Michael:

Got three items, and I am going over them with corporate staff at our manager's meeting tomorrow morning – which is to say, these are my ideas – not MHC policy. I feel each idea will be well-received; however, I could be wrong, plus, each will require a change in the law to accomplish.

Again, while I'll go over these ideas tomorrow, I wanted to give you a "heads up" on the concepts:

1. Private Mortgage Insurance – Self-Funded Pool

   Sometimes people have the wealth for their down payment and even have acceptable credit histories -- and they may have sufficient income to pay their principle, interest, taxes and insurance (PITI) -- yet, they may not have sufficient income to also pay the private mortgage insurance (PMI) on top of the PITI.

   Hence, we could use a small portion of the money to create a pool to buy private mortgage insurance (PMI) to leverage several million dollars in Fannie Mae money. Basically, we can take a small percentage of this money (low six figures) and use it to self-fund an amount of PMI coverage necessary for several million dollars in loans.

   Strong leverage and strong return – using OPM.

   To increase your understanding of this idea, attached is the piece I wrote for one of our grant proposals to HUD. While the paper addresses the Lower Mississippi Delta Region, this would be a statewide program. Additionally, since this piece, additional research shows a less-expensive pool can be created – yet we can maintain the same policy goals and levels.

2. Intermediate Duration Loan Product for Owner-Occupied Rehab Projects

   The state doesn't really have an intermediate-duration loan product (say, ten-year terms) to help low-income families to rehab their homes -- to better make them be safe, decent and affordable. While this legislation allows the bond proceeds to be used for rehabilitation by a wide array of businesses or agencies, I don’t think the funds can be used to finance owner-occupied rehab projects. I've got an idea that should be able to create such a product – again, this would be a loan.

   I think we might even be able to match this low-rate money (state GO bonds) with an even lower cost of capital source -- yielding a blended pool of funds with a very sweet rate -- hopefully, about 3.5 to 4.0 percent. I am exploring this idea a little more -- so let's not take it outside just yet.

   To give you an idea of the difference the cost of capital makes:

To keep a P&I payment at say, $200 per month, on a $20,000 loan – at 9.5 percent, it takes about 16 to 17 years to repay -- $17,099 in interest.

However, to repay $20,000 (again at about $200 per month) at 3.5 percent, it takes about 10 years -- $3,059 in interest.

Would this help low-income families or what?

3. Take the Success of the HAT Program and Create Similar Program for Sworn Officers and/or the National Guard – Create more Jobs – Where You Need Them.

   Lastly, you know about the HAT program -- a down-payment assistance (DPA) program to help finance houses for teachers in critical needs areas of the state -- LG Musgrove, I believe, drove that one home. The 2000 legislature, I believe, extended this program.

   Yet here's a new wrinkle. If the law were changed to allow for an additional use of the bond proceeds or the interest earnings (which now are dedicated to the repayment of principle), we could use some of these funds to use as match money to more-readily procure Federal Home Loan Bank (FHLB) DPA grants. In other words, the availability of match money would increase our percentages for success.

   The HAT program is DPA for up to $6,000 for a qualifying teacher. The teacher owes $6,000 if she leaves immediately, after one year of service she owes $4,000, after two years of service she owes $2,000, and after three years of service she owes nothing.

   We could consider doing the same this with sworn officers, plus, I read the new Adjutant General says the Mississippi National Guard is lower on personnel than is ideal. So, Guardsmen could be a policy consideration, too.

   My thoughts are:

   As MHC continues to make requests to FHLB for DPA grants (not loans), we could offer up part of these bond proceeds or interest earnings to match the FHLB grants -- both increasing our probability of funding as well as increasing the amount of DPA per loan. Such increases in DPA could also lengthen the number of years in the program -- $8,000 of DPA not completely forgiven until 4 years. Using DPA programs for sworn officers is not a new idea -- CT does it.

   However, leveraging FLHB money this way for sworn officers and/or Guardsmen, I believe, is.

   This is what I've got so far. Again, I'll be meeting Monday morning with the corporate staff, so some of this could change and/or be improved. We'll see.

I would like to meet for lunch soon to go over the IDA concepts with you. I think you'll see IDA's have a lot of potential for accumulating wealth, increasing jobs and improving access to capital for African Americans. Got time today?

Bill