



Strategies to Assist Middle Neighborhood Homebuyer and Owners in a High Interest Rate Environment

Moderator: Marcia Nedland

Organizer, Middle Neighborhoods Community of Practice



Tell us
about you!

- Nonprofit
- Gov't local
- Gov't state
- Gov't federal
- Intermediary
- Consultant
- Realtor
- Financial institution
- Academic institution



Middle Neighborhoods Initiative

A National Initiative focused on mobilizing attention to reverse the disappearance of middle neighborhoods through decline or gentrification. The initiative does this through:

- Community of Practice : practitioners, policy, researchers
- Research: topics relevant to middle neighborhoods
- Policy Analysis and Advocacy : housing, lending, community dev
- Communications strategies: advancing awareness

Coordinated by **National Community Stabilization Trust** and Neighbor Works America and advised by a Steering Committee of 20 prominent researchers, practitioners and policy makers



Characteristics of Middle Neighborhoods

- Mostly single-family homes built for families with children.
- Still well more than 50% owner-occupied, but slowly eroding.
- Housing stock is aging, still in generally acceptable condition, but often lacks features and updates to compete well for today's homebuyers.
- More racially, ethnically and economically diverse.
- Some cities call these “workforce housing” or “missing middle housing” neighborhoods.





http://middleneighborhoods.reomatch.com/

Click [here](#) to learn more about defining Middle Neighborhoods

Refresh Your Map | Zoom ▾ | Questions or feedback?

Your Map

Map | Satellite

Choose a 2014-2018 layer to display

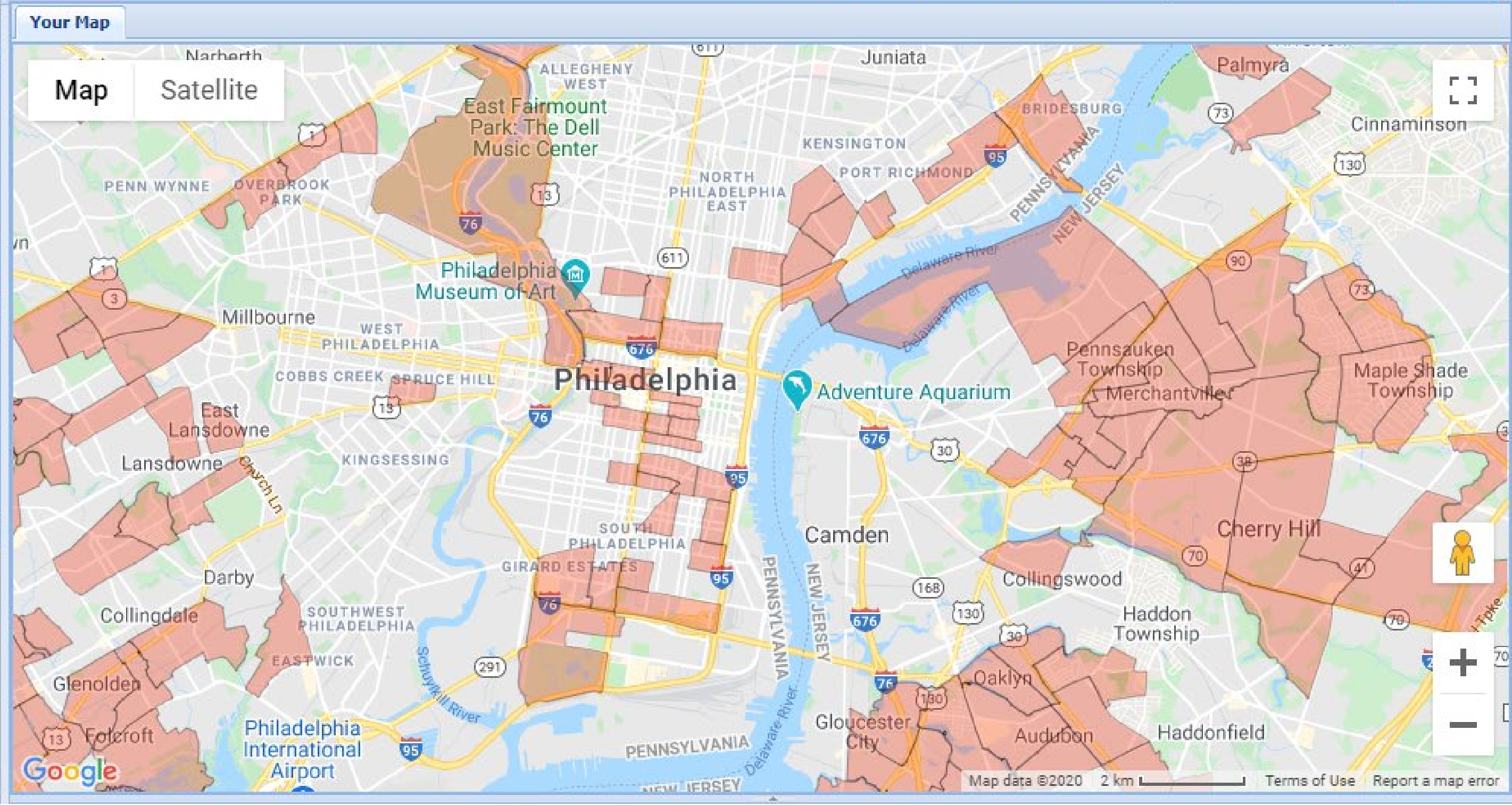
- 2018 City Test 1: 60-100% CMI
- 2018 City Test 2: 80-120% CMI
- 2018 National Test 1: 60-100% NMI
- 2018 National Test 2: 80-120% NMI
- 2018 Regional Test 1: 60-100% AMI
- 2018 Regional Test 2: 80-120% AMI
- 2018 Regional Test 3: 100-160% AMI

Choose a 2006-2010 layer to display

- 2010 City Test 1: 60-100% CMI
- 2010 City Test 2: 80-120% CMI
- 2010 National Test 1: 60-100% NMI
- 2010 National Test 2: 80-120% NMI
- 2010 Regional Test 1: 60-100% AMI
- 2010 Regional Test 2: 80-120% AMI
- 2010 Regional Test 3: 100-160% AMI

MSAs

- Panama City, FL Metro Area
- Parkersburg-Vienna, WV Metro Area
- Pensacola-Ferry Pass-Brent, FL Metro Area
- Peoria, IL Metro Area
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area
- Phoenix-Mesa-Scottsdale, AZ Metro Area
- Pine Bluff, AR Metro Area
- Pittsburgh, PA Metro Area
- Pittsfield, MA Metro Area



Displaying census tracts with median household incomes between 80 and 120 percent of regional/MSA median (\$69,465), or \$55,572 - \$83,358

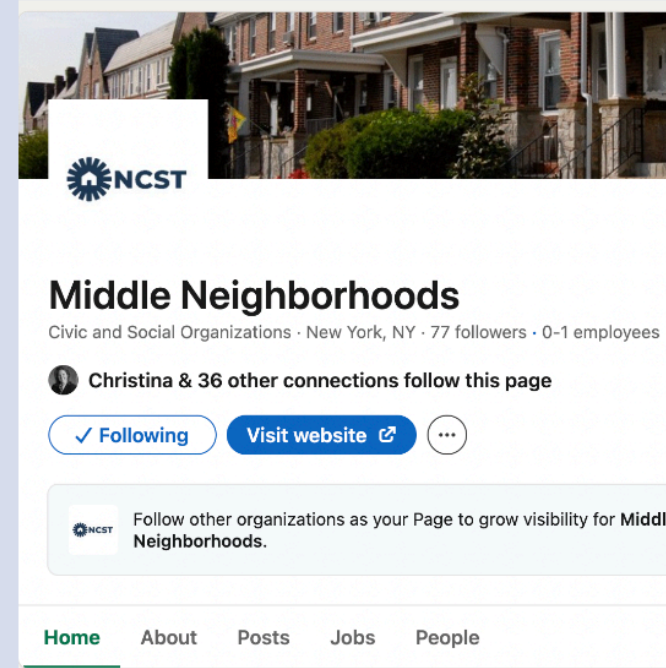
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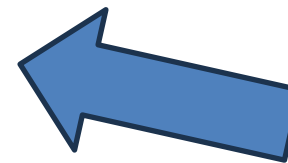


And when you are a LinkedIn account holder, please like and comment on the posts by Middle Neighborhoods. Greater name recognition and awareness of middle neighborhood issues and successes put all practitioners in a better position to garner support. Thank you!

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Our Panelists

Candy Ayers

- Director of Homeownership Services
- Community Action Program of North Alabama

Elliot Schmeidl

- Director of Homeownership
- MA Housing Partnership, ONE+ Boston Homebuyer Program

Rachel Mulbry

- Director of Policy and Strategic Initiatives
- Philadelphia Housing Development Corporation
- Restore, Repair, Renew





CAPNA Partnerships Creating Opportunities

Hopeful Homeowners Priced Out of The Current Market

Affordable Housing Gone or Out of Reach

- COVID stopped the World
- Job loses
- Many lost housing
even with government restrictions



CHALLENGES

RENTAL

- Help needed to pay rent
- Evictions filed
- Rent doubled
- Apartments Complexes sold to Investors in other place
- Rent now as high a mortgage payments

HOMEOWNERSHIP

- Home prices sore
- Property taxes follow the market increase
- Insurance must cover higher home prices
- Income gaps and lower wage jobs for some

OPPORTUNITIES

PARTNERSHIPS -before

- Down Payment Assistance Program previously paid...
- ½ of Down Payment
- All of Closing Costs
- Pre-Paid
- Max of \$4,500

DECATUR H.O.M.E.-now

- ½ of Down Payment
- All of Closing Costs
- Pre-Paid
- Buying down of rates up to 2%
- Max of \$15,000

Candy Ayers

Director of Homeownership Services

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cell: 256-541-6508



Financial Integrity | Operational Excellence
Exceptional Customer Service | Leader of Change



SEPTEMBER 17,
2024:

Interest Rate Discounts to Spur Homeownership

Middle Neighborhoods Initiative

Massachusetts Housing Partnership

The Massachusetts Housing Partnership (MHP), is a statewide public non-profit affordable housing organization established in 1985 to help increase the supply of affordable housing in Massachusetts.

We work in concert with Massachusetts' state and local governments, with a mission to pioneer new development and financing models that make more effective use of public resources, are responsive to local needs, promote racial equity, and achieve more impact than conventional approaches to affordable housing.

How does MHP do this?

Community Assistance:

Support communities, housing authorities, and non-profit housing organizations in their efforts to create affordable housing for low- and moderate-income families.

- RFPs
- Zoning
- Pre-development
- Education and Planning

Center for Housing Data:

CHD collects, interprets, and shares data to improve state policy, foster effective community conversations and ensure that we meet our housing needs throughout MA.

- Datatown
- TODEX & Residency
- Policy briefs and research

Rental Financing:

MHP has financed more than 28,000 rental units, with over 75% affordable to low-income households throughout Massachusetts.

Most of MHP's capital comes from Massachusetts banks under a state CRA statute that allows MHP to borrow on a long-term, fixed-rate basis to finance affordable rental housing.

Homeownership:

Expanding access to safe, secure fixed-rate mortgages for low- and moderate-income first-time homebuyers.

Work w/banks and credit unions to help meet CRA and community lending goals, and with non-profit homebuyer counseling and education organizations to build awareness.

What is the ONE Mortgage?

The ONE Mortgage is a state-sponsored, below-market mortgage product designed specifically for first-time homebuyers. It was created to help address patterns of racial discrimination in mortgage lending and has built-in affordability features that help a homebuyer's dollar go further.

25,000+ first-time homebuyers

one.
For your first home.

What makes MHP ONE unique?

Low Fixed Interest Rate

The ONE Mortgage interest rate is fixed for 30-years and is offered at a discount by participating lenders. MHP requires that the mortgage loan be offered at a rate no greater than 30 basis points below the 30-year fixed rate in Freddie Mac's Weekly Primary Mortgage Market Survey.

Low Minimum Down Payment

3% down payment required for condos, single and two-family properties (1.5% must be in the borrower's name at the time of MHP application. The remaining 1.5% can be met with down payment assistance or a gift).

5% down payment required for three-family properties (3% must be from borrower's own funds).

No Private Mortgage Insurance

Instead of borrowers paying costly mortgage insurance each month, MHP provides lenders with a Loan Loss Reserve to mitigate the lender's credit risk.

State Subsidy Available for Qualified Borrowers

Eligible ONE Mortgage buyers may qualify for a zero percent interest subsidy from MHP. To qualify for MHP subsidy, total household income must be below 80% AMI, and their housing-to-income ratio must be greater than 28% for condos/singles (or 42% for two-family properties). Borrowers purchasing three-family properties, and borrowers with a down payment greater than 20% are not eligible for MHP subsidy.

Borrower Eligibility

First-time Homebuyers

- Defined as not having owned a home in prior 3 years
- Includes all HH members, including mortgagor, their spouse, fiancée, domestic partner, or any person over 18 who expects to occupy the property.

Homebuyer Education

- Borrowers must complete a CHAPA-approved FTHB course prior to closing.
- Lender must have a copy of certificate on file in advance of MHP reservation approval.

Household Income

- Our compliance income limits require the total household income to fall at or below 100% area median income
- Includes income from all adult household members
- Underwriting income may differ

Asset Test

- Household's total liquid assets must be at or below \$75,000
- Includes savings, checking, stocks, bonds, gifted money, capital investments, and real property
- Retirement savings are not considered liquid

MHP ONE leverages other resources

Municipal Downpayment Assistance

Federal Home Loan Bank

Matched Savings Plans, like STASH

Family Self-Sufficiency (FSS)

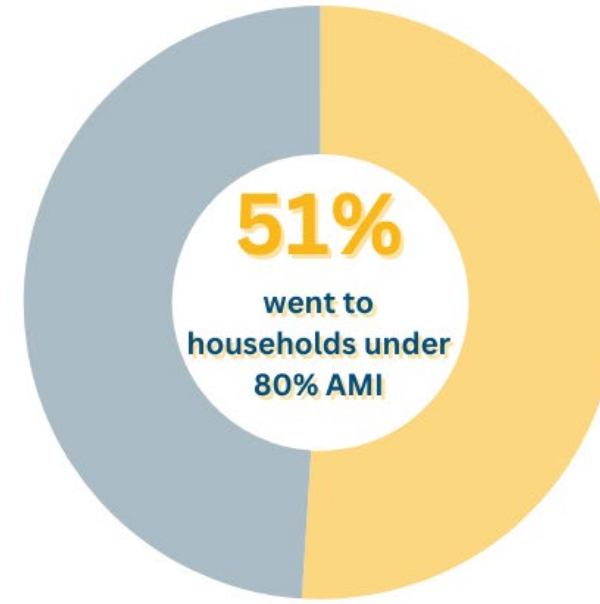
Section 8 for Homeownership

Habitat for Humanity

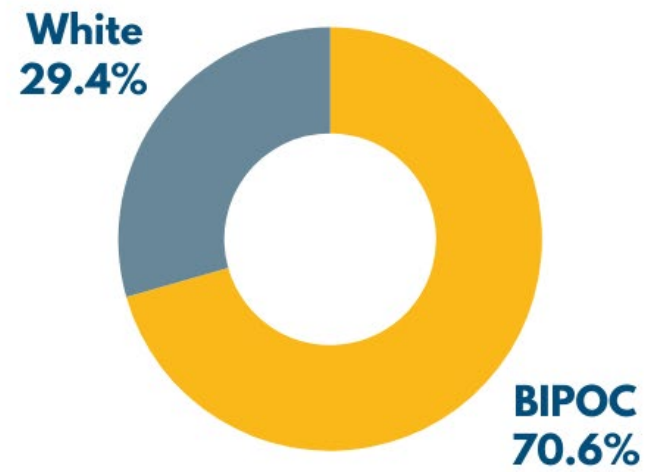
And many others...

The assistance from these programs do not count toward the Asset Test. Matched Savings may count as borrower's own funds!

**Layering
Different
Forms of
Assistance**



Race/Ethnicity Breakdown



Community Breakdown



ONE+: How Rate-Discounts Create Opportunity

In a high-cost state like MA or a region like Greater Boston it is becoming increasingly difficult to purchase a home.

The benefit of the interest-rate reduction allows more homebuyers to enter the market because it stretches their dollar and helps them qualify.

According to the Urban Institute, interest-rate buydowns allow for greater affordability and higher rates of equity building.

Based on extensive modeling and research, interest-rate reduction is the best way to provide a long-term impact to homebuyers' ability to afford and sustain a home mortgage.

Uses public funds to leverage private funds from mortgage lenders

ONE+Boston: Harnessing the Power of Interest Rate Discounts

Partnership between MHP, the City of Boston & Lenders

- Municipal funds provide enhanced interest-rate subsidies

Interest Rate Discounts

- 100 basis points
 - households between 80% and 100% AMI
 - Discount payment of 4% of the loan amount
- 200 basis points
 - households below 80% AMI
 - Discount payment of 8% of the loan amount

Recapture of Interest Rate Discount Funds

- 2-year claw back period
- Lender agrees to repay MHP a prorated portion of the funds if loan is paid off in less than 2 years (24 months) – beyond 24 months there is no repayment obligation

Interest Rate Floor

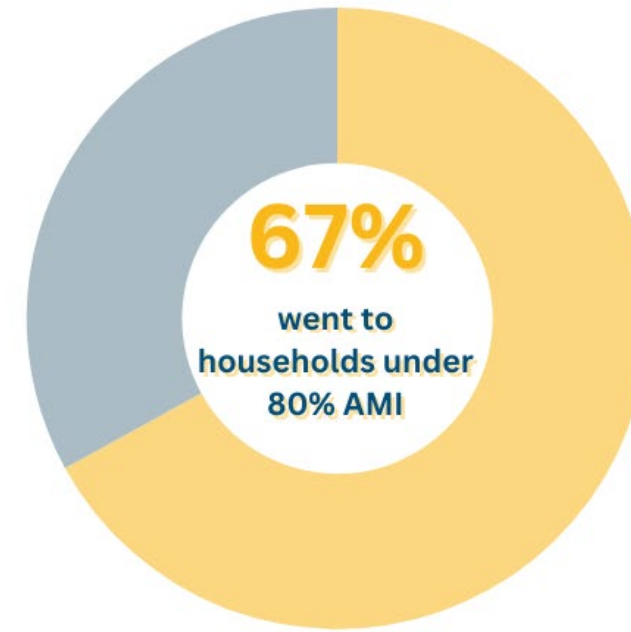
- Rate floor of 2%

\$75,000 Maximum per Household

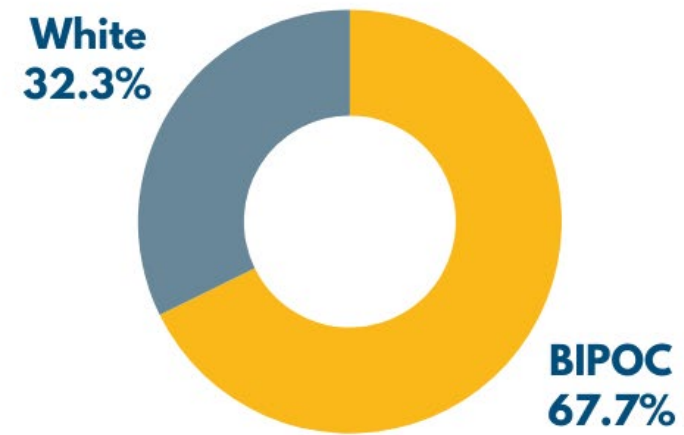
- Combination of interest rate discount funds, down payment and closing cost assistance



2023



Race/Ethnicity Breakdown



Expanding the ONE+ Model

ONE+Lowell

- Locally funded program to help FTHB's in Lowell
- 100 basis point rate discount
 - households under 100% AMI
 - Discount payment of 4% of the loan amount
- Available to households purchasing within the City of Lowell

ONE+MA

- Currently under development
- Designed to bring the benefit of increased buying power to more Massachusetts residents across a broader geographic footprint
- Details still coming together but aiming to launch later this year

Contact Information

Massachusetts Housing Partnership

160 Federal Street, 2nd Floor

Boston, MA 02110

800-752-7131

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Elliot Schmiedl

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Partnership**

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Philadelphia Neighborhood Home Preservation Loan Program

Philadelphia homeowners struggle to access credit

Philadelphia Federal Reserve Bank: From 2015 to 2017, more than half (54%) of home improvement loan applications from low- and moderate-income (LMI) homeowners in the Philadelphia region were denied.

Among LMI homeowners, denial rates were highest for women with no co-applicants (57%) and nonwhite applicants (73%).


Denial rates were particularly high for applicants of any income majority-minority (69%) neighborhoods.





Accessible loans to preserve homes & wealth

Restore Repair Renew (RRR) is a City of Philadelphia initiative that offers 10-year, 3% interest home repair loans up to \$50,000 to eligible homeowners. RRR loans can fund repairs to improve health, safety, weatherization, accessibility, and quality of life.

- Financed with \$40M in local bond proceeds, launched in 2019
 - Intended to serve homeowners who earned too much to qualify for repair grant programs.
 - Administered by the Philadelphia Housing Development Corporation
- 

Manual underwriting for financial inclusion

Eligibility

- Household income at or below 120% AMI (\$137,650 for a family of 4)
- Minimum credit score of 580
- Max debt-to-income (DTI) ratio of 43%
- Loan-to-value (LTV) ratio must be under 105% of post-rehab value
- Must have homeowner's insurance and clear title to property
- Loans can take up to 2nd lien position with 3rd position allowable in certain cases



RRR has steadily grown over time



Total investment to date: 478 loans,
\$14.3 million committed

- Current loan volume: 200+ loans per year; 186 current active applications
- Average loan amount: \$39,000 (monthly payment of \$410)



RRR is reversing loan denial inequities

Borrower demographics

Race

- 62% Black
- 19% White
- 2% Asian
- 17% not reported

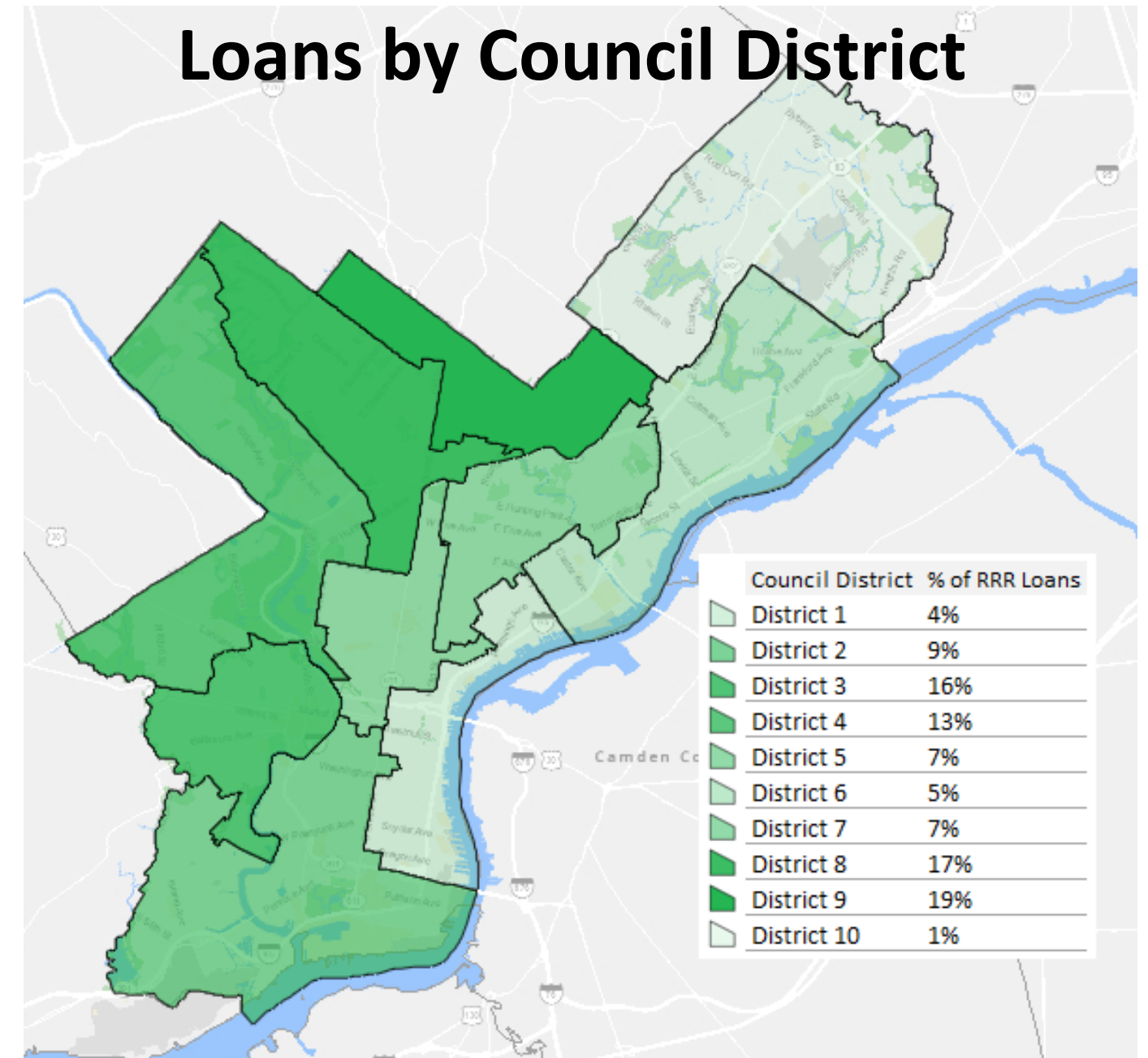
Ethnicity

- 80% Not Hispanic
- 7% Hispanic
- 13% not reported

Gender

- 72% Female
- 24% Male
- 4% not reported

Average age: 55





RRR is reversing loan denial inequities

RRR serves borrowers across income and credit circumstances while maintaining a delinquency rate under 3%.

Average borrower income: \$60,000

Average borrower DTI: 34%

Average borrower credit score: 712

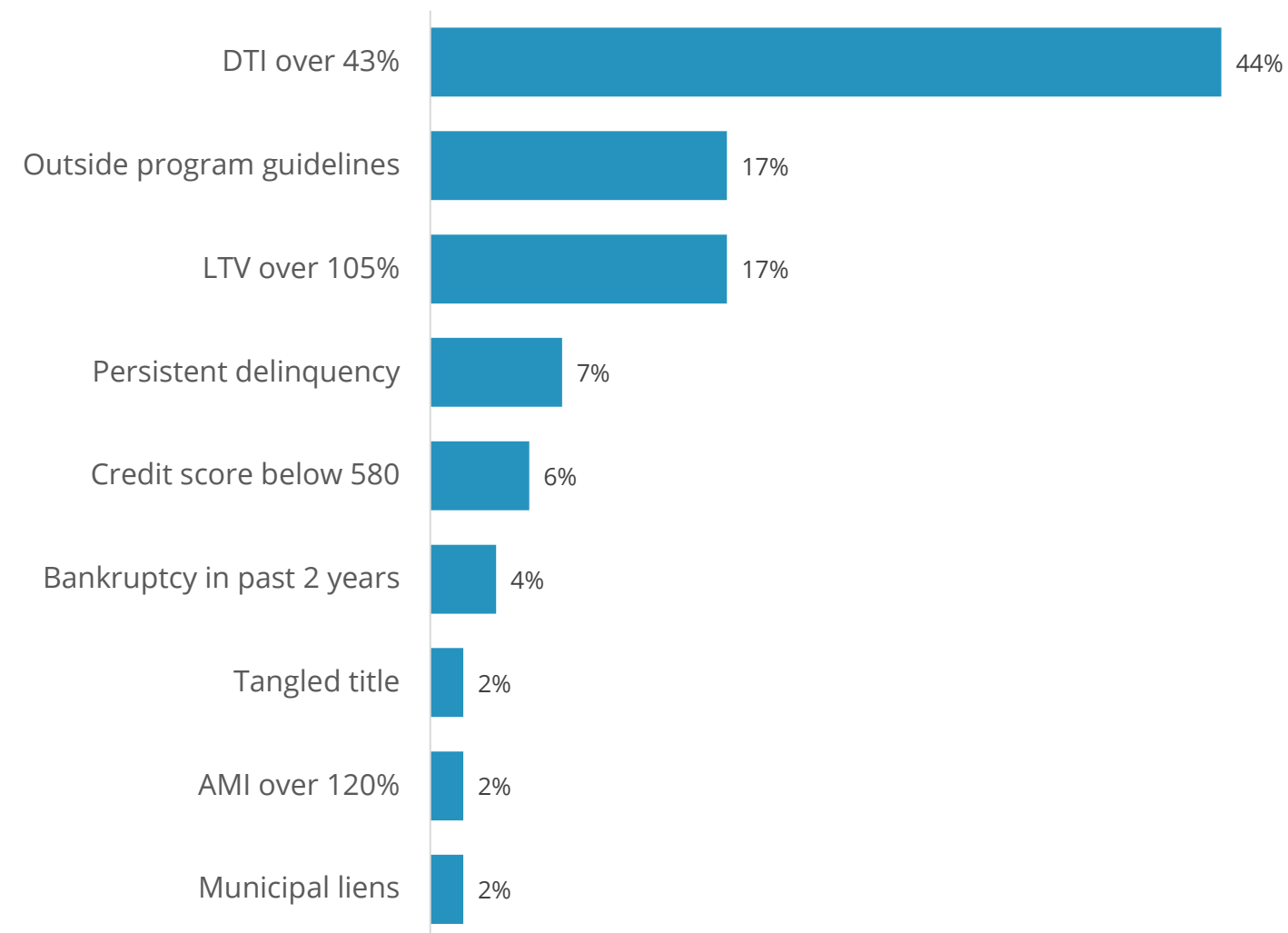




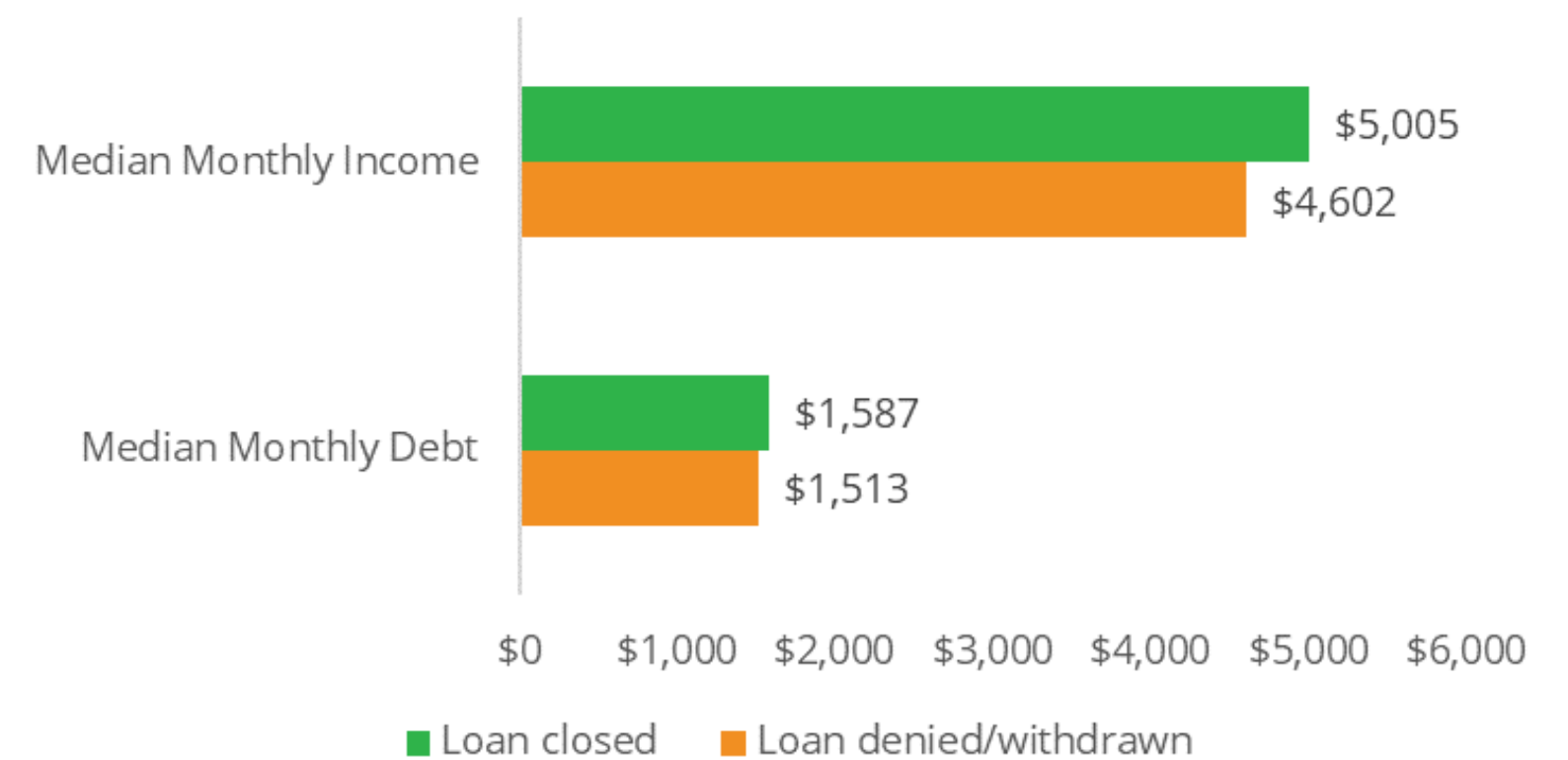
DTI is still the biggest challenge – due to income

Around 35% of clients are found ineligible during intake or underwriting.

Reasons for Loan Application Denial



Income Drives DTI Disparity



RRR lends flexible funds for repairs & upgrades

Most common repairs

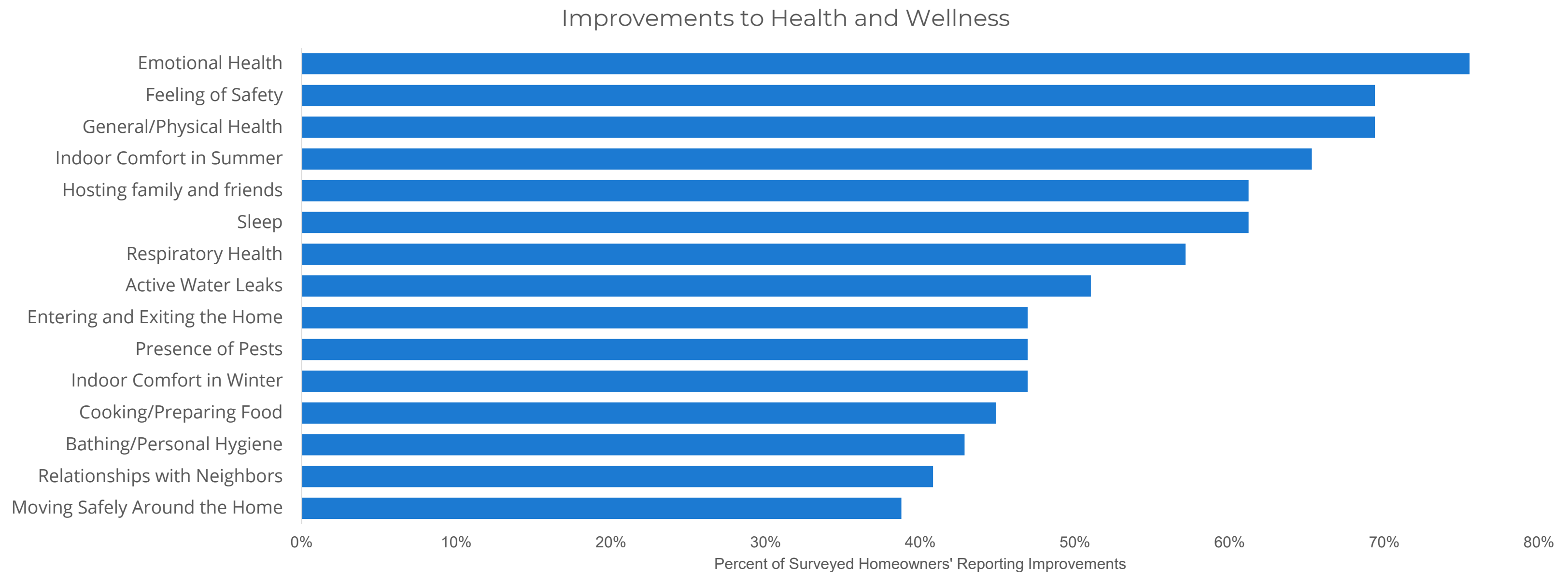
- Kitchen repairs
- Doors and windows
- Bathroom repairs
- Walls/floors/ceilings
- Roof repairs or replacements
- HVAC





RRR's impact on health and wellbeing

Homeowners surveyed at least six months after completing repairs report positive impacts.






Partnerships to overcome structural challenges



Ongoing challenges

- Finding reliable contractors who can complete work in a timely fashion
 - Obtaining homeowners insurance for properties with visible repair issues
 - Tangled title – current resident’s name isn’t on the deed
 - Outstanding private judgments that must be paid off prior to loan closing
 - Homeowners with lower credit scores are worried they won’t qualify and drop out getting help
 - Hands-on support extends the timeline: 60+ days from intake with Clarifi to loan closing with lender
- 

Upcoming Events

OCT WEBINAR: Landlord Training Programs / Date TBD

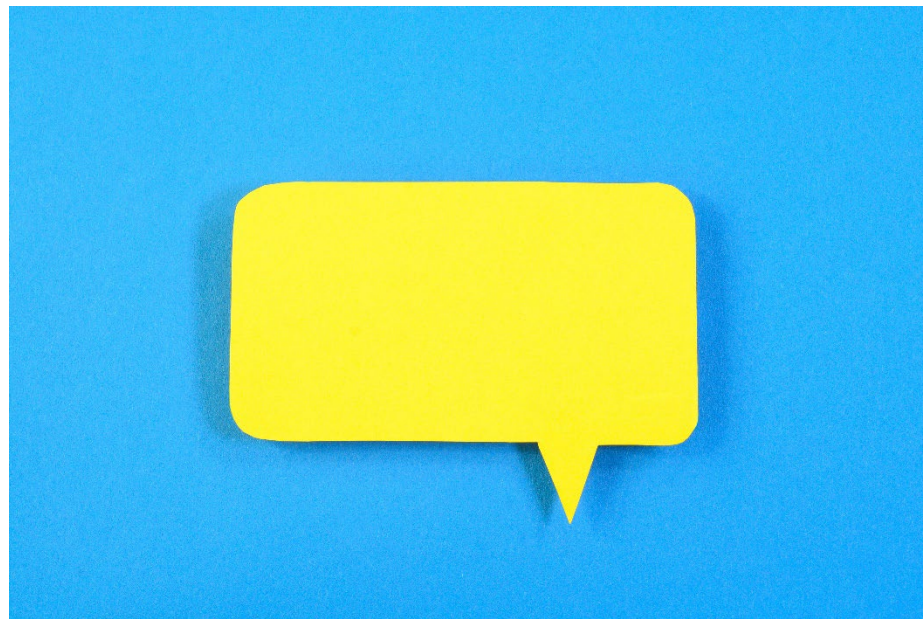
OCT 16: Engagement Chat (Noon, ET)

- ❖ Conflict management in neighborhoods OR group agreements (e.g. tree felling)

Questions or ideas? Email: anndipetta@gmail.com



Thank you for joining us!



- **Please email us** if you have ideas for webinar, case studies, news stories, etc.
- Check out the **Cornerstone Webinar Series** :
Center for Community Progress
- **Tell us** about your experience today!



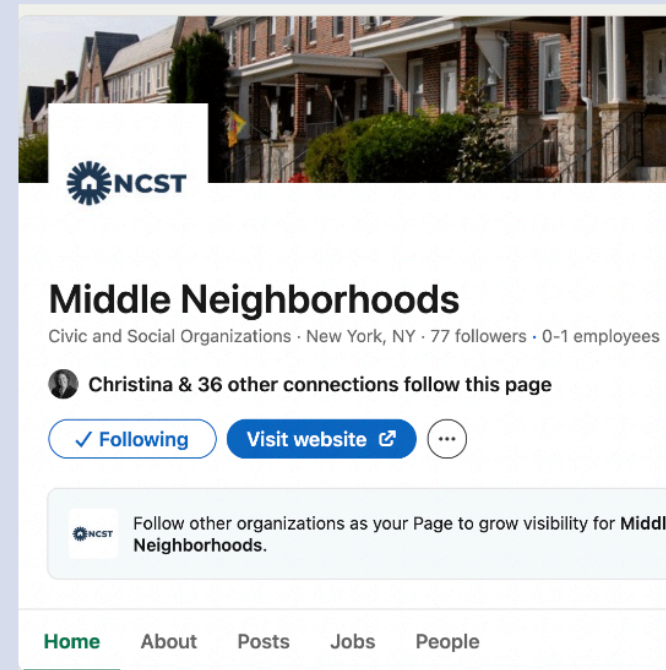
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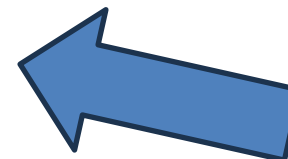


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The Middle Neighborhoods CoP is an informal, facilitated network of practitioners, researchers and policymakers engaged in revitalizing middle neighborhoods. CoP members share learnings through topical webinars, referrals, site visits, phone calls, and occasional larger group events.

Please join us!

<https://ncst.org/middle-neighborhoods/>

