



Model Product Characteristics

- Ability to make in-house loans to avoid secondary market limitations and issues
- Local lending authority to be able to override or make exceptions to corporate policies (A model bank will use corporate lending and account policies as guidelines only).
- Low down payment – i.e. as little as five percent down payment
- No minimum loan amounts
- No mortgage insurance
- No minimum credit score; use of alternative positive payment history/non-traditional credit for those who are unable to be scored due to use of non-traditional credit, i.e. allows credit equivalencies for those without a credit score. This should include housing related expense payment histories.
- Willingness to partner with Financial Opportunity Centers and other agencies assisting those with homeownership obstacles.
- Has a local presence and the willingness to accommodate the borrowers convenience – local branches AND local community lending officers and underwriters
- Manual underwriting – underwriting and community lending officers in same office
- Affordable, **fixed** interest rates – no additional points
- Reasonable and affordable loan fees; reduced fees for certain borrowers. These loans are not where the lenders should be making their profit but should be seen as break even services.
- A model bank would develop and implement an **affirmative marketing** plan to encourage home mortgage and home rehabilitation loan applications from low- and moderate-income and minority persons in low-/moderate-income or predominantly minority census tracts.
- Convenient access for payments, contacting a service individual if issues arise, etc.
- Housing counseling by HUD-certified Housing Counseling agencies (financial, maintenance etc. education) as part of the process; partnerships with CDFIs and housing counseling agencies
- Not limited to first-time homebuyers
- Flexible underwriting terms
- 95% LTV, with the greater of either \$500 or 1% of purchaser's own funds required
- Back-end DTI ratio of 45%
- Must be borrower's primary residence (owner-occupied)
- For homes located in low-/mod-income census tracts OR for borrowers with up to 120% AMI (even if house located outside of low-/mod-income census tract)
- A model bank would have the willingness and ability to work with borrowers who experience an unforeseen financial hardship or unemployment in order to avoid foreclosure and keep residents in their homes (restraint in mortgage foreclosure)
- Include all areas of census tracts that are low- and moderate-income and serve all census tracts
- A model bank will maintain a local Community Lender/CRA Officer and designate an individual as the bank's liaison officer.
- Compliance with the Fair Housing Act, the Community Reinvestment Act, and the Equal Credit Opportunity Act – e.g. no minimum mortgage amounts or minimum home improvement amounts, no tiered rates, equal treatment for applicants and neighborhoods
- Compensation of Community Lending/CRA Officers on a per unit and not commission basis
- Partner with Title and Appraisal companies to reduce costs for the borrower as much as possible