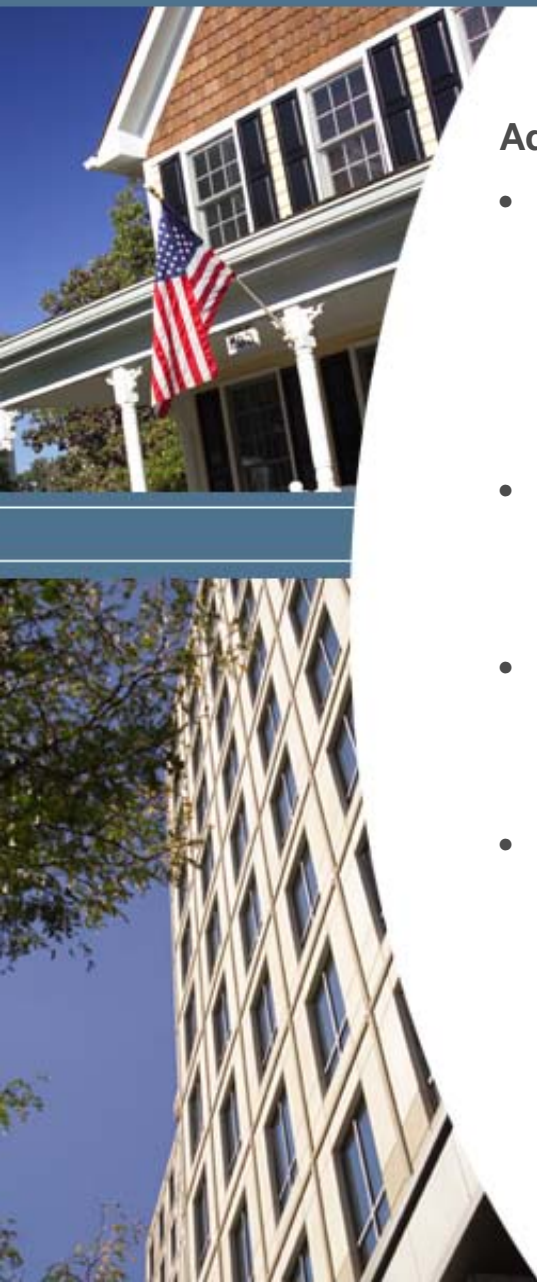




# Mortgage Revenue Bond Programs

## A Lender's Perspective

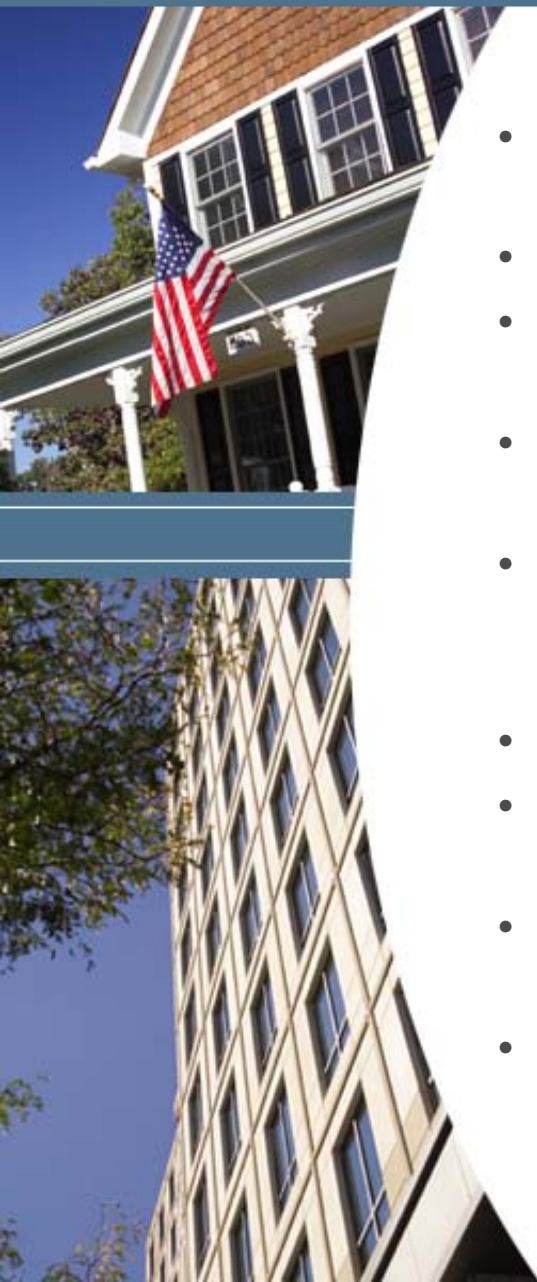


## Advantages

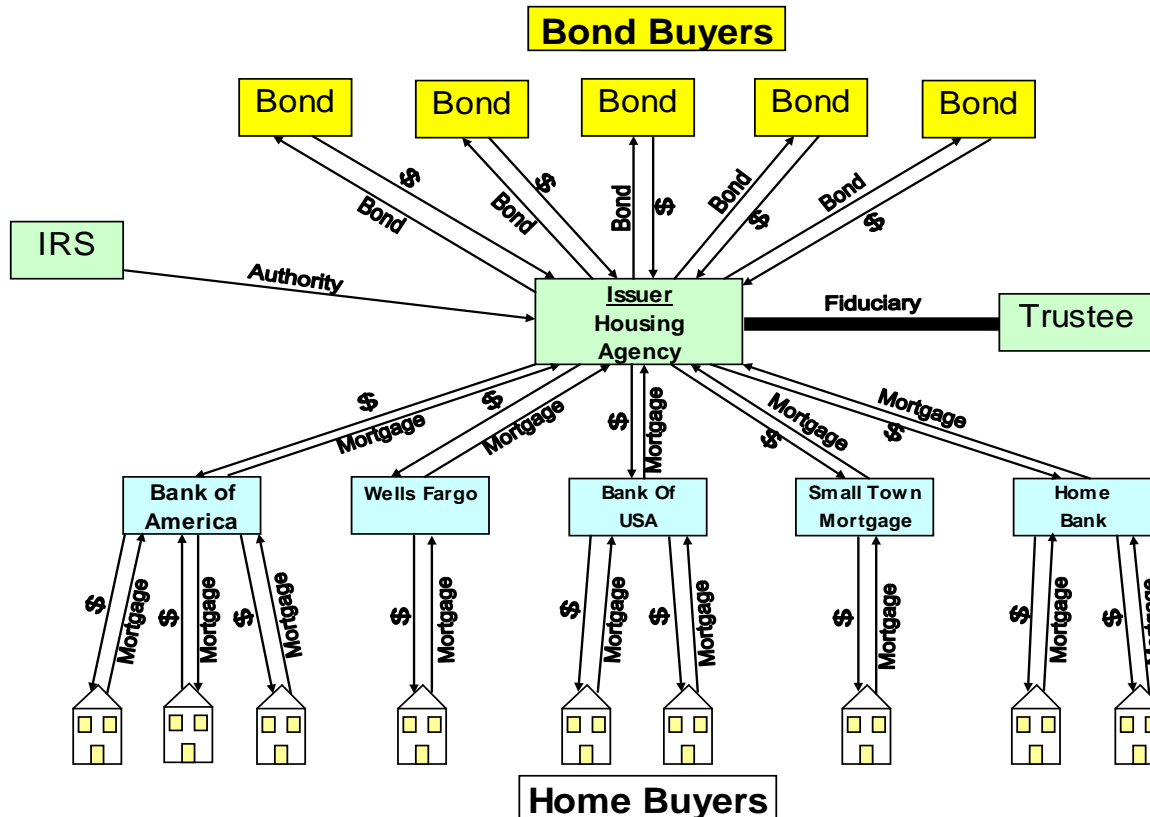
- Bond programs provide an alternative for first time homebuyers who may not qualify for standard gov and conventional products
- Bond loans may provide below market interest rates and down payment assistance
- Bond loans are a forward commitment to take out the loan at par
- Bond programs provide high CRA penetration without subsidy

## Non Standard Requirements

- Each bond program has different documents, borrower eligibility, delivery requirements and pricing
- Participation in bond programs requires system enhancements, specialized fulfillment, training and ongoing support
- Each bond program provides a limited margin, with no overage opportunity
- Unsalable bond loans may have no outlet and will be held on the lenders balance sheet

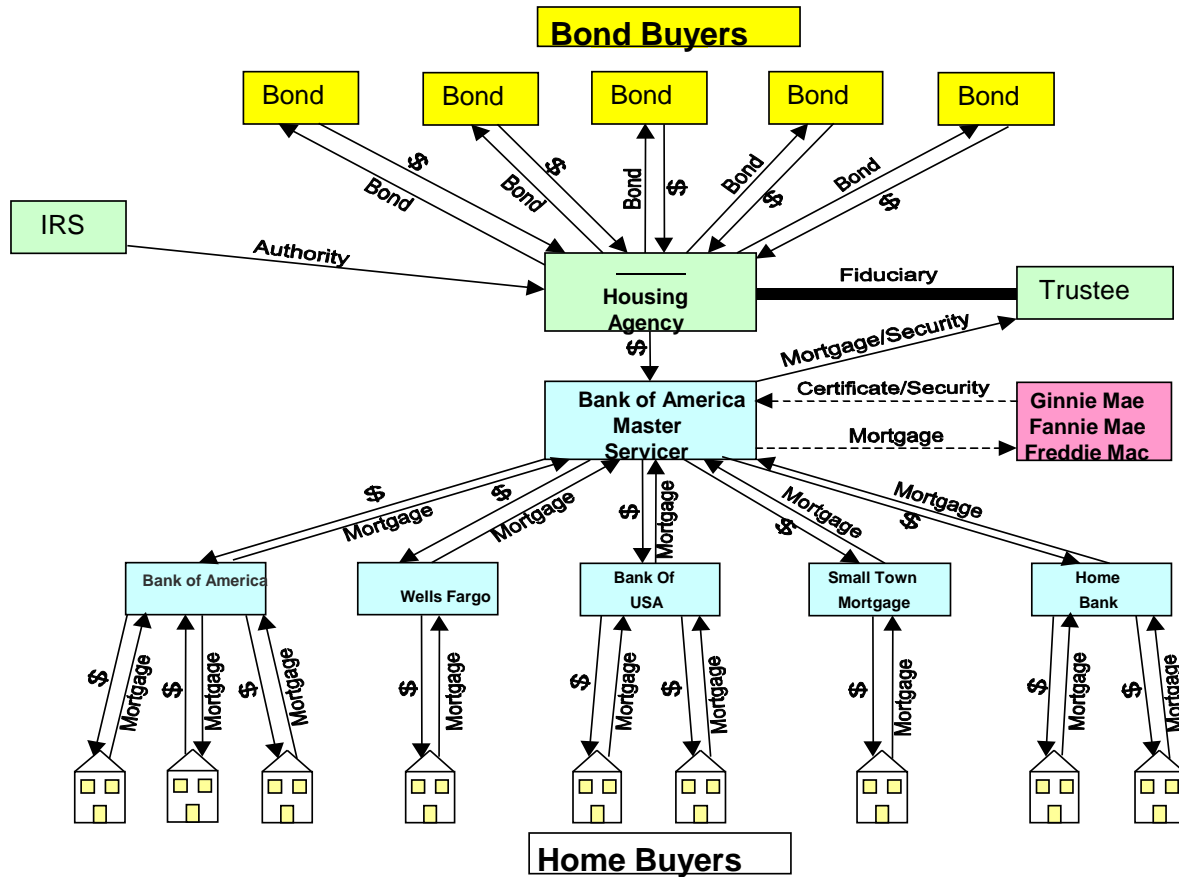


- The IRS gives bond issuing allocation authority to the state housing finance agency
- Each agency determines how the bond issuance authority will be used
- Some state agencies manage the entire allocation. Others, such as Florida and Texas split the allocation with local housing agencies
- Within the IRS guidelines, each agency can structure their program to meet the areas of greatest need
- This flexibility is critical to providing effective local housing solutions and can require the participating lender to make a commitment to manage the program
- Some agencies buy loans directly from the participating lenders
- Other agencies contract with a lender to buy loans and service on their behalf
- The loans are generally underwritten to standard FHA, VA, conventional and RD credit guidelines
- The rates and pricing are set by the agency

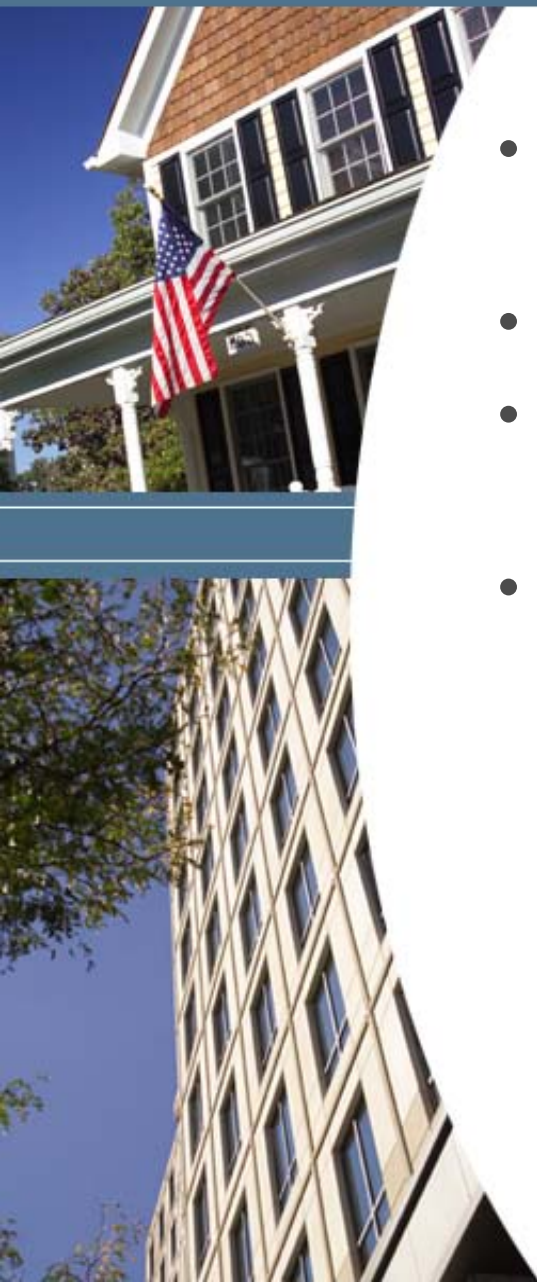


**Whole loan flow** - Lender originates and sells directly to the agency (or their designee.) Lender may be allowed to retain the servicing or required to release the servicing. In a whole loan program, the agency (or their designee) is the investor and they mandate the delivery and documentation requirements – just as Fannie and Freddie do in a standard conforming program. Bonds are backed by whole loans owned by the housing agency.

# Master Servicer Process Flow Chart



**Master Servicer flow** - Master Servicer buys closed loans from participating lenders, with servicing released to BAC. BAC then pools the loans with other program specific loans, swaps the loans for a security and sells the security to the Trustee on behalf of the Agency. Master Servicer retains the servicing, Fannie/Freddie or Ginnie own the loan. Bond collateral is mortgage backed securities, instead of whole loans.



- Bond programs provide a strong solution for low- and moderate-income and first time homebuyers
- Bond programs can contribute to CRA goals
- Bond programs can help cement relationships with Realtors and Builders
- Bond programs allow a lender to truly contribute to communities by applying extra effort and commitment