Capital Resources for Single Family Homes

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Agenda & Overview

- Single Family Housing Landscape
- Owning vs. Renting A Home
- How The Recession (2007-09) Changed SFH
- SFH Resources
  - Loans/Grants/Down Payment Assistance
  - Infrastructure
  - Local Housing Capacity
  - Information web sites
Enterprise Community Partners, Inc.

- Created in 1982  35 Years Ago
- James & Patricia Rouse – Founders
- Provider of debt, equity, technical services for LIHTC
- New Markets, CDFI, Green Communities, Rose Fellowship, Policy
- Nationwide Platform
- Emphasis with Not For Profits & CDC’s
- 500+ Employees
- Rural & Native American Initiative
Almost 64% of American Households Own Homes

Lowest % Since 1990
- Over 69% rate in 2004
- China 90% rate, Germany 52% rate
- Rural Home Ownership 81% vs. Urban 60%
- SC-76%, Utah-71%, MI-73%, IN-72%, ME-70%
- CA-54%, NY 51%

In 2007 30% of households were renters, 2017 37%
- 47% of rural renters cost overburdened
- 50% of these pay over 50% of income to housing
Economic Benefits from SFH

- Jobs, Economic Stimulator, Driver of Economy
- Whole Industries Created From SFH
  - Realtors
  - Construction Firms
  - Products (Home Depot, Weyerhaeuser, Kohler)
  - Financial Services
Owning vs. Renting a Home

- Ownership Advantages
  - Ownership Allows Building of an Asset – Equity
  - More Control over Asset
  - Sense of Permanency (security)
  - Pride of Ownership
  - Tax Advantages (interest deduction, real estate taxes)
Owning vs. Renting a Home

Ownership Disadvantages

- Illiquid asset (takes time to sell)
- Housing Maintenance (all out of your pocket)
- Real Estate Taxes (can be high)
- Insurance (fire, wind, hazard, flood, etc.)
- Financing Issues (rates, lenders, down payment, credit issues)
- Longer term Commitment
- Educating Yourself Financially
- Budget Discipline
Great Recession & SFH 2007-2009

- Housing Market Froze Up
- Lack of Capital (Bank Bailouts, Fannie/Freddie)
- Easy Credit, Liar Loans, Loose Underwriting,
- Foreclosures (20 M in last decade), Short Sales, Inventory
- 7.3 Million households lost their homes between 2007-14
- Market Reforms
- Interest Rates
- Major Hangover Effect
Single Family Housing Programs

- Industry Providing Capital to Finance a Purchase or Build a Home but With More Scrutiny/Restrictions
- Traditional 80/20 Loan (20% Down payment, 80% Financing)
- High Entry Level For 1st Time Homebuyer, Lower Income Wage Earners
- Look to Other Programs to Help You
USDA 502 Direct

- 502 Direct vs. Guaranteed loan
- 502 Direct Loans must be in rural communities
  - Targets borrowers with low incomes (<80% AMI)
  - Interest rate is 3.25% currently
  - Rates can be subsidized to as low as 1.0% interest
  - New construction or purchase existing home
  - 33 or 38 year financing, 0% down payment
  - Loans processed and serviced by Rural Development
  - Loan packagers being trained nationally
USDA 502 Direct

- Subject to Federal Appropriation  ($900 M in FY 18)
- 7,000 loans closed annually
- Average household income about $31K
- Average loan size $128,000
- WI made 123 loans in FY2016
- Delivery system under stress, fewer offices, FTE’s
- Rely On Loan Packagers in Future
USDA 502 Guaranteed

- Loan guarantee provided by USDA to lender (90%)
- Borrowers can make up to 115% of AMI
  - Example: $79150 1-4 household in Sauk Co WI.
- Very efficient process with USDA, private lenders
- Popular program due to low interest rate environment
- 100% financing, rate determined by lender
- Loan volume doubled from 2008-2010
- In 2016, 134,000 loans with $18B loan authority
Veterans Administration

- Guarantee Loan Program with private lenders
- Fiscal Year 2017  740,000 loans
- Average loan size:  $255,000  ($188B loans)
- $0 down payment with 1x fee of 2.15%, lower fee with down payment of 10% or more
- Primary home only - $417,000 loan limit in rural areas
VA Guaranteed Loans

- Eligibility
  - Veterans with completed full term service
  - Discharge other than dishonorable
  - Active duty service members (at least 90 days)
  - Reserve/National Guard members (at least 6 years)
  - Unmarried surviving spouse

- Lender guarantee is 25% of loan or $104,250, whichever is less
- Loan assumable with prior lender approval
Other Sources/Considerations

- FHA Loans (low down payment requirements)
- State Housing Finance Agencies
- Down payment assistance
- Credit counseling
- Credit repair
- Credit reports, Fair Isaac
Summary

• Multiple programs and lenders
• Never better time to buy due to rates/values
• Watch credit and FICO carefully (free reports)
• If credit repair/counseling needed, start now
• Compare programs and what is best for you
• Ask questions, know all costs
• Seek down payment/closing cost assistance
HUD Section 184 Program

• Home mortgage federal loan guarantee (100%) for enrolled members of federally recognized tribes.

• Private lenders Originate Loan, Office of Loan Guarantees within ONAP Provides guarantee.

• Program understands unique relationship of trust land, mortgages etc.
HUD Section 184 Program

- Program Advantages
  - Low down payment: 2.25% on loans of $50,000 or more
  - 1.25% on loans less than $50,000
  - Fixed interest rate (no adjustable permitted)
  - Rate is assumable (low interest rate environment)
  - Manual Underwriting
  - Liquidity for lender (Ginnie Mae, FHLB, HFA’s)
  - Growing network of lenders
  - Must be primary home and SFH (1-4 units)
  - Program initiated in 1992
Infrastructure

- Existing lot, vacant lot, tear downs, access to utilities
- Existing subdivisions, unsold lots, bank held
- Community assistance (CDBG, TIF, School District)
- Long lead time
- Need and demand
- Mixed use land use
Questions?

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Links

- www.rd.usda.gov  USDA-RD Loan Information
- www.bankrate.com  Current Market Rates
- www.creditkarma.com  Free FICO Scores and Updates
- www.benefits.va.gov/homeloans  VA Loans
- www.annualcreditreport.com  Free Credit Reports
- www.rentalhousingaction.org  Advocacy-Policy
- www.hud.gov  Housing Counseling Providers
  - HUDPrograms2017.pdf