

Appendix F Location Efficient Mortgage Program - Sample Scope of Work

Chapter 5 on Transit Oriented Design and Joint Development emphasized the importance of clustering development and transit close together. In most markets, this will only happen with specific financial incentives. The LEM (Location Efficient Mortgage®) is one of the more successful tools promoting TOD. It is essentially a mortgage that helps people become homeowners in "convenient" communities. These are neighborhoods in which residents can walk from their homes to stores, schools, recreation, and public transportation. People who live in convenient communities have less need to drive, which allows them to save money and improves the environment for everyone. The LEM combines a low down payment, competitive interest rates, and flexible criteria for financial qualification to allow more people to own the home of their dreams.

The LEM program is being promoted by the Institute for Location Efficiency, a California non-profit organization. Los Angeles, Seattle, San Francisco, and more recently, Chicago, are cities where LEM is in place. RTA, following a suggestion by one of its trustees, has met with Fannie Mae to begin exploring LEM for Cleveland. Initial steps in establishing a local LEM program might include developing real estate assessment and Geographic Information System software to quantify market opportunities and economic parameters.

Attachment F.1 is a sample scope of work for developing an LEM program that can be considered by RTA and its partners in exploring this concept.

Attachment F.1 Sample LEM Program Scope of Work

Recommended Scope of Work for the Design and Implementation of a Location Efficient Mortgage (LEM) Program

Provided below in sequential order are several work tasks spanning three phases that are likely to be required to design and implement a Location Efficient Mortgage (LEM) program. These work tasks include:

- assess the feasibility of a LEM program in a particular community;
- determine whether the requisite level of community interest and data are present and available;
- quantify on a preliminary basis the potential impact that a LEM would have;
- to design, construct, calibrate, and release a LEM model and borrower advisor software program for the designated geographical area;
- design and implement a marketing and program implementation plan;
- to develop and provide the technical and logistical support needed to operate the program; and
- collect the empirical data that can be used to measure the impact of the LEM on homeownership in the chosen service area.

In the Anticipated Budget attachment, we have provided a range of costs that should be associated with the described work tasks. We have provided three cost estimates in order to account for varying degrees of access to information, local staffing and participation, and anticipated labor and travel costs. These budgets should not be construed as a proposal for services. They are provided to enable those interested in the concept of the LEM to understand on a conceptual basis what overall costs are likely to be incurred.

Phase One: Determination of Feasibility

Work Task 1: Assess the feasibility of a LEM program

The LEM Partnership's experience in Chicago, Los Angeles, and San Francisco regarding the technical and organizational steps that are likely to be required to design, construct, and implement a LEM program has enabled us to identify key programmatic components that must be available to the sponsoring organization. In this work task, the LEM Partnership would work closely with the staff of the sponsoring organization to determine whether these components are available within the community. This work task would culminate in a letter report to the sponsor regarding the findings and a list of recommendations for further action. At this point, the LEM Partnership and the sponsoring organization could determine whether a LEM program is likely to encounter "fatal flaws" or serious impediments to program design and implementation. It is unlikely, however, that a firm work plan and budget could be established at the conclusion of this work task. This level of analysis is likely to be achieved at the conclusion of Phase One.

Work Task 2: Determine whether essential community interest is present

Part of the assessment described above will include the identification of community organizations in the public and private sectors that are likely to be needed to implement a LEM Program. These would include primary market mortgage lenders, secondary mortgage market participants, neighborhood housing advocates, mortgage borrower trainers, transit system decision makers, realtor organizations, community and regional planning agencies, and housing developers. If these participants are available, the LEM Partnership would work with the program sponsor to secure formal commitments to participate in the LEM program and to orchestrate the capabilities and expertise of these potential participants into a preliminary implementation plan. If the complete array of expertise is not available, the LEM Partnership would make recommendations for adjustment and/or modification of the plan to account for the identified programmatic shortcomings.

Work Task 3: Quantify on a preliminary basis the LEM's housing impact

The LEM Partnership has developed several mathematical models that can predict on a preliminary or conceptual basis the impact that a LEM program would have on housing and homeownership within the proposed urban area. These models would have a limited degree of statistical reliability, would work on a relatively large geographic scale, and would rely on readily available demographic and housing data, but they are effective ways of predicting on a preliminary basis the level of mortgage activity that could be anticipated and the impact that the LEM would have under specific mortgage underwriting standards. This work task will provide the sponsoring organization with a clearer understanding of whether the LEM has the potential in the targeted market to effect the changes that are desired. Used in conjunction with the work products of the first two work tasks, the housing impact analysis will provide the sponsor with the analytical tools needed to make a prudent and reasonable “go/no-go” decision regarding a LEM program.

Work Task 4: Evaluation of Data Sources

The design and construction of a LEM model and advisor software package is a major information gathering and unification process that requires a wide variety of data that work in an integrated and interdependent fashion. The LEM Partnership's experience has shown that this process can be both time consuming and expensive if key data sets are not available or holders of the data are reluctant to provide access to it. For this reason, it is essential that during the feasibility assessment process all the requisite data must be located and access to it be confirmed. If it is found that the required data are not available or if they are only available at additional or unanticipated cost, the LEM Partnership will notify the sponsoring organization and make action recommendations.

Phase Completion Step: This phase of a LEM project would conclude with the preparation of a feasibility report that documents the findings, describes the conclusions that can be drawn, and makes recommendations for specific action steps. The feasibility report would include a detailed description of work tasks that are likely to be required to reach program completion and either a budget or range of costs that should reasonably be expected. On this basis the sponsoring organization can make a prudent and well-informed decision whether to proceed with the program.

Phase Two: Design and Construction of the LEM Model

This phase of a LEM project consists of five work tasks that are likely to be required to reach the point when a fully reliable and authoritative LEM geographical information system (GIS) model is ready to use. The sponsoring organization must recognize at the outset of this phase of a LEM project that the LEM model (and the LEM Advisor, a part of Phase Three) are essential and mandatory parts of program implementation because, working together, they are the only way for borrowers, lenders, realtors, mortgage insurers, and home ownership counselors will be able to learn precisely how much savings and economic advantage would accrue to the borrower under specific conditions of home location, household income and population, and vehicle ownership. It is equally important to understand that the degree of statistical reliability of a new LEM model must be consistent with the design standards of previous LEM models in order for the product to be accepted in the marketplace. Provided below are descriptions of the work tasks that must be completed to design and construct the LEM model.

Work Task 1: Design of the LEM model

The LEM model uses a wide variety of geographic, economic, demographic, transportation, and land use data—all coded to a geographical marker system—to make reliable predictions of the transportation-related savings that result from residence at a specific location under known conditions of income, vehicle ownership, and other factors. These data sets are often obtained from a wide range of public and private sources under a variety of conditions of cost, utility, completeness, accuracy and reliability, geographical coding, and age.

The LEM Partnership would work with the sponsoring organization to design the LEM model, based on the data sources that are reasonably available. The goal of this work task will be to devise a data compilation strategy suited to data availability on the one hand and the reliability/accuracy of the LEM model on the other.

Work Task 2:: Collect and compile data sets

If it has been determined that the required data for the metro region is available and that they can be compiled into usable geographical formats, the LEM Partnership would collect and compile the data and assemble it into a single, integrated data base that includes data on household density, household size, household income, transit density/accessibility, housing unit age, size, and value.

Work Task 3: Integrate data and key it to a standard geographical base

All the data and information collected and compiled in Work Task 2 must be integrated and keyed to a standard geographical base system such as Travel Analysis Zones (TAZs), ZIP codes, Census tracts, DRAM-EMPEL zones, or quarter sections. This process usually includes a determination of the smallest and most useful base system to be used, conversion of data sets to the standard chosen, and vetting (examining for statistical accuracy).

An essential step in data management that must take place is to use land use mapping to describe and locate land areas zoned for residential, commercial, industrial, mixed use, and other regulated purposes. On this basis primary indicators of location efficiency

(including households per residential acre) will be determined; without land use mapping on a regional basis a LEM model cannot be constructed.

Work Task 4: Analyze and Calculate Vehicle Cost per Household

During the LEM model development phase, the LEM Partnership calculates a unit of measure for household travel cost that is not otherwise available: Vehicle Cost Per Household per Year according to Travel Analysis Zone (TAZ). This process entails the integration of information on vehicle ownership by household, miles driven per vehicle, and both fixed and variable vehicle costs. In most cases these data must be converted into a standard geographical unit such as by TAZ. It is critically important that the LEM Partnership have access to odometer readings taken as part of auto emissions or “smog check” testing data. Once this work task has been completed, the LEM model no longer needs or uses the smog check data.

Work Task 5: Analyze and Test the System

Once all the various data sources have been converted and integrated into the LEM model, the resulting system must be statistically analyzed and tested to determine the degree to which the model can accurately and reliably predict zonal vehicle costs per household. It would be expected that a new LEM model will perform as well as other models.

Phase Three: Development of the LEM Advisor Software Package

The geographical information system that drives the LEM model is both robust and user friendly to the seasoned operator but it is not the appropriate system for a mortgage lender, realtor, or potential home buyer to use to see whether the LEM is the most appropriate mortgage product for the borrower’s situation. For this reason, the LEM Partnership has created an easy to use “plug-in” software program that enables the user to move through a series of information gathering steps before they are able to ask the usual “what if” questions. This program, called the LEM Advisor Software Package, is much like other borrower education and information systems. The major difference is that the LEM Advisor is able to merge borrower-specific information about total household income, non-housing debt, family size, number of vehicles owned, and transit usage patterns with the zonal location efficiency calculations generated by the LEM model developed in Phase Two.

This merging can take place on an address specific basis so that the borrower, lender, or realtor can get answers to questions such as:

“If we wanted to buy the house located at _____, and the purchase price was \$_____, the down payment was \$_____, the mortgage term was 30 years, the interest rate was 7.75%, could I qualify for the purchase using the LEM or should I some other mortgage product?”

The LEM Advisor takes all these pieces of information and several others such as the estimated property tax, mortgage insurance, hazard insurance, and condo fees into account and provides a side-by-side comparison of the buyer’s situation with the LEM and with any other set of mortgage conditions.

Work Task 1: Develop the LEM Advisor Software Package

Development of the LEM Advisor requires careful coordination of the GIS program, the mortgage qualifying criteria, and the borrower-provided information. In this work task, the LEM Partnership would work very closely with the sponsoring organization, the lenders, the secondary mortgage market leader, and other participants to be certain that the resulting package meets their individual and collective needs. It is critical that as many factors as possible are automatically integrated into the Advisor's calculations and that borrower specific information is collected in a logical and user-friendly manner. It is also important that once an initial round of inquiries are made, the lender, borrower, or realtor can shift to "what if" calculations such as the adjustment of revolving credit debt or additional income from a second household member. This flexibility enables the borrower to plan out the most favorable and do-able financial plan.

Work Task 2: Design and Implement a Preferred Data Access Strategy

Since numerous significant financial decisions will be made on the basis of information provided by the LEM Model and Advisor software package, it is critical that the system be secure from tampering or unauthorized access. On the other hand, those who want and need access should have a reliable and cost effective pathway to the information. The LEM Partnership will work with the sponsoring organization and local participants to provide a preferred data access strategy. This might be a dedicated, password protected Internet site which only requires standard Internet software such as Netscape or Microsoft Explorer and Internet access through an Internet Service Provider (ISP) or through an organization's own Internet site system. Alternatively, access could be provided through a read-only CD-ROM, which would run on its own software on a stand-alone basis.

Phase Four: Community Support and Implementation Plan

Throughout Phases Two and Three, the sponsoring organization is likely to be building the local support and implementation plan that must be in place once the LEM is "rolled out" as a new mortgage product. In Phase Four, the LEM Partnership would work with and through the sponsoring organization to recruit the participation of key local agencies, organizations, transit systems, realtors, housing advocates, homeownership coalitions, lenders, mortgage lenders, and secondary market leaders. The likely work tasks that would be conducted concurrent with Phases Two and Three are described below.

Work Task 1: Design a LEM Implementation Plan

In this work task, the LEM Partnership and the sponsoring organization will build on the groundwork laid in Phase One/Work Task Two regarding potential community participants. The goal will be to design a strategy that is best suited to the implementation of a LEM program in the community. This effort will likely draw as frequently as possible on the support and resources of other local public sector agencies and organizations with an interest in homeownership, housing, transportation, planning and land use, sustainable development, and "new urbanism" concepts such as transit-oriented development (TOD).

The LEM Partnership and the sponsoring organization would work first at the staff level (prior to introduction of the LEM to other organizations) to design an implementation plan that takes best advantage of community resources and which best addresses community needs.

Work Task 2: Create a LEM Advisory Committee

The first step of this work task would be to identify the resources and capabilities that will be needed to fulfill the implementation plan designed in Work Task 1. The second step would be the systematic recruitment of participation by potential partners. The third step would be to bring these partners together through the formation of a LEM Advisory Committee, which would lead the implementation of the LEM implementation plan. The LEM Partnership would make periodic on-site visits to meet with interested parties and to demonstrate how the LEM would work, what impact it would have, and what roles the various participants could play. The LEM Partnership would use LEM model materials from other venues and data compiled from the pilot test of the LEM in Chicago. Experience has shown that “buy-in” by community leaders and public policy shapers will help assure implementation success. Buy-in is reinforced and confirmed through active and meaningful participation. As Phases Two and Three progress, the Advisory Committee would play a key role in the design of underwriting standards, providing insights into the development of the LEM Advisor, developing marketing plans, laying the groundwork for pre-application mortgage counseling keyed to the LEM, creating the publicity tools in various languages, liaison with other community organizations such as church councils, major employer groups, and local government. Often these organizations have their own employer assisted housing programs or residency requirements for employees that can benefit from the LEM.

Work Task 3: Rolling-out the LEM

In the final portion of this phase, the groundwork laid by the LEM Advisory Committee, the expertise developed by the sponsoring organization, and the LEM model and advisor converge with the roll-out of the LEM in the marketplace. At this point, the LEM Partnership would provide support and recommendations regarding promotion and publicity efforts and would, as needed, assist through interviews, news conferences, and news releases. The overriding goal for this work task would be to be certain that the sponsoring organization is comfortable with the LEM program and can confidently operate it in the manner in which it was designed. If the sponsoring organization decides that it will use the Internet as the method of LEM data access by lenders, borrowers, and realtors, the LEM Partnership can provide on-going services through its existing Internet system.

The local sponsoring organization should be cognizant that anticipated range of costs associated with the rolling-out of the LEM in that market does not include the cost to produce or distribute promotional and publicity materials. The communications tools best suited to the market should be designed and priced according to local needs.

Anticipated Range of Costs and Time Frames

Because the design and implementation of a LEM program entails such a broad range of activities and because required resources such as geographically keyed data will vary

from location to location, it is not possible to create a single, “one-price-fits-all” budget. However, in order to acquaint potential sponsoring organizations with an anticipated range of costs and time frames, we have prepared and have presented below three cost/time scenarios. These are grouped as follows:

- Scenario One: Best case combination of data, timing, and resource availability,
- Scenario Two: Mid-range situation with data, timing, and resource constraints
- Scenario Three: Problematic implementation with data, timing, and resource problems

In some cases, the work tasks will run in series; in other cases they will run in parallel. For this reason, we have not provided total number of weeks required for phases.

<i>Phase and Task Number</i>	<i>Scenario Number</i>	<i>Labor Cost</i>	<i>Expenses</i>	<i>Total</i>	<i>Time for Task (in weeks)</i>
Phase One: Determination of Feasibility					
Work Task 1:	Assess the feasibility of a LEM program				
	Scenario One:	\$5,000	\$1,500	\$6,500	2
	Scenario Two:	\$7,000	\$3,000	\$10,000	4
	Scenario Three:	\$10,000	\$4,000	\$14,000	6
Work Task 2:	Determine whether essential community interest is present				
	Scenario One:	\$5,000	\$2,000	\$7,000	2
	Scenario Two:	\$7,000	\$3,000	\$10,000	4
	Scenario Three:	\$9,000	\$4,000	\$13,000	6
Work Task 3:	Quantify on a preliminary basis the LEM's housing impact				
	Scenario One:	\$3,000	\$1,000	\$4,000	1
	Scenario Two:	\$5,000	\$1,500	\$6,500	3
	Scenario Three:	\$8,000	\$2,500	\$10,500	5
Work Task 4:	Evaluation of Data Sources				
	Scenario One:	\$6,000	\$1,000	\$7,000	4
	Scenario Two:	\$7,000	\$1,500	\$8,500	6
	Scenario Three:	\$8,000	\$2,000	\$10,000	8
Phase One Totals:					
	Scenario One:	\$19,000	\$5,500	\$24,500	
	Scenario Two:	\$26,000	\$9,000	\$35,000	
	Scenario Three:	\$35,000	\$12,500	\$47,500	

<i>Phase and Task Number</i>	<i>Scenario Number</i>	<i>Labor Cost</i>	<i>Expenses</i>	<i>Total</i>	<i>Time for Task (in weeks)</i>
Phase Two: Design and Construction of the LEM Model					
Work Task 1:	Design of the LEM model				
	Scenario One:	\$7,000	\$1,500	\$8,500	4
	Scenario Two:	\$9,000	\$2,000	\$11,000	6
	Scenario Three:	\$15,000	\$2,500	\$17,500	8
Work Task 2::	Collect and compile data sets				
	Scenario One:	\$7,000	\$1,000	\$8,000	4
	Scenario Two:	\$9,000	\$1,500	\$10,500	6
	Scenario Three:	\$12,000	\$2,000	\$14,000	8
Work Task 3:	Integrate data and key it to a standard geographical base				
	Scenario One:	\$9,000	\$1,500	\$10,500	4
	Scenario Two:	\$12,000	\$2,000	\$14,000	6
	Scenario Three:	\$14,000	\$2,500	\$16,500	8
Work Task 4:	Analyze and Calculate Vehicle Cost per Household				
	Scenario One:	\$8,000	\$1,000	\$9,000	4
	Scenario Two:	\$10,000	\$1,500	\$11,500	6
	Scenario Three:	\$14,000	\$2,000	\$16,000	8
Work Task 5:	Analyze and Test the System				
	Scenario One:	\$9,000	\$1,000	\$10,000	4
	Scenario Two:	\$11,000	\$1,500	\$12,500	6
	Scenario Three:	\$15,000	\$2,000	\$17,000	8
Phase Two Totals:					
	Scenario One:	\$40,000	\$6,000	\$46,000	
	Scenario Two:	\$51,000	\$8,500	\$59,500	
	Scenario Three:	\$70,000	\$11,000	\$81,000	

<i>Phase and Task Number</i>	<i>Scenario Number</i>	<i>Labor Cost</i>	<i>Expenses</i>	<i>Total</i>	<i>Time for Task (in weeks)</i>
Phase Three: Development of the LEM Advisor Software Package					
Work Task 1:	Develop the LEM Advisor Software Package				
	Scenario One:	\$8,000	\$2,000	\$10,000	4
	Scenario Two:	\$10,000	\$3,000	\$13,000	6
	Scenario Three:	\$14,000	\$4,000	\$18,000	8
Work Task 2:	Design and Implement a Preferred Data Access Strategy				
	Scenario One:	\$8,000	\$2,000	\$10,000	4
	Scenario Two:	\$10,000	\$3,000	\$13,000	6
	Scenario Three:	\$14,000	\$4,000	\$18,000	8
Phase Three Totals:					
	Scenario One:	\$16,000	\$4,000	\$20,000	
	Scenario Two:	\$20,000	\$6,000	\$26,000	
	Scenario Three:	\$28,000	\$8,000	\$36,000	

<i>Phase and Task Number</i>	<i>Scenario Number</i>	<i>Labor Cost</i>	<i>Expenses</i>	<i>Total</i>	<i>Time for Task (in weeks)</i>
Phase Four: Community Support and Implementation Plan					
Work Task 1:	Design a LEM Implementation Plan				
	Scenario One:	\$8,000	\$2,000	\$10,000	4
	Scenario Two:	\$10,000	\$3,000	\$13,000	6
	Scenario Three:	\$14,000	\$4,000	\$18,000	8
Work Task 2:	Create a LEM Advisory Committee				
	Scenario One:	\$10,000	\$2,000	\$12,000	4
	Scenario Two:	\$15,000	\$3,000	\$18,000	6
	Scenario Three:	\$20,000	\$4,000	\$24,000	8
Work Task 3:	Rolling-out the LEM				
	Scenario One:	\$8,000	\$2,000	\$10,000	4
	Scenario Two:	\$10,000	\$3,000	\$13,000	6
	Scenario Three:	\$14,000	\$4,000	\$18,000	8
Phase Four Totals:					
	Scenario One:	\$18,000	\$4,000	\$22,000	
	Scenario Two:	\$25,000	\$6,000	\$31,000	
	Scenario Three:	\$34,000	\$8,000	\$42,000	

<i>Phase and Task Number</i>	<i>Scenario Number</i>	<i>Labor Cost</i>	<i>Expenses</i>	<i>Total</i>
Total Project by Scenario:				
	Scenario One:	\$93,000	\$19,500	\$112,500
	Scenario Two:	\$122,000	\$29,500	\$151,500
	Scenario Three:	\$167,000	\$39,500	\$206,500

Who Benefits from the LEM?

The LEM is available to any qualified home buyer in Chicago or selectively in its suburbs. The benefits of the LEM vary according to the property to be purchased and buyer-specific conditions. Therefore, the financial benefits for a particular home depend entirely on the location and price of the property, the number of cars owned and the number of people in the household, availability and use of public transit, and several other factors.

Generally, the LEM is well suited for:

- Low-, moderate-, and middle-income households that want to live in urban neighborhoods;
- First-time home buyers (although not limited to first-time home buyers);
- People who use public transit as a primary transportation mode; and
- People with regular or predictable travel patterns.

How Can I Get More Detailed Information?

To determine whether you would qualify for a LEM, call 1-800-7FANNIE to obtain a list of participating lenders. Or visit our Website to learn about the home-buying process and specific homeownership opportunities in Chicago:

www.locationefficiency.com

Visit your local Chicago Public Library for free online access to the LEM Website.

The Location Efficient Mortgage Underwriting Experiment is sponsored by:



Fannie Mae is a New York Stock Exchange company and the largest non-bank financial services company in the world. It operates pursuant to a federal charter and is the nation's largest source of financing for home mortgages. Over the past 30 years, Fannie Mae has provided nearly \$2.5 trillion of mortgage financing for over 30 million families. More information about Fannie Mae can be found on the Internet at <http://www.fanniemae.com>.

The Location Efficient MortgageSM

is brought to you by

The Institute for Location Efficiency
and its member organizations:

Center for Neighborhood Technology
2125 W. North Avenue
Chicago, Illinois 60647
(773) 278-4800

Natural Resources Defense Council
San Francisco, California 94105

Surface Transportation Policy Project
Washington, DC 20036

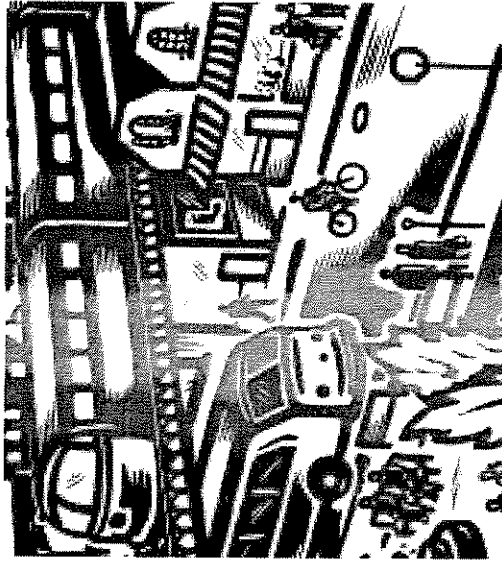
Location Efficient MortgageSM is a Service Mark of
the Institute for Location Efficiency, a California
nonprofit organization.

Research and Development Funders:

U.S. Department of Energy
Office of Transportation Technologies
U.S. Department of Transportation
Federal Transit Administration
U.S. Environmental Protection Agency
Transportation Air Quality Center
Urban & Economic Development Division
Nathan Cummings Foundation

The Joyce Foundation
John D. & Catherine T. McArthur Foundation
The Surdna Foundation

Location Efficient MortgageSM



*making urban living
more affordable*

A Tale of Two Neighborhoods

Frank Jones rides the "El" each morning into the Loop; his wife takes the bus to her North Side office. Their two kids walk to their local school in Rogers Park. Because they don't have a car, on weekends they walk to the local cleaners and hardware store or take the bus to the museum. The Smiths live in a neighborhood with one-acre lots and streets without sidewalks. Their annual income is the same as the Joneses, and they have two children. But the Smiths have two cars to take them to and from work and school. They depend on their cars to get their weekly tasks done. The Smiths spend about \$622 each month – over \$7,000 a year – on transportation, not including the capital costs of two cars. On the other hand, the Jones family spends about \$400 per month less. By "living locally" and relying on public transportation, they are able to save more money for their first home. And as car-free urban residents, they may be able to qualify for a mortgage or get a larger mortgage than the Smiths, thanks to an innovative new mortgage product called the Location Efficient MortgageSM or "LEM."

What is "Location Efficiency?"

Location efficiency means living in a neighborhood where the things you need and want are either close by or within easy access by public transportation. Location efficiency can be measured and converted into financial savings as compared with living in a less efficient neighborhood.

How is Location Efficiency Related to Owning a Home in Chicago?

People living in a location-efficient community could do without a car, or if they owned one, they could drive it less. The savings that would result could be used toward a mortgage.

Until now, this idea was only a concept. Thanks to a two-year, \$100 million mortgage underwriting experiment sponsored by Fannie Mae, the nation's largest source of financing for home mortgages, the Location Efficient MortgageSM is a reality. The LEM enables participating mortgage lenders to recognize the savings and then "stretch" their standard debt-to-income ratios.

Is the Location Efficient Mortgage Available in Chicago?

Yes. The LEM is now available in Chicago. It can create significant savings in the cost of owning a home in an urban neighborhood. Thanks to the LEM, low-, moderate-, and middle-income families and individuals can buy homes in location-efficient neighborhoods that are served by public transit.

What are the LEM's Benefits?

Aside from increasing a homeowner's buying power, this new mortgage will:

- increase home purchases in a variety of urban communities;
- boost public transit ridership;
- support local consumer services and cultural amenities;
- reduce energy consumption; and
- improve local and regional air quality.

What Are the LEM's Features?

The LEM features:

- ability to qualify for a higher-priced home with a loan amount up to Fannie Mae's maximum loan limit of \$275,000;
- 15 to 30-year term, fixed-rate mortgages for one-unit, owner-occupied houses and condominiums;
- 3% down payment;
- loan-to-value ratio of 97%;
- highly attractive housing- and total debt-to-income ratios.

Are There Other Requirements?

LEM requirements also include:

- borrowers to participate in pre-purchase counseling about homeownership and location efficiency;
- borrowers are encouraged to use public transit as often as possible; and
- borrowers participate in annual survey conducted by LEM research group (for informational purposes only).

Could I qualify for the LEM?

The LEM includes standard criteria to evaluate qualified applicants:

- credit and income history;
- employment history and stability; and
- debt-to-income ratio calculations used in the application process.