

## EXAMPLE – MORTGAGE REVENUE BOND (MRB) LOAN TRANSACTION

NHF WEB SITE SUPPLEMENT

### PROGRAM HIGHLIGHTS:

An MRB loan is a mortgage loan (primarily for first-time homebuyers) that is made available by state and local housing agencies through the sale of tax-exempt and/or taxable mortgage bonds. MRB loans are usually targeted towards low- to moderate-income homebuyers.

The advantages of MRB loans are considerable. The **interest rates can be lower than the market rate** for an FHA or conventional loan product. This can result in **smaller monthly mortgage payments** due to reduced interest costs. The reduced monthly housing cost may also **increase the ability of the homebuyer to qualify for the mortgage** in the first place.

**Downpayment and/or closing cost assistance** is usually available with MRB programs, in the form of **Grants and/or Second Mortgages**.

### EXAMPLE OF HOW AN MRB LOAN WORKS:

#### LOAN TRANSACTION COMPARISON (CONVENTIONAL LOAN)

	No Tax Subsidy	MRB Mortgage	MRB Mortgage (with Grant)
Purchase Price of Home	\$180,000	\$180,000	\$180,000
Downpayment (3% - Conventional Loan)	\$5,400	\$5,400	\$0 (Use 3% Grant)
Mortgage Loan Amount	\$174,600	\$174,600	\$174,600
Interest Rate (30-yr fixed-rate)	6.50%	5.75%	6.20%
Annual Mortgage Payments	\$13,244	\$12,228	\$12,840
Annual Mortgage Interest Payments	\$11,349	\$10,040	\$10,826
Total First-Year Housing Costs <i>(not including taxes, insurance and PMI)</i>	\$24,593	\$22,268	\$23,666
<b>Annual Savings in Housing Costs</b>	<b>\$0</b>	<b>\$2,325</b>	<b>\$927</b>
<b>Reduction in Housing Costs</b>	<b>0.00%</b>	<b>9.46%</b>	<b>3.77%</b>