Hi John: Here is what we sent to Charlie Sykes. I think it should give you the information you're looking for. Thanks for the call.

Charlie:

This morning you devoted some air time to discussing WHEDA's return to lending and our new product, the WHEDA Fannie Mae Advantage, on your show. We feel strongly about the many great attributes that the WHEDA Fannie Mae Advantage offers first-time home buyers in the state, as well as the role we can play in getting the housing market moving, and it is my hope to work with 620 WTMJ to get the word out about this quality loan product.

First and foremost, WHEDA does not use tax dollars. Our mortgages are funded through bond sales, and like any bondholder we pay those obligations back. Our single family bond program was recently affirmed by Moody's and S&P with a AA rating.

In fact, without using a cent of state taxpayer money, WHEDA, under this administration, has written over 25,300 mortgages totalling $2.6 billion. We have provided over $517 million in tax credits and financing to affordable rental housing developments, which has resulted in 5,229 units of housing and created more than 6,000 construction or related jobs. We have also received four allocations of federal New Markets Tax Credits - so far we've allocated $227 million of that resource, creating and retaining more than 5,300 jobs. WHEDA is extremely proud of our ability to utilize resources in this manner, and that we are not reliant on tax dollars to do all of this throughout the state.

WHEDA and other Housing Finance Agencies around the country were never part of the sub prime mortgage problem that plagued the housing industry in recent years. Quite the opposite - our 35-year track record of safe, responsible lending is what has resulted in a foreclosure rate of only 1.25% - far lower than the state's average of 1.82% for similar "prime" fixed-rate loans, according to the latest data reported by the Mortgage Bankers Association. During the height of the foreclosure epidemic, WHEDA's rate remained at less than one percent for several months. Moreover, the WHEDA foreclosure rate is miniscule when compared with the Wisconsin foreclosure rates for FHA and subprime loans, which are 4.30% and 11.31% respectively.
In March, WHEDA returned to the market with a new product, developed in partnership with Fannie Mae and our national organization, the National Council of State Housing Finance Agencies. As you know, our exit in October 2008 from the market was due to a collapse of the capital markets, and not due to any fault of our own. Prior to that, WHEDA was doing as much as $10 million per week in mortgages, and about 5,000 loans per year.

The WHEDA Fannie Mae Advantage is a very straight-forward loan product. It is a 30-year-fixed rate mortgage, available through reputable lenders around the state, including community banks and credit unions. Already, we have funded $43 million in loans and have another $65 million in the pipeline. Our average loan has been about $112,000.

Borrowers wishing to get a WHEDA Fannie Mae Advantage loan must meet several eligibility criteria. A minimum 680 credit score is required, and the borrower must have three open and active credit references with 12 months or more of excellent payment history. While this is a minimum, we have actually found that our borrowers to date have an average credit score of 732. We also fully underwrite and document each loan we fund, and we do not approve a loan if we don't believe the borrower is prepared to succeed.

To that end - our current denial rate is higher than a few years ago. The top five reasons we deny loans today are: The borrower's debt ratio is too high (in other words, they already owe too much on other lines of credit); The borrower's credit score is insufficient; The property is somehow ineligible, often due to value; The borrower doesn't have enough of their own seasoned and verified funds to close; or we do not believe their income or employment is stable enough to support a monthly mortgage payment over the long term.

The "long term" is the key. WHEDA's focus is on helping families attain homeownership and sustain it for the long term. Even today, owning a home and making timely payments to reduce the principal owed remains the most fundamental method of increasing wealth for many working families. It is true that the WHEDA Fannie Mae Advantage requires borrowers to contribute only $1,000 of their own funds into the home purchase, but this minimal cash-to-close requirement is reflective of the reality that many households earn less and have a substantially tougher time saving the thousands of dollars typically required to close a conventional conforming loan. For our borrowers, $1,000 is a meaningful contribution as it often represents a significant percentage of their cash savings.

I know that your callers have had concerns regarding the job loss protection that we promote. The current protection that WHEDA offers comes at a fee of $150 to the borrower, and is included in our closing fee estimate on our website. This benefit has prevented dozens of jobless WHEDA borrowers from losing their homes to foreclosure -- all for a one-time fee of $150 paid at closing. This fee is actually the premium paid to an independent insurance provider that offers job-loss protection policies, not just to WHEDA but to lenders nationwide. The job-loss protection policy is critical to giving borrowers peace-of-mind as they buy their first home and make what will likely be the biggest financial investment of their lives.

While your listeners seem concerned that WHEDA did not learn the lessons from the foreclosure crisis, these are actually lessons WHEDA has known and followed all along. We have never written a subprime loan, and never will.

As you can see, WHEDA is in the business of making loans to responsible, prepared home buyers. We believe so much in their success that we require home buyer education before the loan can close.

Thank you for the opportunity to address some of these issues. Given the advertising partnership we have made on your station, we feel that we'd be doing a disservice to your listeners who are looking to buy a home but have not been made aware of the WHEDA Advantage. I'd like to offer that I'd be happy to join your show this week if you plan to discuss this any more, and to address people's concerns head on. We believe strongly that this program -- now more than ever -- is needed to provide hard-working, creditworthy families an opportunity to attain homeownership and to restore hope in the state's housing market recovery.

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