing here. The rule also now requires the agreement to specify the form and amount of HOME assistance the lender can offer or provide to eligible families. And be very clear about describing the conditions that

apply to the provision of that HOME assistance, in terms of compliance with the PJ's homebuyer program policies that we've already been discussing. In addition, because the lender has other interest, financial interest, in getting that first mortgage closed, HUD requires the PJ itself to retain specific administrative responsibility, and oversight of three key areas of the HOME requirements and buyer protections that, otherwise, we might have delegated to a sub-recipient for example.

1:30:55 SL: The PJ has to verify that the homebuyer is in fact income eligible, per the HOME requirements. So we either need to have the PJ doing the income determination or reviewing the full income determination package done by the lender or by that other party. The PJ has to inspect the unit to ensure that it complies with the applicable property standards. The PJ can use its own staff. Usually, we can use the staff of a state recipient or a sub-recipient, or even a third party that we've contracted to do this work on our behalf. But if our sub-recipient, for example, is also the first mortgage lender, we can't delegate that inspection responsibility down to the lender.

1:31:37 SL: And then, finally, we have to make sure that the lender is not charging any fees related to the HOME assistance that's being provided. Clearly, the lender is potentially charging fees, and most of them are charging fees, related to the first mortgage and origination fee or a processing fee or what have you. Of course, we want to make sure those are reasonable, as we've already talked about when Monte was talking about a responsible first mortgage, but we have to make sure that buyers are not being charged fees related to receiving the HOME assistance. That is not permissible under any circumstances.

1:32:10 SL: So basically, again, what we're looking at here, in 254(e), is saying that when the same party is providing and processing the HOME application and the first mortgage application, there's basically an inherent conflict of interest, and the PJ needs to be more involved in that than they might have otherwise been to make sure that some of these key issues are being addressed. So that's the point to discuss here. If you don't... If everybody just comes to you to apply for the downpayment assistance, then this whole issue doesn't apply to you, but it's only when you're providing your DPA and your direct buyer assistance through a party that is also the first mortgage lender to the transaction. With that, I think I'm going to hand it back to Monte for a few more slides, and then we're going to do some additional Q&A.

1:33:09 MF: Okay, thanks Steve. This is a way that we're bringing it back around to the procedures side of the requirements. The HOME rule requires you to have policies and procedures. We've spent most of our time, quite honestly, in this webinar and then also in the notice, talking about the policies that you need. We've talked about homebuyer underwriting policies, responsible lending, refinancing or subordination policies, counselling policies, and policies with respect to lending partners. And those policies are a combination of federal requirements as well as local preferences and definition of the standards. Procedures, on the other hand, are what are required to implement and apply the policies or guidelines. Procedures identify who does what, when and where, and they describe how you both, internally or externally, through your various partners, will implement your homebuyer lending activities, and that includes intake, processing, approval and appeals. Procedures also identify the documentation that's assembled. Federally assisted activities depended upon documentation to prove compliance. As I often say in training and many of you have heard many times, in the federal system, if it isn't documented, it didn't happen. So documentation becomes a very important and component of this.

1:34:56 MF: Given the different program designs, admin models, local conditions, the process for each PJ will flow differently, particularly when they use sub-recipients and outside lenders to do these things. So while we can't lay out the procedures in a webinar, it is imperative that each PJ determine its own procedures and documentation requirements. This will help you be able to demonstrate that you've given fair and equitable treatment all households in your homebuyer program.

1:35:35 MF: Now, we did mention, and we gave you the link early on, that we are providing a draft checklist for you to use, which mainly just goes through the elements that we've discussed in this particular webinar. The checklist is organized by the areas that you've seen us discuss along the way. Buyer underwriting items or checklist items one to seven, responsible lending, and then refinancing, subordination and counselling. We included resale/recapture, but as I told you at the beginning of the session, we aren't going to cover that here. It's covered by CPD 12-03, another notice, and all PJs, by now, should have had their resale/recapture policies approved by their field office, or some of you are still in the process of working on it. So it's not a new requirement. You've been working with your field office probably now for the last several years. It is a requirement as part of your program policies, but it wasn't anything new brought on by the 2013 rule or the the guidance that's in CPD 18-09.

1:36:48 MF: So we list it there just to sort of remind you to go use the checklist in CPD 12-03 to make certain that you are complete and that you've gotten approval from your PJ. In addition, then the last two items that I mentioned may or may not be applicable to your program, whether you are providing your HOME assistance via your first mortgage lenders, which Steve just talked about, and also, the rule requires that if you have amortizing homeowner rehab loans, that you also have to have underwriting standards that apply to those loans to make sure they're sustainable. Again, HUD's recommendation is that you think about sustainability in all circumstances, but they do not make it a requirement unless your rehab loan is amortized. Those are the way that the checklist is organized and I think as you look at it, you'll see it's consistent with the format that we've used in this webinar. So I hope you will take a look at that and maybe use it to either review your current program policies and procedures or if you're just developing new ones now, you use that to guide you in the development of those. And with that, back to you Steve.

1:38:16 SL: Okay. Thank you Monte. So as soon as the... There we go. So the first thing we want to do real quick is just ask a couple of questions from you. This is actually going to help us know some things to focus on during Thursday's office hours session, but also plan additional TA resources with HUD. So, of the policy elements we've discussed today, which of these are the ones that you think you most need to go back and add to or revise in your local policies? So setting limits on front and back-end ratios, a minimum expectation for remaining buyer assets, standards around responsible first mortgages or standards for other non-debt recurring monthly expenses or something else? And then what other topics do you think you most need help with? Providing HOME through first mortgage lenders? Additional guidance on the counseling rule?

1:39:13 SL: I think the Q&A that we see coming in, there's a lot of stuff there. A resale/recapture refresher or tune-up, income determination, or is there something else? So again, this is just going to help us understand where to go next in working with HUD on continuing provide support to PJs. So if you could take the opportunity to tell us which of these things are most important to you and we'll see what those answers are real quick. And then we'll get into some Q&A. So Sandy, as soon as the poll closes, go ahead and publish the results please.

[pause]

1:40:07 SL: So again, it just takes a second for these to process through, the wonder of the internet and computers. So we'll see what you all think. Okay. So it looks like a lot of didn't necessarily answer, but we've got just a mix of these things. So that's fine. We're going to take this and use it to help inform some of where we go next. Let's look at some of the Q&A, Monte. So this...

1:40:41 MF: Steve, one of the things that I've noticed, I've been looking at them, a couple have run to issues that are HOME program requirements that pertain to homebuyer projects that aren't necessarily part of

these program policies. There was a question on maximum sales price, which, yes, there are maximum sale or value limits that apply to the HOME units. What we've talked about in this session is only been the lending that would occur to a buyer within that maximum sale price. It doesn't in any way take us outside of that requirement. Similarly, there was a question about property inspections and I don't know what we want to say about where things are within terms of property inspection. There's still some confusion about the requirements that apply, given that there's not been a HUD notice and we have these new standards that bring up things like UPCS as a basis for determining deficiencies. I don't know if you have a comment you want to make on that to the participants now.

1:41:55 SL: Yeah, I think we all recognize that one of the other pieces of guidance from the 2013 rule changes that still needs to come out relates to the changes in the property standards. What I would remind people is that we've always expected that you have written standards for acquisition of what we call standard housing. So the minimum standards in this case that a house has to meet if we're helping somebody with down payment assistance, just buying a house in the private market. That always needed to take into account applicable state and local codes. There we're talking not about the building code per say, but about state and local codes that set minimum standards for existing properties. So things like a property maintenance code or a housing or habitability code. If you're familiar with those locally, you should make sure that your standards include that.

1:42:45 SL: The big shift in the 2013 rule from HQS to UPCS also allows HUD to specify certain deficiencies. They've not done that yet, but what many PJs are doing is just taking and applying all of the deficiencies from UPCS to those properties, knowing that HUD may eventually give us a slightly smaller list, but they're not going to give us a bigger list. But I think the big thing to pay attention to is if you know of state or local codes like property maintenance codes, those deficiencies should not be present either. There will be future guidance and once that guidance comes out, obviously, we're all going to have to adjust a little bit more. But it's one of the areas that I know HUD's still working on.

1:43:30 MF: Steve, a couple of the other questions have run to the questions on resale/recapture, which we did not deal with in this webinar. Do you know are there any plans for additional guidance, webinars or other things coming on resale/recapture? I gather that some PJs are still struggling with meeting the requirements of CPD 12-03.

1:43:51 SL: Yeah, I don't specifically in terms of if there's going to be another recapture/resale webinar. That's definitely something we can go back and suggest to HUD if there's a lot of interest. I do know, and stealing my own thunder for one of the slides later, we are planning some in person trainings around this constellation of issues later this year, around the notion of homebuyer underwriting, the standards, helping people understand how to do the math, helping them set standards. And then also part of that course will be a resale/recapture refresher and looking at how those policy decisions interact with your underwriting policies. So that's going to be coming later this year, but we can definitely go back to HUD, to just let them know that there's general interest in more on the resale/recapture issues.

1:44:42 MF: Okay, and another question came in about whether there are any model homebuyer policies that are or will be available.

1:44:52 SL: Yes, and that's part of the plan for that training as well, and eventually for the HUD Exchange. We're working on a sample starting point for PJs, that kind of takes and tries to implement all of these different elements and weave them together into a more narrative form and give PJs a starting point. We expect that that will probably be released sometime in the third quarter, and so that's another resource that we're working on, but are not yet prepared to handle today.

1:45:23 MF: Okay. There was a question on program monitoring requirements running again to these issues that run outside of the homebuyer program policies. I assume that they are asking questions about ongoing monitoring to homebuyers, and nothing has changed in that area. It's the monitoring requirements that exists in the program and that include you having to make certain that you're checking to make sure your homebuyers are retaining the units as their principal residence. And then outside of that it's just handling these issues. We talked about refinancing subordination but obviously the other issue would be how to process transactions on resale and that would get us into the topic of resale and recapture. Is there anything else to comment on? There's not anything particular to these policies, Steve, that would require ongoing program monitoring, they're just policies to be in place to implement the projects at the front-end, right?

1:46:29 SL: Right, yeah, this is really large, other than subordination, is really largely about the front-end, and so the ongoing monitoring responsibilities to ensure people are still owner-occupants, and that if there's been a transfer you're properly implementing either the resale or recapture provisions. That hasn't changed.

1:46:50 MF: Okay.

1:46:51 SL: I see a question that just came in, Monte, about is third party verification now required for all sources of income? I'd like to hit on that real quick, because I think this is an area where there's been a lot of misunderstanding. When the HOME rule was changed in 2013, they added a provision that requires in all cases that we get at least two months of source documentation, so for example, pay stubs. It is certainly permissible for a PJ to also require third party verification, but third party verification alone is not sufficient to meet the requirements of the HOME rule. We must always be getting at least two months of source documentation. So it's almost the reverse, it's not that third party verification is required. It's that source documentation is always required. Your local policies and procedures may also require third party verification on top of that, often third party verification is helpful to really get the full picture of how to do the projection, particularly when people kind of work variable hours or work seasonally that doesn't always show up very well in just the last two months of pay stubs. But the thing to remember is always, always, always, get two months of source documentation.

[pause]

1:48:12 SL: Is there anything else you think we should try to cover, Monte?

1:48:15 MF: I saw there a question, there's a question about Habitat and that's always one of the challenges that we face. And that are much bigger than just this HOME program policy issue, but I think the question runs specifically to different ratios that a Habitat lender might use, and how they structure their deals. The only thing that our particular policies would address would be the, that we talked about today, the 92.254(e) issue with Habitats being the primary lender.

1:48:52 SL: Right, if Habitat is the primary lender, then obviously the PJ also needs to make sure they are reviewing the income determination, that they've done the inspection. Often the PJ would have been required to do the inspection anyway since Habitat is usually a developer receiving funding to help develop the unit. And also would need to make sure that they're not charging fees on the HOME assistance being provided. Which is typically not something that most Habitat chapters would have tried to do.

1:49:25 MF: Yeah. Okay, and I know there are other Habitat issues that we're working on, and hopefully

have better clarification. Habitats make great partners, but they also have a different way of doing things that always creates challenge meshing the Habitat procedures to the HOME procedures when we somehow have to make it work for both parties. It's an ongoing challenge that we continue to work on.

1:49:53 SL: Yes. I agree.

1:50:00 MF: We should probably go to the next slides and...

1:50:04 SL: Sure, yeah, let's go ahead and finish that. Again, just a reminder for everybody, we're going to have an office hours session on Thursday. So, some of the questions that didn't get to today, we'll be able to get to on Thursday. So, where do we go from here, right? First and foremost, we would encourage you to download the checklist that's in today's webinar materials. That will be being posted to the HUD Exchange, so the link that we're using today is, it's just a way to get it to you quickly. If at all possible, if you're going to be on the office hours call on Thursday, we'd encourage you to have reviewed that ahead of time. And remember the big picture here is that HUD gives us, the regulation tells us these are the elements that our framework needs to include. We're responsible for kind of putting the meat on the bones and determining what our specific ratios are going to be. So, HUD is never going to tell us the 28 front-end ratio, or 30 front-end ratio, or 33. We have to make that determination, of course acting reasonably. But they do tell us we have to have a front-end ratio expectation. So, just a reminder on how to use that.

1:51:14 SL: And again, on Thursday this week, same time, we're going to have an office hours session. We'll use that to go back over some key points. We're going to try to respond to additional questions that we did not get to today. We'll also be responding to additional questions, usually we get some things fed into us from HUD that come through the field offices, et cetera. In a few moments we'll be asking you to fill out a brief evaluation of the webinar.

1:51:42 SL: Part of that will be, are there other questions that you didn't get a chance to ask. Feel free to put those questions either in the Q&A box right now or into that Survey Monkey evaluation that we're going to ask you to do. And then if you're going to participate in the office hours webinar and you haven't already registered, please make sure that you register for that via the HUD Exchange. Finally again, there is more to come. So this webinar will be posted to the HUD Exchange, we've recorded it, we'll get a transcript done. So all of this stuff will be posted. As I've mentioned a time or two, we are developing some additional resources for PJs to use including a sample policy and an Excel based underwriting tool. Once those are ready for prime time, they will be posted to the HUD Exchange, they will also form the basis of this planned homebuyer program training that will go on later this year probably with a pilot sometime in the third quarter that is expected to be a two-day hands on session. The goal will be to introduce participants to the buyer underwriting, allow you to use and apply those tools and samples that we're providing.

1:52:54 SL: We're going to talk about the relationship between some of these underwriting standards and other program design issues including resale/recapture and one of the goals is that we want people to leave that training with sort of a marked up policy that they can go back and finish fleshing out and adopt if they don't already have one, with an underwriting tool that they know how to use to assess the first mortgages their buyers are getting and with a sample written agreement to make sure that we have the proper written agreement in place between the PJ and the assisted buyer that covers all of the requirements that are in the rule.

1:53:29 SL: So watch for that, it will be publicized through the HUD Exchange email list just like how most people got the notice of this webinar and watch for that later this year. And then finally, you've got the link here back to the HUD Exchange page on housing counseling. There's a lot of questions there, but there's a

whole page on the counseling program. In some respects, HOME just has to adopt and deal with the changes to the housing counseling rule, that standardizing housing counseling across all HUD programs. And so there's much more information about the counseling issues on that page. HOME has to comply like everybody else and so that's another resource for you to be able to go to.

1:54:13 SL: With that, I think, the last thing again, there will be a webinar evaluation, it's going to get pushed out to you, it should open probably in your web browser. This is sort of the last call for additional questions for the office hour session and as always, thank everybody so much for your time and your attention and the effort that you put into serving folks in your communities who really benefit from and need this assistance. Anything from, you Monte?

1:54:43 MF: No just a thank you to everybody for putting up with us for two hours.

1:54:46 SL: Yeah. So with that thank you so much and we will talk to many of you again on Thursday.