



MEMORANDUM

Prepared for: Task Force on Addressing Racial
Disparities in Home Ownership

Date: October 19, 2018

By: Melissa Leoni, Analyst

Re: Home Ownership Programs

LPRO: LEGISLATIVE POLICY AND RESEARCH OFFICE

The Task Force Co-Chairs have requested background information on existing home ownership programs, including a description of the programs and for whom they are available, to help the Task Force begin to identify gaps.

SUMMARY

The following is the first draft of a compilation of home ownership programs offered by public and private organizations. It is not an exhaustive list of all programs available in Oregon, and is organized by whether it is a national, state, or local program. Many of these programs are designed for first-time homebuyers with low to moderate incomes and often are administered by or partnered with culturally-specific organizations.

SECTION 184 INDIAN HOME LOAN GUARANTEE PROGRAM¹ (NATIONAL)

The Section 184 Indian Home Loan Guarantee Program is a home mortgage product specifically designed for American Indian and Alaska Native families, Alaska villages, tribes, or tribally designated housing entities. Congress established this program in 1992 to facilitate homeownership and increase access to capital in Native American communities.

With Section 184 financing borrowers can purchase a home with a low down payment and flexible underwriting. Section 184 loans can be used, both on and off native lands, for new construction, rehabilitation, purchase of an existing home, or refinance.

The Office of Loan Guarantee within the U.S. Department of Housing and Urban Development's Office of Native American Programs, guarantees the Section 184 home mortgage loans made to Native borrowers. The loan guarantee assures the lender that its investment will be repaid in full in the event of foreclosure.

The borrower applies for the Section 184 loan with a participating lender and works with the tribe and Bureau of Indian Affairs if leasing tribal land. The lender then evaluates the necessary loan documentation and submits the loan for approval to HUD's Office of Loan Guarantee. The loan is limited to single-family housing (1-4 units), and fixed-rate loans for 30 years or less; maximum loan limits vary by county.

American and Alaskan Natives who are members of a federally recognized tribe are eligible. Only one borrower must be a member. Tribally designated housing entities and Indian Housing Authorities are also eligible. Native Hawaiians can access homeownership loans through the Section 184A Program.

¹ Housing and Urban Development. *Section 184 Indian Home Loan Guarantee Program*.

https://www.hud.gov/program_offices/public_indian_housing/ih/homeownership/184, visited October 16, 2018.

HABITAT FOR HUMANITY (NATIONAL AND LOCAL)

Habitat for Humanity is a global, nonprofit housing organization with local affiliates to meet the basic human need for safe, decent, responsible, and affordable housing. There are currently 30 Oregon Habitat for Humanity affiliates.² Local affiliates work with prospective homeowner (partner) families, with the additional help of community volunteers, to build and rehabilitate houses. These houses are sold to partner families at no profit and are financed with affordable, no-interest loans. Habitat works to carefully select partner families who are not able to qualify for traditional home financing, who would be able to repay the loan, who are willing to become partners in the program, and who need decent housing.

In addition to affordable monthly mortgage payments, each homeowner family invests a minimum of 300-500 hours of their own labor (sweat equity) into building their house and the houses of others. The mortgage payments received by Habitat are then invested into a revolving fund, which is used to build more houses.

Habitat recently began partnering with community-focused banks to provide affordable mortgages to Habitat homebuyers. The funds Habitat receives at closing can then be immediately invested in creating additional homeownership opportunities.

OREGON HOUSING AND COMMUNITY SERVICES (STATE)

The Oregon Housing and Community Services (OHCS) Homeownership Section assists very low to low-to-moderate income families (at or below 80% Area Median Income (AMI)) by partnering with Homeownership Centers across Oregon. OHCS has the following programs.

Oregon Bond Residential Loan Program³

OHCS periodically issues mortgage revenue bonds to fund lower than market interest rate mortgage loans to help Oregon households buy their first home. The Oregon Bond Residential Loan Program provides below-market rates helping eligible families increase their home purchasing power and keep their monthly house payments affordable. The program offers eligible borrowers a choice between cash (closing cost assistance) or the best rate. For both loan options, the eligibility and program requirements are the same.

- **Cash Advantage.** Borrowers get a low fixed interest rate on their home loan and cash assistance equal to three percent of their loan amount. The cash assistance helps reduce the total out-of-pocket closing costs needed to purchase the home.
- **Rate Advantage.** Eligible borrowers will get the lowest fixed rate possible to maximize their home purchasing power with an affordable payment.

A qualified homebuyer cannot have an annual gross household income that exceeds program limits.⁴ To qualify, an applicant must be a first-time homebuyer, which means not having

² Habitat for Humanity of Oregon. *Oregon Habitat Offices*. <http://habitatoregon.org/affiliates/>, visited October 16, 2018.

³ Oregon Housing and Community Services. *Buy a Home – Residential Loan Program*.

<https://www.oregon.gov/ohcs/Pages/oregon-bond-program-low-interest-home-loans.aspx>, visited October 18, 2018.

⁴ Oregon Housing and Community Services. *Income Limits*.

https://www.oregon.gov/ohcs/HD/SFF/forms/oregon_bond_program_income_limits.pdf, visited October 18, 2018.

owned and occupied a primary residence at any time during the three-year period prior to the date of signing the mortgage and note.

Down Payment Assistance Programs for First Time Homebuyers⁵

Program funds are awarded to qualified Oregon organizations to create, continue, or expand down payment assistance programs. Homebuyers who have completed a homeownership education program may qualify for up to \$15,000 for down payment and/or closing costs. This program is funded with the Home Ownership Assistance Program (HOAP) and awarded to Oregon organizations through a competitive application process. HOAP is funded with a percentage of the Document Recording Fees submitted to the State.

Local Innovation and Fast Track (LIFT) Homeownership⁶

OHCS was awarded \$80 million in Article XI-Q Bonds for the LIFT program, which will be allocated to OHCS through two bond sales (2018 and 2019) and used to support rental housing and homeownership opportunities. One primary goal of the LIFT program is to serve historically underserved communities, including rural communities with fewer than 25,000 people and communities of color.

Construction Excise Tax⁷

In 2016, the Oregon Legislature approved the use of a Construction Excise Tax (CET) for affordable housing. A local government may now levy a tax of up to one percent of the permit valuation for residential construction permits. CET is an optional affordable housing revenue source decided by local government. 15 percent of proceeds are distributed to OHCS to support down payment assistance for homeownership programs. OHCS will return the amount for down payment assistance to existing homeownership programs in those communities.

OREGON INDIVIDUAL DEVELOPMENT ACCOUNT INITIATIVE (STATE)

The Oregon Individual Development Account Initiative (IDA)⁸ invests in the personal and financial growth of individuals to build strong communities throughout Oregon. The Initiative was created in 1999 by the Oregon State Legislature to bring state agencies, private non-profit and tribal partners, and private contributors together to create opportunity in Oregon. The Oregon Housing and Community Services Department works with Neighborhood Partnerships to manage the Initiative. Neighborhood Partnerships contracts with ten Initiative Partners⁹ to work directly with clients in all parts of the state.

Clients save for a defined goal and receive support, training, and coaching from Initiative Partners, such as home buying education or business plan development, as they shift their financial habits. When clients reach their savings goal and meet benchmarks of their savings

⁵ Oregon Housing and Community Services. *Down Payment Assistance Programs for First Time Homebuyers*. <https://www.oregon.gov/ohcs/Pages/oregon-bond-program-down-payment-assistance.aspx>, visited October 18, 2018.

⁶ Oregon Housing and Community Services. *Local Innovation and Fast Track Housing Program*. <https://www.oregon.gov/ohcs/DO/lift/resources/LIFT%20Summary.pdf>, visited October 18, 2018.

⁷ Oregon Housing and Community Services. *Residential Construction Excise Tax*. <https://www.oregon.gov/ohcs/HD/SFF/forms/07-10-2018-Residential-Construction-Excise-Tax.pdf>, visited October 18, 2018.

⁸ Oregon IDA Initiative. *About the Oregon IDA Initiative*. <https://oregonidainitiative.org/overview/>, visited October 16, 2018.

⁹ Oregon IDA Initiative. *Oregon IDA Initiative Leaders and Partner Organizations*. <https://oregonidainitiative.org/overview/our-ida-partners/>, visited October 18, 2018.

plan, their savings are matched with Initiative resources to purchase their home, education, small business inventory, or other asset.

Oregon residents twelve years of age and older who have low incomes and modest net worth may be eligible for the program. Residents work with a local partner to define and reach their goals.

The Oregon IDA Initiative is fueled by the contributions of individuals and businesses from all corners of the state, including the Oregon IDA Tax Credit. In 2015, the Tax Credit was renewed until 2022. The renewing legislation (ORS 315.271) also specified a state contribution of \$7.5 million. Contributions have a tax credit rate not to exceed 70% and there is a \$500,000 limit on tax credits an individual can claim.

HOMEBUYER EDUCATION (STATE AND LOCAL)

Oregon Homeownership Centers across the state provide a variety of pre-purchase homebuyer education, financial coaching, pre-purchase homebuyer counseling, and financial literacy education services. The following is the current list from OHCS:¹⁰

- ACCESS (www.accesshelps.org)
- African American Alliance for Homeownership (www.aaah.org)
- Community Action Program of East Central Oregon (www.capeco-works.org)
- Community Connection Housing Resource Center (www.ccno.org)
- Community in Action (www.communityinaction.info)
- Hacienda Community Development Corporation (www.haciendacdc.org)
- Housing Authority of Yamhill County (www.hayc.org)
- Klamath & Lake Homeownership Center (www.klcas.org)
- Mid-Columbia Housing Resource Center (Columbia Cascade Housing) (www.MidColumbiaHousingCenter.org)
- Native American Youth & Family Center (www.nayapdx.org)
- Neighborhood Economic Development Corporation (NEDCO) (www.nedcocdc.org)
- NeighborImpact Homeownership Center (www.neighborimpact.org)
- NeighborWorks Umpqua (Umpqua CDC) (<http://www.nwumpqua.org>)
- Northwest Oregon Regional Housing Center (<http://www.cat-team.org>)
- Open Door Counseling Center (www.odhw.org)
- Portland Housing Center (www.portlandhousingcenter.org)
- Willamette Neighborhood Housing Services (www.w-nhs.org)

CITY OF PORTLAND HOUSING BUREAU (LOCAL)

The Portland Housing Bureau (PHB) offers direct assistance to homeowners and funds a variety of other programs administered by local non-profit organizations.

¹⁰ Oregon Housing and Community Services. *Oregon Homeownership Centers*. <https://www.oregon.gov/ohcs/HD/SFF/brochures/Oregon-Housing-Centers.pdf>, Revised September 26, 2018.

Down Payment Assistance Loan¹¹

The Down Payment Assistance Loan (DPAL) is designed with favorable terms to help first-time homebuyers purchase a home in Portland's Interstate Corridor and Lents Town Center Urban Renewal Areas. The Down Payment Assistance Loan is a second mortgage loan funded by the PHB, and it is used in conjunction with a first mortgage loan from a participating lender.

PHB has partnered with Portland Community Reinvestment Initiatives (PCRI) and the Minority Homeownership Assistance Collaborative (MHAC) to identify and select eligible households for the program.

To qualify, an applicant must be a first-time homebuyer (defined as not having owned a home in the past three years), maintain the home as primary residence, have an annual household income at or below 80% of Portland's Area Median Income (AMI 2018), adjusted for family size, complete a homebuyer education course, and meet other certain requirements.

Mortgage Credit Certificate¹²

The PHB partners with local lenders to offer eligible first-time homebuyers a federal tax credit called a Mortgage Credit Certificate (MCC). The MCC is an IRS-approved tax credit which reduces homebuyers' federal income taxes owed for as long as they keep the loan, continuously occupy the home as their principal residence, have a tax liability, and utilize the MCC when they file their taxes.

The tax credit helps homebuyers increase their disposable income and therefore more comfortably afford their monthly house payment. The maximum amount of the MCC tax credit equals 20 percent of the annual mortgage interest paid on the homebuyers' first mortgage loan. For underwriting purposes and depending on the type of loan utilized, the amount of the monthly tax credit can either be added to homebuyers' income or subtracted from their qualifying monthly house payment resulting in increased buying power for homebuyers.

The program has annual borrower and co-borrower income limits (\$81,400 for one to two persons and \$93,610 for three or more persons) and the borrower must meet mortgage lender's criteria for underwriting, credit, and down payment requirements. Borrowers must occupy the property as a "principal residence" within 60 days of purchasing the home and must complete a homebuyer education course prior to closing. Property must be single-family units, including condos and townhomes, be located within the Portland city limits, and have a maximum purchase price of \$454,177.

Portland Home Purchase Assistance Program¹³

The PHB Home Purchase Assistance Program (HPAP) allows approved mortgage lenders the ability to offer home buyers financial assistance that can be used for down payment, closing costs, and prepaid mortgage insurance in exchange for charging an increased interest rate on their 30-year mortgage.

For example, compared to a 4% rate on a standard conventional loan, a homebuyer could accept a 5% rate on a conventional loan and receive \$17,460 in assistance on a \$300,000

¹¹ Portland Housing Bureau. *Down Payment Assistance Loan*. <https://www.portlandoregon.gov/phb/74634>, visited October 16, 2018.

¹² Portland Housing Bureau. *Mortgage Credit Certification*. <https://www.portlandoregon.gov/phb/74636>, visited October 16, 2018.

¹³ Portland Housing Bureau. *Home Purchase Assistance Program*. <https://www.portlandoregon.gov/phb/77077>, visited October 16, 2018.

purchase. The increase in interest rate would equate to an increase of about \$173 per month in the principal and interest portion of their payment. The actual difference in the total monthly payment will depend on the borrower's credit scores, loan type, and mortgage insurance amount. Homebuyers who are under 80% AMI will receive an additional .5%, and those under 50% AMI an additional 2% cash assistance without further raising in the interest rate.

The HPAP is for buyers with incomes that exceed the limits of current assistance programs and have limited savings available for the home purchase. It is also for those homeowners who would like to purchase outside of urban renewal areas.

This is a Freddie Mac pilot product only offered to lenders who partner with a Housing Finance Agency (HFA), which is a government authority established to help meet the affordable housing needs of the residents in its jurisdiction. PHB was selected as one of five initial HFAs to be able to sponsor this program.

North/Northeast Neighborhood Housing Strategy¹⁴

The N/NE Neighborhood Housing Strategy is a City initiative to begin addressing the legacy of displacement in North and Northeast Portland through investments to create new affordable housing, opportunities for first-time homebuyers, and home retention programs for longtime residents of the area. The initiative began in 2014 with the development of a community-driven \$20 million housing plan. The City's funding commitment to the N/NE Neighborhood Housing Strategy has since grown to more than \$100 million. A central feature of the strategy is the N/NE Preference Policy, which gives priority for the City's affordable housing investments in the Interstate Corridor Urban Renewal Area to current and former residents of the N/NE Portland community.

CLACKAMAS HOMEBUYER ASSISTANCE PROGRAM¹⁵ (LOCAL)

The Clackamas Homebuyer Assistance Program (CHAP) helps first-time homebuyers pay for down payment and reasonable closing costs up to \$14,000 maximum (6% of sales price). CHAP loans are zero-percent interest deferred-payment loans, recorded as a second mortgage, due upon sale, transfer of title, change of use or refinance. First-time homebuyers must be low-income, demonstrate a financial need for CHAP assistance, and complete an approved homebuyer education program.

¹⁴ Portland Housing Bureau. *N/NE Neighborhood Housing Strategy*. <https://www.portlandoregon.gov/phb/72705>, visited October 16, 2018.

¹⁵ Clackamas County. *Clackamas Homebuyer Assistance Program (CHAP)*. <https://www.clackamas.us/communitydevelopment/homebuyers.html>, visited October 16, 2018.