Gateway Neighborhood Mortgage
Background

- Metropolitan St. Louis CRA Association (MSLCRA) Board Committee formed at the request of the Fed in fall 2017
- Appraisal gap identified by committee as the greatest challenge to mortgage lending in depressed communities
- Committee considered programs that contribute to the stabilization of home values and communities
- SLEHCRA conducted outreach and research on appraisal gap mortgage barriers beginning in 2017
- MSLCRA and SLEHCRA began collaborating in early 2018
- A Greenlining Fund was one of the recommendations in the Segregation in St. Louis: Dismantling the Divide report released in April 2018
- A steering committee was later formed
First and Second Mortgage Structure

A. Product parameters: Owner-occupied single family residences, LTV of 97% with 3% cash brought by borrower, DTI of 43% or less, and Minimum Credit Score of 620

B. Rotation process for the First Originating Lenders

C. CDFI: Administrator of the program and holds the second

D. Loss Reserve Established to Protect Lenders and Consumers
Loan Scenario

$25,000 – sale price of home
+$75,000 – rehab costs
$100,000 – total cost
-$60,000 – appraised value
$40,000 gap in financing (initial second amount)
$1,639 – approx. fees

$58,200 – first mortgage (appraised value minus 3%)
$1,800 – amount from the borrower (3%)
$41,639 – second mortgage with fees
Gateway Neighborhood Mortgage

<table>
<thead>
<tr>
<th></th>
<th>First Year</th>
<th>Second Year</th>
<th>Third Year</th>
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<tbody>
<tr>
<td>Counseled</td>
<td>50</td>
<td>100</td>
<td>125</td>
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<tr>
<td>Home Purchases</td>
<td>15</td>
<td>20</td>
<td>25</td>
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<tr>
<td>Greenlining Mortgage</td>
<td>$525,000</td>
<td>$700,000</td>
<td>$875,000</td>
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<tr>
<td>Loan Loss Reserve</td>
<td>$105,000</td>
<td>$140,000</td>
<td>$175,000</td>
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**Investment Capital Raise (3yr Pilot)**
- Greenlining Mortgage $2.1MM
- Loss Reserve $420,000
Proposed Investment Structure

Capital Raise
- Mortgage Units $2,100,000
- Loss Reserve Units $420,000

Winding Down/Distribution of Assets 12/31/28
- Purchase units in the Gateway Neighborhood Mortgage Fund

Investors
- New Entity
- JP Managing Member
- Purchases Second Mortgages
- Sunset date of 10 yrs

Gateway Neighborhood Mortgage Fund
- Prepares Homebuyers
- Monitors portfolio post closing
- Manages Fund to agreed upon rate

JP CDFI
- Make monthly payments on 1st and 2nd mortgage

Homebuyers

Distribution of Funds

Repayment of Funds

Loss Reserve Units $420,000

Proposed Investment Structure