

STUDY OF AFFORDABLE
HOMEOWNERSHIP NEEDS IN THE BLOOMINGTON-
NORMAL COMMUNITY

Summer, 2004

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Definition of “Affordable”:

Requiring no more than 30% of gross household income for housing costs including taxes, insurance, and utilities. The U.S. Department of Housing and Urban Development determined this amount can be approximated by multiplying a family’s gross income by 2.9.

Summary Results of the Study:

1. With the exception of single family detached newly constructed houses, median incomes in the area generally match the cost of buying a home in the area.
2. According to the 2000 Census, the Bloomington-Normal MSA statistics on homeownership generally tracked those in the state and the nation; in one category, Bloomington-Normal is doing better: 14.1% of homeowners in the county paid 30% or more of their incomes for housing compared with 21.8% of homeowners in the U.S.
3. To raise the homeownership rate in Bloomington-Normal MSA to match that of the nation would take converting approximately 500 renters to homeowners.
4. The need for homeownership assistance programs in Bloomington-Normal is for those families, who are currently renting, making between 50% of median income (2003=\$34,050) and 80% of median income (2003=\$54,480). In 2000 the number of potential families was 4,542. This means creating homeownership units that sell for between \$98,750 and \$158,000.

Proposed Solutions:

Increase Supply of Affordable Units

1. Provide financial incentives to reduce costs and share risks. Explore such mechanisms as Tax Increment Financing, 501 (c) (6) organizations, and the HUD Section 108 program.
2. Continue and expand current partnerships: Habitat for Humanity, Youthbuild, and others.
3. Identify potential tracts of vacant land for development of mixed income single family residential subdivisions; continue identifying areas for redevelopment of substandard housing.
4. Continue to explore the “New Urbanism” movement, which encourages higher densities, narrower streets, narrower lot frontages, and alternative open space designs to promote land conservation and a stronger feeling of community within residential developments.

Increase Demand: to reduce risk by increasing predictability of absorption

1. Target current renters making between 50% and 80% of median income
2. Encourage the creation of employer assisted housing programs, including the school districts, city and county employees, and major employers in the area. Contact the FannieMae Partnership Office in Chicago for national models and marketing and sales materials.
3. Merge existing buyer education programs into one locally created community-wide program; expand credit counseling preparation for future homebuyers.

STUDY OF AFFORDABLE HOMEOWNERSHIP NEEDS IN THE BLOOMINGTON-NORMAL COMMUNITY

I. Purpose of Report and Introduction

In the first two Community Assessment of Needs studies (1995, 2000), the residents of McLean County identified affordable housing as a high priority issue. Preliminary information from Assessment 2005 indicates affordable housing is still a major concern to both key informants and those completing the household survey. In the survey, 63.8% said affordable housing was much or very much a concern.

Because of those concerns, in the summer of 2002, the Community Advocacy Network (CAN) published a study of the affordable rental housing needs in the community (A Comprehensive Study of Affordable Rental Needs in the Bloomington-Normal Community). This study also included a summary of Best Practices around the country, as identified by the U.S. Department of Housing and Urban Development (HUD), of how other communities have begun to address similar needs.

This year (2004) as part of the 2005 Community Assessment of Needs, CAN determined to address affordable homeownership needs. Identifying those needs and proposing strategies to address them is the focus of this report.

Data Sources

This report uses a combination of secondary and primary data sources. Secondary sources include information from the 2000 Census, HUD's special analysis of that data called the Comprehensive Housing Affordability Study (CHAS) and the Bloomington-Normal Association of Realtors. Primary data sources consist of a series of interviews with representatives of the development, real estate and lending communities and local governmental representatives.

Summary of Homeownership Data for McLean County: 2000 Census

The following information was extracted from an analysis of the 2000 Census performed by Health Systems Research, University of Illinois College of Medicine at Rockford:

- The owner occupied vacancy rate in McLean County was 1.8% compared with 1.5% in Illinois and 1.7% in the U.S. as a whole
- The owner-occupied supply expanded by 27% between 1990 and 2000, faster than the population growth of 16.5% (rental units rose only 11.3%)
- Home ownership reached 66.5% of the total housing units in the county, compared with 67.3% in Illinois and 66.2% in the U.S.
- There are some differences in home ownership rates according to ethnic categories: the white, non-Hispanic rate in 2000 was 69.6%; Hispanic was 46.2%; Black was 36.0%; Asian was 31.8%. Only the Asian rate was lower than their 1990 rates.

- During the past decade, homeownership rates grew in all age groups except those aged 45-54, which fell by 1.3%
- Owners live in homes that are larger than renters with a median of 6.7 rooms compared to 4.1 rooms for renters
- In terms of home values, owner occupied homes appreciated by 52.4% since 1990 from a median of \$78,500 in 1990 to \$119,600 in 2000
- In 2000, the median home value was \$162,100 for Asians; \$116,300 for Hispanics; \$114,600 for white, non-Hispanic; and \$105,400 for Black owned houses
- Only 14.1% of home owners in the county paid 30% or more of their incomes for housing compared with 21.8% of home owners in the U.S.
- From HUD's Chas data report, looking at the potential market for first time homebuyers (those currently renting), for those families between 50% and 80% of median income (4,542 households), 14.6% had some housing problems (663 households); 136 of those households had a severe cost burden (paying rent >50% of income) and an additional 182 households had a modest cost burden (paying rent between 30% and 50% of income).

# of Current Renters at 50-80% of median income	# of current renters between 50-80% of median income with some housing problem	# of current renters between 50-80% of median income with a severe cost burden (=> 50% of income for housing)	# of current renters between 50-80% of median income with a modest cost burden (30%-50% of income for housing)
4,542	663	136	182

- Ownership exceeds 90% for households earning \$100,000 or more according to the 2000 Census

II. Definition of "Affordable"

The secondary data would lead one to believe that the Bloomington-Normal community does not have a substantial "affordable" homeownership problem. Let's focus on two numbers: the homeownership rate of Bloomington-Normal compared with that of the rest of Illinois; and the median income of Bloomington-Normal MSA compared to the sales figures for new and existing homes compiled by the Bloomington-Normal Association of Realtors.

As noted above, based on the 2000 Census, the homeownership rate for McLean County is 66.5%; for the state of Illinois, the rate is 67.3%--less than 1% difference, or just under 500 units. If one makes two assumptions--that everyone who can afford to buy a home in Bloomington-Normal has done so and that the "appropriate" homeownership rate for the twin cities is that of the state as a whole--adding 500 affordable units to the supply, either through new construction or rental conversion in appropriate areas, over some period of time, and making these units available for first time home buyers, is an appropriate target. That is probably too simplistic and unlikely to be compelling for public policy makers.

Here is another group of numbers: According to information from HUD, the median family income for a family of four in the Bloomington-Normal MSA in 2003 was \$68,100. According to the Bloomington-Normal Board of Realtors, for the first 9 months of 2003, the average sales price for an existing single family home was \$142,016; for a newly constructed single family home it was \$198,627. The U.S. Department of Housing and Urban Development (HUD) in its special report based on the Census called the Comprehensive Housing Affordability Study (CHAS) calculates "affordable" using the following assumptions: a) 30% of gross income for housing expenses is appropriate; b) interest rates of 7.9% reflects the marketplace nationally (current mortgage interest rates are closer to 6%, but the data in the Census was gathered in 1999); and c) median utility, taxes, and insurance rates are calculated nationally. HUD then applies the rule of thumb that buying a home at 2.9 times a family's annual income is a realistic approximation of affordable.

Applying the above calculation to the Bloomington-Normal MSA and using the 2003 median income HUD supplied for the area (\$68,100 for a family of four), \$197,490 (2.9 times \$68,100) would buy an average existing home, and a new condo (average sales price = \$100,538 for the first 9 months of 2003 supplied by the Bloomington-Normal Association of Realtors) or a new zero lot line home (average sales price = \$157,639-- same source). And, although the existing homes were only on the market for an average of 62 days, they also were sold at, on average, 96% of asking price. (Newly constructed homes were on the market an average of 122 days, but they sold at an average of 100.67% of their asking price).

Median Family Income 2003 Bloomington-Normal MSA	HUD definition of affordable (2.9 times annual income)	Sales 2003 Bloomington-Normal Board of Realtors: existing	Sales 2003 New condo	Sales 2003 New detached
\$68,100	\$197,490	\$149,611	\$100,538	\$225,523

What does all this mean for the Bloomington-Normal Community? The public policy issue is this: at what level should families have access to the primary way families build wealth in this country, through homeownership? And conversely, what level of income does it take to sustain homeownership? Couple those two numbers with the amount of resources that the Community can, and is willing to, raise and allocate to homeownership and the gap of "affordable" homeownership can be defined.

Habitat for Humanity, in their national model, has defined the level of family income appropriate for their investment of time and monetary resources as <50% of median income. Additionally, Habitat's philosophy is to do "whatever it takes" to see that this category of families is successful in becoming and remaining homeowners. Because this requires a high degree of intensity for each of their assisted home buyers, their ability to

produce in large numbers is somewhat restricted. Community support of their efforts to double their production in the next several years should receive the highest of priorities.

Communities around the country investing in affordable homeownership programs in similar circumstances as Bloomington-Normal have defined the “sustainable” group of families targeted for homeownership assistance as those whose incomes are between 50% of median income (\$34,050 in B-N in 2003 for a family of four) and 80% of median income (\$54,480 in B-N in 2003). The higher number is primarily because of the source of the primary resources (Community Development Block Grant and Home Partnership Program). Other communities nationally, willing to use non-federal resources, believe that assistance should be provided to families making up to 100% of median income.

Again, using the 2.9 times annual income rule of thumb, investing with federal resources in Bloomington-Normal means producing, either through rehabilitation of substandard units or new construction, some number of units that sell between approximately \$98,750 and \$158,000.

III. Target Populations

There is another way of looking at the “right” number to decide what “affordable” means. Focus on two facts--the first from the aforementioned A Comprehensive Study of Affordable Rental Needs in the Bloomington-Normal Community and the second from the report produced annually by the National Low Income Housing Coalition called Out of Reach.

Here’s the first, from page 2 of the 2002 rental study: “Of the employees in the 20 most contributing occupations in McLean County, accounting for 20% of the County’s workforce, 83% (21,840) do not make an average salary greater than or equal to 60% of the median income.” Here’s the second, from the 2003 Coalition study: 100% of the median family income for the current renters in Bloomington-Normal is \$29,720.

Here are another set of numbers to consider: The median income for those teaching in Unit 5 of the School System is \$42,852 (63% of median assuming a family of 4) and for District 87, it is \$49,469 (73% of median assuming a family of 4). The median income for firefighters in Bloomington is \$40,795 (60% of median assuming a family of 4); for firefighters in Normal is \$46,261 (68% of median assuming a family of 4).

Median Income (2003) B-N MSA	Median Income Unit 5 Schools	Median Income District 87 Schools	Median Income Bloomington firefighters	Median Income Normal firefighters
\$68,100	\$42,852	\$49,469	\$40,795	\$46,261

What should public policy say about who ought to be able to own a home in the community where they work? And whose responsibility should it be to insure that? Employers? The community as a whole? How much subsidy is “enough”? To convert

existing renters to homeowners would mean producing products for sale closer to the \$86,280 range. Providing homeownership opportunities for teachers and firefighters in the locale where they work would fall within the range many communities noted above address in their homeownership programs: 50% to 80 % of the area median or a house selling between \$98,750 and \$158,000.

IV Current Local Conditions and Projects

For new construction of affordable housing in the Bloomington-Normal market place, the keys, according to many of the players in that market, are: 1) lot costs, 2) finding builders willing to build the product, and 3) credit issues associated with prospective buyers.

Undeveloped, available land in the area may be in short supply, and therefore expensive, which could make individual lot costs high. According to officials in Bloomington this is not the case, since there are approximately 1140 acres of residentially zoned land not yet developed.

In other areas in the Midwest producing single family housing, land costs run approximately \$5,000 per house (\$15,000 per acre average) in single family low density districts. Infrastructure development costs in these districts, including profit and overhead, run between \$20,000-\$25,000 per house. This means a total sales price of between \$25,000 and \$30,000 per lot.

The market in Bloomington-Normal can match typical infrastructure costs, but apparently not land costs since the current minimum cost to purchase a developed lot is in the \$40,000-45,000 range. For a modest single family home of 1200 sq ft with typical construction costs of \$65 per sq ft, putting a unit on that lot will cost an additional \$78,000 for a total minimum selling price of \$118,000, which is the middle range of what we have defined as "affordable"--if builders can be found willing to build and if lots can be found on which to build. (One local developer gave the per square foot cost for the unit closer to \$85; others said \$65 was "a fairly good estimate.")

Two such developments, one subsidized, one not, are occurring at the present time in Bloomington, adjacent to each other. The partially subsidized development, called Founders Square, began in August 2003. It consists of a total of 30 lots and is a partnership among the Tornquist Foundation, the City of Bloomington, the Illinois Housing Development Authority, National City Community Development Corporation, the Federal Home Loan Bank Affordable Housing Program, and Habitat for Humanity. The 15 "Tornquist" houses are 1300 sq ft with a full basement, a 2 car garage, 3 bedrooms, 2 baths, a patio, and landscaped with grass only. The 15 "Habitat" houses have no basement, a 1 car garage, 1 bathroom, and the size is based on the size of the family that will occupy the finished house.

The City of Bloomington donated the land cost (\$70,000) and an additional \$120,000 for infrastructure with the bank CDC providing the remaining upfront infrastructure

development costs through a construction loan to the limited partnership to be paid back through an IHDA grant (\$270,000) as each house is sold. In addition, the \$150,000 AHP grant will be used to subsidize, at \$5000 per unit, the actual selling price of the home. The Tornquist Foundation is subsidizing the land cost. The City is also pre-qualifying the homebuyer.

The product being developed would sell on the open market without the subsidies for approximately \$125,000 (\$85,000 for the unit and \$40,000 for the lot.) Because of the above subsidies, the end price for the homebuyer will be between \$75,000 and \$80,000.

The Tornquist Foundation is working on another project in the area, which consists of 16.2 acres to become 58 lots. In terms of the Foundation resources, they can and are willing to commit to 10 houses per year under similar circumstances as Founders Square.

The unsubsidized development near Founders Square is being developed by Coldwell Banker, Larry Hundman, President, on land that can accommodate 100 lots. These houses will be priced between \$110,000 and \$120,000 and will have 3 bedrooms, a basement, 2 car garage, and 1 bath in 1100 sq ft. When asked the motivation to develop in this marketplace, Mr. Hundman said their firm recognized a healthy market exists in the area for houses selling in the price range noted above.

However he noted that this development is being done under special circumstances unlikely to be found elsewhere in the area. His company already owned the land, which was originally planned for industrial use that never happened. They are also acting as the developer and are building and selling the houses; therefore, they can work with the small profit margins generated for each of the transactions.

Mr. Hundman's firm has also developed in the condominium market (often an alternative to single family development for affordable housing) providing townhouses with selling prices in the \$110,000-114,000 range.

Another recently completed affordable development mentioned in interviews with members of the real estate and financial community is in Normal, called Savannah Green, where unit pricing started at \$108,000. However, current pricing seems to be in the \$120,000-140,000 range.

What do the current activities described above mean for the affordable homeownership marketplace going forward? Even if land could be found, just putting together partnerships like that for Founders Square is enormously time and energy consuming for those involved. Once the lots currently in the pipeline or on the drawing boards are absorbed, what next?

There are non-profits like Habitat for Humanity, YouthBuild, the new 501(c)(3) being created with the Bloomington Housing Authority, and the Twin Cities Development Partnership working hard to both rehabilitate existing and build new units. While these

activities are commendable and necessary and absolutely should continue, they can only produce a limited number of affordable units per year.

Is there a permanent, ongoing model that Bloomington and Normal can establish which will more systematically address the affordable homeownership needs for the community?

Let's look at the components of what it takes to produce these units and identify the places where the public, private, and non-profit sectors can bring each of their special skills to bear.

V The Components

In order to address the affordable for-sale housing challenge in Bloomington-Normal, it is helpful to look at each of the components separately. These components are: financing, usable lots, unit construction, and the homebuyer.

Financing

Financing includes two categories: **permanent (in this case, single family mortgages) and construction**. Potential sources of financing are many in the Bloomington-Normal area and to quote a prominent member of the community: "The lending environment in Bloomington-Normal has never been better." For first mortgage borrowing, private local banks and state and national mortgage companies, (all of whom sell most of the mortgages they initiate to secondary market intermediaries such as FreddieMac and FannieMae), are active in the local area. Also, potentially, all of the affordable housing lending products that have been developed by Fannie and Freddie over the last decade are accessible to the Bloomington-Normal market. Additionally, FHA and VA mortgages could be accessed, although there does not appear to be much activity in Bloomington-Normal.

To reduce the cost of housing to the homebuyer, second mortgage borrowing through HUD's HOME Partnership Program and the State of Illinois affordable housing trust fund, both managed by the Illinois Housing Development Authority, have been used by the City of Bloomington before and are potentially available again. The Illinois Housing Development Authority also makes less costly mortgage money available to Bloomington-Normal through their mortgage revenue bond program.

Conventional development projects typically are funded with a construction loan made to a developer from a local bank, which is then paid off out of the proceeds from the permanent loans (mortgages) made to the individual home purchasers. The availability of construction lending is also good in the Bloomington-Normal area.

There was virtually universal agreement that the challenge of addressing the affordable for-sale housing needs in the community did not include financing and that the resources were known and in place.

The Housing Unit

The cost to produce a unit of housing in the Bloomington-Normal area is not out of line with the costs in other communities in the state. The area is also fortunate to have builders and developers willing to participate in the affordable housing market if they feel that some of the risks associated with development can be identified and controlled. Those risks primarily include absorption rates (by having the end user guaranteed in some way), some assurance of cooperation on zoning (if re-zoning is necessary), and the continued willingness of officials in Bloomington to waive development fees for affordable housing.

The Homebuyer

The conventional lending market rejects large numbers of low and moderate income families because of bad credit. The loss of these families from the real estate market has an affect not only on the families themselves but also on the real estate industry. The way developers and builders make money in any housing development is directly related to the absorption rate of sales of their product. Every day a unit goes unsold is another day of interest costs on the construction loan, which moves directly to the bottom line and lost profit.

To encourage more development of affordable housing, some entity needs to increase the demand side of the market to the point of guaranteeing a steady supply of potential buyers. There are a number of ways to do this and some of it is being done currently on a project by project basis, but not in a systematic way and not producing a big enough pool to attract much private sector attention.

To increase the demand side of the equation, the community, through its public and not-for-profit sectors, could create several programs that 1) prepare the potential buyer to be successful by creating education programs for first time homebuyers and credit counseling programs for future homebuyers. (It appears that there currently are many education programs in the area already; however, the community may wish to review those programs and design one program that can be more tailored to reflect local conditions and offered community wide. Credit counseling programs also exist, but they are not being utilized as much as they could be.) ; 2) encourage private employers to survey their employees and encourage more homeownership by establishing loan and grant programs for down payment and closing cost assistance; and 3) offer post purchase assistance on family budgeting and home repairs and maintenance. A steady supply of prepared and pre-qualified buyers is likely to increase the willingness of the private real estate market to respond.

Which leaves the last component: **the usable lot.**

The Usable Lot

This component is the one identified consistently as the single most important reason that the area has an affordable housing issue. This is also the one that is most directly affected and controlled by local government. Local government has control through zoning. Local government has control over infrastructure requirements. Local government has control over development fees. Local government has been given authority by the state to create housing tax increment financing districts where the increment from property taxes created by the development itself can be used to issue bonds to pay for land acquisition and infrastructure improvements.

Local government also has access to a program through its Community Development Block Grant (CDBG) program called Section 108. This program allows the grantee (the city) to borrow (at a very favorable rate) up to 5 times its annual grant and pay it back over up to 20 years, either with CDBG funds or with alternative resources. Any activity that is eligible under the CDBG program is eligible to use Section 108. Land acquisition and preparation for development is an eligible activity under the program, as are acquisition of standard units and acquisition/rehabilitation of substandard units.

The questions before local government officials always are: First, what is the political will to facilitate the development of affordable housing? And second, what will it cost to use the authority provided to local governments for this activity?

Should the community permit higher densities through approving smaller lots in single family residential districts? Or allow construction of land-conserving types of housing for sale such as condos, townhouses, and duplexes in single family residential districts? In both cases, neighbors might object and show up at the public hearing in heavy numbers. Or, if there are no nearby neighbors, is that because the location is undesirable for residential use and long term retention of value for the houses developed may be a problem?

Should compromises be made on reducing infrastructure standards (eg. narrower streets; swale drainage as opposed to full curb and gutter; sidewalks required only on one side of the street) for affordable housing? If yes, what message does that convey about value?

Here's another issue, should land be removed from the inventory of industrial land and rezoned for single family residential use? Will such actions reduce the supply of industrial land below that necessary to promote a sustainable community?

Another level of concern raised by interviewees was the question of mixed income residential areas. History (usually by making mistakes) has shown us that the ideal development for long term viability of an area is a mixed income one. Clustering

“affordable” housing in one area may not be the best solution in the long run. It was suggested that the best approach might be for the local government to buy lots in all residential subdivisions as an incentive for local developers to build a percentage of units in the affordability category. What would this do to the appraised values of the non-subsidized lots? (According to a recent study by the McLean County Regional Planning Commission, appreciation of housing in mixed income residential subdivisions increased somewhat faster than that in homogeneous subdivisions.) Would this technique provide enough of that risk-reduction sought by residential developers to attract more to the market place?

VI Summary Analysis and Potential Strategies

On the surface, the Bloomington-Normal Community does not have a significant affordable home ownership problem from the demand side of the equation. Using HUD’s guidelines for affordability (2.9 times annual gross income), the private market place is building products affordable to families making over 70% of median income for the area. Home sales remain strong. Median incomes match existing and some newly constructed homes (zero lot line town homes and condos). Home ownership percentages generally match the state and the nation.

In fact, the information from secondary data sources (2000 Census and CHAS), shows that all of Bloomington-Normal’s homeownership #'s are consistent with those of the rest of the country. **In one particular category, the Bloomington-Normal MSA is doing much better than the country as a whole: in Bloomington-Normal, 14.1% of homeowners were paying more than 30% of their incomes for housing; in the U.S. as a whole, the comparable rate is 21.8% of the homeowners were paying more than 30% for housing.** This supports the information earlier in the report that relative to income, in general, owner occupied housing in this area is somewhat under priced by national standards.

As in most communities around the country, financing, both construction and permanent mortgages, is not the problem. Neither are infrastructure development costs nor the construction cost of the houses.

The single most important factor in affordability in new construction in Bloomington-Normal is the affordability of land suitable for developing single family residential lots, thereby inflating the cost of that land and ultimately the sale price for developed lots. The second important factor is the perception (and reality) of risk in developing affordable subdivisions: how to remove the constraint of an unpredictable supply of potential buyers ready and able to become homeowners.

The community has several alternative ways to address these two issues.

Regulatory: to reduce costs

A) Zoning Regulations

By increasing density through approving smaller lot sizes or allowing for zero lot line town homes and condominiums in all zoning districts, infrastructure development costs can remain fixed but spread over a greater # of lots, hence becoming less expensive for each individual homebuyer. Development and design standards could be controlled through planned unit developments (PUD) if there is community concern that quality would be compromised. A word of caution here: using planned unit development regulations could increase the time for approvals and potentially add to development costs.

Both the City of Bloomington and the Town of Normal currently permit manufactured housing in parks within residential zoning districts. Some policy makers see manufactured housing as a potential source of affordable housing.

B) Subdivision Regulations

As noted earlier, relaxing infrastructure construction requirements and allowing new kinds of subdivision site planning has been used by some communities to keep housing affordable. Care must be taken that narrower streets, alternatives to sidewalks, narrower lot frontages, and alternative drainage and open space requirements do not simply pass the bill to future residents by decreasing short term costs, but increasing long term costs, thereby decreasing the future value of these units.

The “New Urbanism” movement, which uses some of the above techniques to keep new subdivisions affordable, seems to be growing in this country. Local officials should continue to explore how these techniques can be used in Bloomington-Normal without compromising community standards.

Financial Incentives: to reduce costs and risks

A) Tax Increment Financing (TIF)

Using the state-enabled TIF statutes, the community can promote mixed income subdivisions. If the cost of land and infrastructure improvements is reduced through the issuance of TIF bonds, repayable on sale of individual lots, developers can reduce interest costs on acquisition and infrastructure costs. If repayment is structured to occur only as lots are sold--at least for the below-market rate lots--absorption risk is also reduced. Savings derived can then be passed on to homebuyers through reduced sales prices of those houses. Other units can be priced at market rate.

B) 501 (c) (6) Organizations

If the area to be developed does not qualify for TIF bonds, some communities have used Industrial Development Authorities or some other 501 (c) (6) organization to issue tax-exempt development bonds to accomplish the same purpose. These authorities actually can act as the quasi-public developer and contract with individual home builders to provide the unit as demand warrants. Lots can be priced at either below market or market, thus promoting mixed income subdivisions. Recently, the Economic Development Council of the Bloomington-Normal Area, which is a 501 (c) (6) organization, has been re-activated. Although it is not an Industrial Development Authority, the Council could be approached to discuss the relationship between the availability of affordable housing and economic development.

C) Section 108

As noted earlier, the Section 108 program can also be used as the borrowing mechanism for acquisition of land and infrastructure development for new construction of housing for incomes at or below 80% of median. These debentures are issued through the federal government and interest rates are priced at the T bill rate for comparable maturities. Nominal fees are charged back to the local jurisdiction. The notes can be paid back with Community Development Block Grant funds and/or through second mortgages or first mortgages as the lots sell. Repaid funds can be used multiple times. Pro rating the costs of acquisition and infrastructure development between market rate and subsidized lots can also produce mixed income subdivisions through this program.

Increasing Demand: to reduce risk by increasing predictability of absorption

A) Insuring a steady stream of pre-qualified buyers through education programs

An example of how one community in Oklahoma's rural area successfully created a model to address their affordable housing needs is a program developed in Guymon, OK. They created a locally designed homebuyer education program to increase demand.

It is not enough to have market studies that indicate a need for new housing units based on demographics. There must be an individual/family who wants to become a homeowner who has adequate income, a high enough credit rating, and who stays qualified until they can close on a home.

This is where a well-structured education program comes in: to de-mystify the process, prepare buyers to be good owners, and turn need into demand. Guymon's program is run by volunteers from public and private organizations who bring together resources that

work co-operatively. The partners include city officials (including building inspectors), nonprofit housing organizations, social service agencies, Federal Home Loan Bank member banks, builders, developers, and the real estate and insurance communities.

The classes are structured around: 1) understanding financial issues, including credit, budgeting, mortgages, insurance, and taxes; 2) understanding home maintenance, such as changing air filters, fixing toilets, and landscaping. The education is provided one-on-one. Credit reports are provided and explained for individual families at the first session. The last session includes filling out a loan application and helping families understand what they can afford.

One affordable housing developer in Norman, Oklahoma says the secret to his incredibly successful track record since he added that market to his mid-level and luxury homebuilding business five years' ago is "controlling expectations". For a first time homebuyer, who may lack experience and role models as a homeowner, understanding the product and how to maintain it is the key to a satisfied homeowner. When it comes time for that homeowner to "move up" in the market, he will likely be attracted to the builder who satisfied him the first time around.

B) Insuring a steady stream of pre-qualified buyers through employee assistance programs

Encouraging employers to develop employee assisted housing programs is another way some communities have been successful in increasing demand for affordable housing. FannieMae has developed a computer program that shows that employers who retain employees through programs such as this can recoup the costs of these programs by saving on the costs of recruiting and training new employees. Partnership models from FannieMae are included in the Appendix. Most of these programs are used for first time homebuyers. Information about the computer program and other FannieMae homeownership programs can be provided by the Partnership offices. The Chicago FannieMae Partnership has recently (April, 2004) expanded to include all of Illinois. (The Director is Kerry Young 312-368-8815)

To quantify the magnitude of the potential market (probably somewhat inflated since many in the number are probably students at the local universities, but perhaps realistic since the number does not reflect those who might move into the community to find work), consider this number: According to the CHAS (included in the Appendix), current renter households making 50-80% of median income numbered 4,542 when the 2000 Census was taken.

If the community wants teachers and firefighters and other service workers, identified by the rental housing study and the Chamber of Commerce's Workforce Housing Task Force, to be able to buy homes in the communities they serve, local employers should be encouraged to develop employee assisted housing programs. Surveys for both renters and owners used for this purpose in Paul's Valley, OK are included in the Appendix.

VII Other Conclusions

The current efforts of the public, nonprofit, and private development communities in the Bloomington-Normal area should be recognized, highly commended, and encouraged to continue. These efforts meet, and in many cases, exceed the Best Practices of communities around the country. If the community feels it is appropriate to move those efforts to the next stage and prepare for the next five years in a proactive way, some or all of the strategies identified in Section VI can set the agenda for public discussion and consensus building as the community moves forward.

Interviewees

January, 2004

Larry Maschhoff, President/CEO
Bank of Illinois

Laurie Peterson
CRA Manager Central Illinois
National City Bank

Jill Doran
LIFECIL

Steve Snyder
Prudential Snyder/Armstrong Realty

John Tornquist
Tornquist Foundation

Eleanor Mohammed
Robin Robinson
State Farm Bank

Larry Hundman, President
Coldwell Banker HOA

Connie Griffin
Community Development Program Manager
City of Bloomington

Steve Westerdahl
Community Development Director
Town of Normal

APPENDIX

***2003 nine months sales statistics
Bloomington-Normal Association of Realtors**

***CHAS Data: Affordability Mismatch Output for All Households
2000 Census**

***CHAS Data: Housing Problems Output for All Households
2000 Census**

***Fannie Mae Partner Models
Employer Assisted Housing Programs**

***Sample Surveys
Employer Assisted Housing Programs**

***Fannie Mae
Illinois Partnership News Release**

2003 SALES STATISTICS

9 mos

Bloomington-Normal Properties Sold (1/1/03-9/30/03)

Bloomington-Normal Association of Realtors® Multiple Listing Service (MLS)
Compiled October 13, 2003

*Average List Price and Average % of List to Sale is based on List Price of Properties at the time of sale.
(Information provided in this table is believed to be accurate, but is not guaranteed)

Property Type	# of Properties Sold	Total \$ (List)	Total \$ (Sale)	*Avg. List \$	Avg. Sale \$	*Avg. % List to Sale	Avg. DOM
House (New Construction)	338	75,993,788	76,226,833	224,834	225,523	100.31	118
Condo (New Construction)	30	2,990,700	3,016,142	99,690	100,538	100.85	140
Zero Lot (New Construction)	150	23,218,734	23,645,826	154,792	157,639	101.84	129
Total (New Construction)	518	102,203,222	102,888,801	197,304	198,627	100.67	122
House (Existing)	993	154,449,188	148,563,947	155,538	149,611	96.19	63
Condo (Existing)	110	9,525,150	9,268,365	86,592	84,258	97.30	62
Zero Lot (Existing)	93	12,282,150	12,018,400	132,066	129,230	97.85	52
Total (Existing)	1,196	176,256,488	169,850,712	147,372	142,016	96.37	62
Blended Totals (New & Existing)	1,714	278,459,710	272,739,513	162,462	159,125	97.95	80

Suburban and Rural Properties Sold (1/1/03-9/30/03)

Bloomington-Normal Association of Realtors® Multiple Listing Service (MLS)
Compiled October 13, 2003

*Average List Price and Average % of List to Sale is based on List Price of Properties at the time of sale.
(Information provided in this table is believed to be accurate, but is not guaranteed)

Property Type	# of Properties Sold	Total \$ (List)	Total \$ (Sale)	*Avg. List \$	Avg. Sale \$	*Avg. % List to Sale	Avg. DOM
House (New Construction)	37	7,211,557	7,122,076	194,907	192,489	98.76	123
Condo (New Construction)	0	0	0	0	0	0.00	
Zero Lot (New Construction)	7	848,900	857,000	121,271	122,429	100.95	146
Total (New Construction)	44	8,060,457	7,979,076	183,192	181,343	98.99	127
House (Existing)	479	64,954,389	61,448,835	135,604	128,286	94.60	106
Condo (Existing)	2	213,900	211,900	106,950	105,950	99.06	69
Zero Lot (Existing)	6	769,100	748,000	128,183	124,667	97.26	99
Total (Existing)	487	65,937,389	62,408,735	135,395	128,149	94.65	106
Blended Totals (New & Existing)	531	73,997,846	70,387,811	139,356	132,557	95.12	107
Grand Total (New & Existing; B-N, Suburban, & Rural)	2,245	352,457,556	343,127,324	156,997	152,841	97.35	87

SLDYTD03(9-30-03)

SOCDS CHAS Data: Affordability Mismatch Output for All Households

Name of Jurisdiction: McLean County, Illinois	Source of Data: CHAS Data Book				Data Current as of: 2000			
	Renters Units by # of bedrooms				Owned or for sale units by # of bedrooms			
	0-1 (A)	2 (B)	3+ (C)	Total (D)	0-1 (E)	2 (F)	3+ (G)	Total (H)
Housing Units by Affordability								
1. Rent <=30%					Value <=30%			
# occupied units	1,454	1,498	1,614	4,566	N/A	N/A	N/A	N/A
% occupants <=30%	64.2	41.7	27.3	43.7	N/A	N/A	N/A	N/A
% built before 1970	44.6	43.9	56.5	48.6	N/A	N/A	N/A	N/A
% some problem	29.5	27.5	17.0	24.4	N/A	N/A	N/A	N/A
# vacant for rent	202	185	101	488	N/A	N/A	N/A	N/A
2. Rent >30% to <=50%					Value <=50%			
# occupied units	3,518	5,255	1,516	10,289	409	4,230	8,261	12,900
% occupants <=50%	58.6	35.8	39.0	44.1	45.0	34.9	19.0	25.1
% built before 1970	49.4	36.1	55.4	43.5	74.1	62.0	69.3	67.0
% some problem	42.5	30.6	36.0	35.5	32.0	23.4	16.1	19.0
# vacant for rent	282	436	100	818	# vacant for sale	31	177	394
3. Rent >50% to <=80%					Value >50% to <=80%			
# occupied units	707	1,982	1,050	3,739	141	2,241	14,381	16,763

% occupants <=80%	60.0	46.1	54.4	51.1	73.0	39.4	19.0	22.2
% built before 1970	24.9	21.5	36.8	26.5	73.0	64.5	37.0	41.0
% some problem	50.8	35.5	45.2	41.1	27.7	18.7	11.9	12.9
# vacant for rent	40	85	37	162	# vacant for sale	14	70	154
4. Rent >80%					Value >80%			
# occupied units	154	85	172	411		97	770	6,991
# vacant for rent	0	10	0	10	# vacant for sale	8	45	201
								238
								7,858
								254

Note: When using Internet Explorer, please save file in Excel format.

Definitions:

Rent 0-30% - These are units with a current gross rent (rent and utilities) that are affordable to households with incomes at or below 30% of HUD Area Median Family Income. Affordable is defined as gross rent less than or equal to 30% of a household's gross income.

Rent 30-50% - These are units with a current gross rent that are affordable to households with incomes greater than 30% and less than or equal to 50% of HUD Area Median Family Income.

Rent 50-80% - These are units with a current gross rent that are affordable to households with incomes greater than 50% and less than or equal to 80% of HUD Area Median Family Income.

Rent > 80% - These are units with a current gross rent that are affordable to households with incomes above 80% of HUD Area Median Family Income.

Value 0-50% - These are homes with values affordable to households with incomes at or below 50% of HUD Area Median Family Income. Affordable is defined as annual owner costs less than or equal to 30% of annual gross income. Annual owner costs are estimated assuming the cost of purchasing a home at the time of the Census based on the reported value of the home. Assuming a 7.9% interest rate and national averages for annual utility costs, taxes, and hazard and mortgage insurance, multiplying income times 2.9 represents the value of a home a person could afford to purchase. For example, a household with an annual gross income of \$30,000 is estimated to be able to afford an \$87,000 home without having total costs exceed 30% of their annual household income.

Value 50-80% - These are units with a current value that are affordable to households with incomes greater than 50% and less than or equal to 80% of HUD Area Median Family Income.

Value > 80% - These are units with a current value that are affordable to households with incomes above 80% of HUD Area Median Family Income.

SOCDS CHAS Data: Housing Problems Output for All Households

Household by Type, Income, & Housing Problem	Name of Jurisdiction: McLean County, Illinois		Source of Data: CHAS Data Book		Data Current as of: 2000						
	Renters			Owners							
	Elderly 1 & 2 member households (A)	Small Related (2 to 4) (B)	Large Related (5 or more) (C)	All Other Households (D)	Total Renters (E)	Elderly 1 & 2 member households (F)	Small Related (2 to 4) (G)	Large Related (5 or more) (H)	All Other Households (I)	Total Owners (J)	Total Households (K)
1. Very Low Income (Household Income <= 50% MFI)	1,297	1,928	384	5,158	8,767	2,454	1,303	345	1,129	5,231	13,998
2. Household Income <=30% MFI	820	891	130	3,124	4,965	1,046	458	106	453	2,063	7,028
% with any housing problems	50.6	78.5	80.8	80.4	75.2	67.8	70.3	83.0	77.0	71.2	74.0
% Cost Burden >50% and other housing	1.2	2.7	28.5	0.6	1.8	0.4	0.9	7.5	2.2	1.3	1.6

% Cost Burden >50% and other housing problems	6.3	0.0	0.0	0.8	0.7	0.0	1.7	0.0	0.4	0.6
% Cost Burden >30% to <=50% and other housing problems	0.0	2.3	3.9	0.9	0.0	0.0	6.7	0.0	0.5	0.7
% Cost Burden <=30% and other housing problems	0.0	4.1	35.0	3.6	1.0	2.2	15.5	0.6	2.3	3.0
% Cost Burden >50% only	14.0	4.1	5.5	9.4	7.5	28.0	5.0	18.3	15.1	12.0
% Cost Burden >30% to <=50% only	30.4	36.3	27.2	38.0	18.5	27.8	35.6	30.2	24.7	32.0
4. Household Income >50% to <=80% MFI	373	1,475	242	4,542	1,910	2,447	599	1,293	6,249	10,791

% with any housing problems	15.0	11.6	39.7	13.9	14.6	12.8	37.0	28.0	37.2	28.8	22.8
% Cost Burden >50% and other housing problems	4.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.1
% Cost Burden >30% to <=50% and other housing problems	0.0	1.4	0.0	0.0	0.4	0.0	0.6	0.7	0.0	0.3	0.4
% Cost Burden <=30% and other housing problems	0.0	2.3	39.7	0.3	3.0	0.5	0.8	4.0	1.9	1.3	2.0
% Cost Burden >50% only	5.1	1.3	0.0	0.9	1.3	4.2	7.2	4.8	6.7	6.0	4.0
% Cost Burden >30% to <=50% only	5.9	6.6	0.0	12.7	9.5	8.1	28.4	18.5	28.5	21.3	16.3
5.	463	2,331	224	2,675	5,693	3,907	16,211	2,745	3,200	26,063	31,756

Household Income >80% MFI	0.9	3.1	24.1	2.7	3.5	2.4	4.8	7.3	8.4	5.1	4.8
% with any housing problems	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% Cost Burden >50% and other housing problems	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.1	0.1
% Cost Burden <=30% and other housing problems	0.0	2.5	24.1	1.8	2.8	0.5	0.3	3.1	0.6	0.7	1.0
% Cost Burden >50% only	0.9	0.2	0.0	0.1	0.2	0.2	0.3	0.3	0.6	0.3	0.3
% Cost Burden >30% to <=50%	0.0	0.4	0.0	0.7	0.5	1.6	4.1	3.5	7.2	4.1	3.4

	only											
6. Total Households	2,133	5,734	850	10,285	19,002	8,271	19,963	3,689	5,622	37,543	56,545	
% with any housing problems	33.6	24.9	51.4	39.1	34.7	17.4	12.5	16.6	25.5	15.9	22.2	

Note: When using Internet Explorer, please save file in Excel format.

Definitions:

Any housing problems: cost burden greater than 30% of income and/or overcrowding and/or without complete kitchen or plumbing facilities.

Other housing problems: overcrowding and/or without complete kitchen or plumbing facilities.

PARTNER MODELS

I. BUSINESS GROUP ADMINISTRATOR

Downtown Saint Louis Partnership Inc. Model

Plan Administration

- The Partnership administers plan for any employer located within Targeted Geographic Area 1
- Markets EAH program to employers
- Assists in transportation of any legal documents certifying employee's status to participant in Program
- Produce regular Available Space Profiles to help find properties within area for purchase
- Provide semi annual financial statements to each participating employer detailing the funds available, employee forgiveness and/or payments
- WILL NOT: fund or subsidize any plan or assume or share any liability for loan repayment or tax liabilities

EAH Loan Process	Down Town Saint Louis Partnership Member Employees	Employees of Other Employers
1. Appli-cation	Employees submit a completed EAH Loan Application to the Program Administrator.	Employees submit a completed Employee Eligibility Form to their HR Department
2. Approval for Funds	- Program Administrator and Partnership determine if employee is eligible and funds are available. - If approved, employee receives Certificate of Eligibility from the Program Administrator	- If approved, HR certifies employee's eligibility and gives employee a signed Employee Eligibility Form - To reserve funds, employee submits EAH Loan Application, along with the Employee Eligibility Form and a <i>fully</i> executed sales contract to the Program Administrator; if funding is available (funding is first come first served based on what employer puts in) Program Administrator issues a Funding Reservation Form for use within 120 days.
3. Lender Application	Employee gives lender Certificate and Partnership Program description.	Employee provides lender with Employee Eligibility Form, Funding Reservation Form and EAH Plan Description.
4. Docu-mentation	Once approved for a first mortgage, employee provides the Program Administrator: a) a copy of the Primary Loan Approval; b) a copy of the executed Sales Contract; c) legal description of the property; and d) name and address of Title Company or closing agent.	Once employee is approved, employee provides the Program Administrator with: a) copy of the Primary Loan Approval letter; b) legal description of the property; and c) name and address of Title Company or other closing agent.
5. Pre-Closing Meeting	- Program Administrator holds a pre-closing meeting with employee at which the employee completes an EAH Promissory Note and Subordinate Deed of Trust and any other required documents.	Same
6. Funding	- Program Administrator submits a check for the amount of the EAH loan and fully executed Subordinate Deed of Trust along with instructions to the Title Company or closing agent for the closing of the EAH loan.	Same

	- EAH loan proceeds disbursed at closing of the purchase transaction and simultaneously with the closing of the first mortgage.	
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Employer Responsibilities

- Be located within Targeted Geographic Area 1
- Verify the number of employees able to participate in a given year
- Make funds available for the number of employees able to participate in a given year
- Certify and employee's eligibility

EAH Benefit

- One-time only, secured, 5-year forgivable loan at 0% interest for down payment and closing costs associated with the purchase of a primary residence
- \$5,000 for employees purchasing homes within Targeted Geographic Area 1; \$2,000 for those within Geographic Targeted Area 2
- Loan forgiven if still an employee of the Partnership and owner occupant of the home
- Forgiveness at the end of each year as follows: 12 months, 10%; 24 months, 15%; 36 months, 20%; 48 months, 25%; and 60 months, 30%
- Loan immediately due and payable if no longer owner of the home, no longer owner-occupant, leaves the partnership

Eligible Employees

- Current, full time employees who have worked for the Partnership for 6 months or an employee relocating to the St Louis area for employment with the Partnership
- If outside Targeted Geographic Area 1, first time home buyers or relocating employee

Geographic Restrictions

- Targeted Geographic Areas 1 or 2

Property Restrictions

- 1-4 unit building, loft or condominium being used as primary residence

First Mortgage Lender

- First mortgage underwritten in accordance with Ginnie Mae, FHA, VA or Fannie Mae
- Any lender, but a list of those familiar with program are provided

II. NON-PROFIT ADMINISTRATOR IN PRIVATE/NON-PROFIT PARTNERSHIP

Downtown Phoenix Homeownership Program Model

Plan Administration

- Phoenix Community Alliance (a downtown association of businesses, local government and civic leaders with over 100 businesses as members) serves as a catalyst.
- NHS provides the necessary home ownership education.
- NHS is the administrator for most of the employers.

EAH Loan Process Under the NHS Administrator

- Employees get an application for the EAH loan form and submit it completed to their HR Program Administrator.
- The HR Administrator forwards the application to NHS along with certification that the employee is eligible for the EAH benefit.
- The employee completes NHS home buyer training and receives a certificate of completion.

- The employee chooses a mortgage lender (with NHS assistance if needed) and enters into a purchase agreement.
- After the first mortgage is approved by the lender, the lender forwards information to NHS and NHS reviews the application.
- If approved, NHS sends the loan documents and checks to closing (assuming the employer has previously provided NHS with the funds; otherwise NHS sends the check request to the employer along with an instruction letter requesting the Administrator forward the check to closing).
- NHS secures the loan with a second deed of trust and promissory note.
- NHS initiates tracking of "forgiveness" and post purchase curriculum for the employees.

Employer Responsibilities

- Define the criteria for employee eligibility, the structure of the assistance, and the boundaries within the area.
- Set aside funds (initially \$150,000)
- NHS received a \$75,000 grant to support home ownership through the EAH program, out of which EAH benefits will come for employees of the 60 members of the Downtown Retail Council which represents small employers like taverns, flower shops, etc.

EAH Benefit

- APS: \$5,000 5-year forgivable loan for down payment and closing costs
- Arizona Republic: \$5,000 5-year forgivable loan for down payment and closing costs
- Bank of America: \$5,000 5-year forgivable unsecured loan for any mortgage expense plus counseling through their Homeownership Center.
- Wells Fargo: \$5,000 in grants for down payment and closing costs for a total of \$50,000 the first year
- Downtown Retail Council representing 60 businesses: interest free loans of \$5,000 in down payment and closing costs

Eligible Employees

- APS: Must take pre-purchase course on home buying through NHS
- Must be pre-qualified by a lender, have a home and be ready to enter into a purchase agreement.

Geographic Restrictions

- APS: downtown Phoenix area
- Wells Fargo: homes in areas with specific street boundaries
- Downtown Retail Council: homes in areas with specific street boundaries

Property Restrictions

- Up to each employer

First Mortgage Lender

- Up to the employee

Hispanic Federation Home Buyer Education Model

Plan Administration

- The Hispanic Federation (a non profit membership organization providing technical assistance and grants to 64 Hispanic social service member agencies) and 12 of its member agencies offer on-site home buyer education and credit counseling to employees interested in becoming home owners.
- The Federation coordinates all the workplace sessions, identifies participating lending and tracking referrals to mortgage and credit counseling agencies.

EAH Loan Process

- N/A

Employer Responsibilities

- Employers contribute space for the counseling sessions and time off to the employees during work hours to attend the sessions.

EAH Benefit

- On site during working hours home buyer education and counseling.

Eligible Employees

- Employees interested in buying a home and working for the participating employers.

Geographic Restrictions

- N/A

Property Restrictions

- N/A

First Mortgage Lender

- N/A

Washington University Medical Center Community Revitalization Program in the WUMU Redevelopment Center

Plan Administration

- Employee submits eligibility form to the WUMC Redevelopment Center (WUMCRC) Community Revitalization Manager (EAHP Administrator)
- Provides information about neighborhoods, for sale homes, program guidelines and lender names.
- Reviews employee submissions.
- Originates the second mortgage.
- Initiates a quarterly review of all EAHP participants by furnishing the HR offices with the names and addresses of all EAHP participants to verify they are still employed.
- Notifies the treasury offices if a sales or transfer is taking place

EAH Loan Process

- Employee contacts HR department to confirm eligibility.
- Employee obtains information on program, lenders, and homes from WUMCRC EAHP administrator.
- Employee meets with a participating lender to begin the loan approval process
- Employee submits verification of eligibility, lender approval, signed sales contract and inspection to WUMCRC staff.
- WUMCRC reviews and approves employee submissions.
- Employee and any co-buyer meet with the program manager within 5 days of the closing at which all required documentation (promissory note and subordinate deed of trust) is signed and given to the EAHP Administrator.
- EAHP Administrator checks and copies all the executed documents and delivers them to the appropriate title company.
- WUMCRC originates the second mortgage second mortgage at the closing of the first mortgage.
- Employee attends closing.
- After closing, title company records the subordinate deed of trust and then sends a copy to the EAHP Administrator.

Employer Responsibilities

- Two employers: Washington University and BJC Health System
- Confirm employee eligibility
- Fund loans

EAH Benefit

- 5- year forgivable loan for the lesser of up to \$4,000 or 5% of the purchase price for points, closing costs or down payment assistance.

Eligible Employees

- Employee in good standing of Washington University or BJC Medical Center
- Never used this benefit before

Geographic Restrictions

- Forest Park Southeast or Skinker-DeBaliviere neighborhoods

Property Restrictions

- Primary Residence
- 1-4 unit homes

First Mortgage Lender

- Approved list provided by plan administrator

III. HFA ADMINISTRATOR

HFA Model

Plan Administration

- The HFA markets the EAH program as a statewide service to employers across the state.
- The HFA administers the plan for all participating employers.
- The HFA creates a revolving fund lending pool with special appropriations.
- The HFA coordinates home buyer education and counseling efforts with the local non-profit in each community.
- The individual employers manage the employee approval process.

EAH Loan Process

- Employee requests approval for an EAH loan from company HR department.
- HR department issues an assistance voucher and provides a list of mortgage products with which the voucher can be used.
- Employee takes the assistance voucher and goes to a lender to get approved for a first mortgage.
- Lender contacts HFA and submits the assistance voucher.
- HFA debits the amount in the assistance voucher from the lending pool and sends the cash to the lender in the form of the second mortgage.
- HFA bills the employer for the cash and then employer repays the HFA lending pool.
- With EAH second mortgage to help cover down payment and closing costs, the employee receives the first mortgage and purchases the home.

Employer Responsibilities

- Issue employees assistance vouchers.
- Pay the bill from the HFA.

EAH Benefit

- Second mortgage.

Eligible Employees

- Up to each participating employer
- Employee with a benefit voucher

Geographic Restrictions

- Up to each participating employer

Property Restrictions

- Up to each participating employer

First Mortgage Lender

- Lenders contact the HFA and submits the assistance voucher.
- Lenders originating eligible first mortgages and familiar with the program.
- Lender services the second mortgage for the HFA.

Mississippi Housing Assistance for Teachers Model

Plan Administrator

- Mississippi Home Corporation (MHC) administers the state EAH Teacher Program
- The Mississippi Department of Education funds the Program

EAH Loan Process

Employer Responsibilities

EAH Benefit

- Up to \$6,000 in a 3-year promissory note that is converted to an interest-free grant if the teacher participates as a licensed teacher and teachers for no less than 3 years.
- Funds can be used for down payment, closing costs, prepaid expenses and PMI.

Eligible Employees

- Teacher agrees to teach in the designated district for 3 years starting with the beginning of a school year.
- Teacher meets credit eligibility requirements.
- Teacher takes pre and post purchase delinquency counseling.
- Must contribute at least 1% of the sales price and two months reserves (reserves can be gifted).

Geographic Restrictions

Property Restrictions

- Owner occupied
- Single family detached, condominiums, PUDs, and town house units
- Located in targeted rural counties where there is a teacher shortage as designated by the State Board of Education

First Mortgage Lender

IV. GOVERNMENT ADMINISTRATOR

Long Island Home Works Partnership and Employers Model

Plan Administration

- This is a partnership between the two counties (Suffolk and Nassau), the Long Island Association (Long Island's Chamber of Commerce), the Long Island Housing Partnership (a non profit counseling agency) and Fannie Mac.
- The counties' contribution is in the form of a 5 - year forgivable loan.

EAH Loan Process

Employer Responsibilities

- Provide funds towards the down payment at least equal to what is being provided by the counties
- Determine what they want their EAH to be like: e.g. a gift, grant, forgivable, deferred or repayable loan, etc.

EAH Benefit

- Up to 50% of the down payment not to exceed \$3,000 in a forgivable loan from the counties
- At least an equal amount from the employers in whatever form they choose the benefit to be.

Eligible Employees

- First time home buyers or home buyers relocating to the respective counties.
- Income restrictions set by the counties.

Geographic Restrictions

- Nassau or Suffolk Counties on Long Island, NY

Property Restrictions

- Owner-occupied homes only
- 1 - 2 unit properties and condominiums

First Mortgage Lender

Maryland Live Near Your Work (LNYW) Program

Plan Administration

State	Local Jurisdiction	Employer (or Employer Group)	Employee
State wide marketing	Being approved to participate including demonstrating the capacity to administer the program	Applying and being approved for LNYW	Purchasing an eligible residence
Awarded funds to local jurisdictions	Providing local matching funds	Providing matching funds	Contributing at least \$1,000 towards the home purchase
Reimbursing local jurisdictions	Designating a LNYW boundary	Defining their program area within local jurisdiction boundaries	Requesting the reservation and distribution of grant funds
Monitoring program	Executing grant	Defining employee	Maintaining the home as

	agreement; the local jurisdiction makes the grants with funds from itself, the state and the employer	eligibility	their primary residence,
Providing program documents to local jurisdictions	Accepting employer applications and coordinating employer participation	Accepting employee applications and verifying their eligibility	
	Reserving funds	Forwarding employee documentation to local jurisdiction to reserve funds	
	Approving eligible employees and residences for disbursement of grant funds	Forwarding employee information to local jurisdictions to reserve funds	
	Requesting reimbursement from the state	Disbursing employer funds	
	Making sure that at least 51% of the recipients are of limited income	Coordinating efforts with local and state staff	

EAH Grant Process

- Employee contacts the HR department for LNYW program information, requirements and application
- Employee is recommended to get home buyer education counseling and a home inspection
- Employee completes LNYW application and gets the employer to complete the half that covers employee and residence eligibility.
- Employee gets approval from a first mortgage lender.
- The employee or employer forward to the local jurisdiction the employee's application and the first page and signature page of a fully ratified contract of sale.
- The local jurisdiction reviews the application and if approved reserves funds and notifies the employer and employee.
- The employee forwards to the local jurisdiction prior to settlement documents (mortgage loan application, mortgage commitment letter, title or settlement company address and documentation)
- The local jurisdiction provides the state and local funds to the designated title or settlement company.
- The employee is responsible for obtaining funds from the employer and having them at settlement unless the employer chooses to get the funds their directly.
- The settlement company forwards a copy of the HUD 1 showing the grant was received with funds from all three funders and the employee provided \$1,000.
- The local jurisdiction provides the state with documentation to get reimbursed for the state's \$1,000.

Employer Responsibilities

EAH Benefit

- One grant made of up to \$1,000 from each the local jurisdiction and the State and at least \$1,000 from the employer
- Used for down payment and closing costs

Eligible Employees

- Be employed by a participating employer
- Be at least 18
- Have a contract to purchase an eligible residence within the employer's LNYW area
- Make a cash contribution of at least \$1,000
- Intend to hold title to an eligible residence
- Intend to occupy an eligible property as their primary residence
- Meet any additional requirements imposed by the local jurisdiction or participating employer
- Only one per household

Geographic Restrictions

- State defined areas
- Local jurisdiction further defined areas
- Employer further defined areas

Property Restrictions

- Single unit, including a condominium, townhouse
- 2-4 unit

V. LENDER ADMINISTRATOR

Plan Administration

- Employer certifies that the employee meets eligibility requirements.
- Lender provides an interest bearing second (secured or unsecured) loan to the employee.
- Lender services the loan.
- Employer pays lender annual payment that is their EAH principal forgiveness contribution.

EAH Loan Process

- Employee requests approval for an EAH loan from company HR department.
- HR department issues an eligibility certificate.
- Employee takes eligibility certificate to second loan lender to get approved for second loan.
- Employee takes second loan approval document, chooses a mortgage lender and enters into a purchase agreement.
- After the first mortgage is approved by the lender, the lender forwards information to the second loan lender.
- If approved, the second loan lender sends the loan documents and checks to closing.
- The second loan lender secures the loan with a promissory note and if secured a second deed of trust.
- The second loan lender receives interest payments from the employee and ANNUAL principal forgiveness repayments from the employer as long as the employee remains eligible for the EAH benefit.

Employer Responsibilities

- Employer determines what employees are eligible.
- Employer certifies employee.
- Employer makes annual principal payments to the second loan lender.
- Employer annually reconfirms employee eligibility.

EAH Benefit

- Loan with annual forgivable principal.

Eligible Employees

- Determined by employer

Geographic Restrictions

- Determined by employer

Property Restrictions

- Determined by employer

First Mortgage Lender

- Possibly same as second loan lender.

EMPLOYEE SURVEY
Homeowner

This survey is being conducted by APB Enterprises, Inc. The purpose of the survey is to determine the extent and type of demand for housing in and near Pauls Valley. This information is **CONFIDENTIAL**. **INDIVIDUAL** results will **NOT** be shown to your employer. Summary information will be used to develop programs to meet identified needs.

Thank you for your participation.

Please check the desired answer or fill in the blanks to the following questions:

Question

Response

- | | |
|--|---|
| 1. Where are you currently living? | <input type="checkbox"/> More than 30 miles from Pauls Valley
<input type="checkbox"/> Between 5 and 30 miles from Pauls Valley
<input type="checkbox"/> Under 5 miles from Pauls Valley
<input type="checkbox"/> In Pauls Valley |
| 2. How long does it take you to get to work? | _____ minutes |
| 3. If you don't live in Pauls Valley, what is the one most important reason you don't? | <input type="checkbox"/> Own home
<input type="checkbox"/> No housing available
<input type="checkbox"/> Can't afford houses
<input type="checkbox"/> Spouse works somewhere else
<input type="checkbox"/> Family elsewhere
<input type="checkbox"/> School System
<input type="checkbox"/> Other _____ |
| 4. Please check the category that best describes your total annual household income | <input type="checkbox"/> Less than \$15,000
<input type="checkbox"/> \$15,001 - \$20,000
<input type="checkbox"/> \$20,001 - \$25,000
<input type="checkbox"/> \$25,001 - \$30,000
<input type="checkbox"/> \$30,001 - \$40,000
<input type="checkbox"/> \$40,001 - \$50,000
<input type="checkbox"/> Over \$50,000 |
| 5. How much is your monthly housing payment? | \$ _____ |

(OVER)

Homeowner survey continued

6. Does the amount in Question #5 include taxes and insurance? Yes
 No
7. Approximately how old is the home you currently own? _____ years
8. How many bedrooms in your current home? _____
9. Is it a mobile home? Yes
 No
10. If Pauls Valley could offer housing to meet your most important needs, would you consider buying a new house? Yes
 No
 Maybe
11. Would you pay more than you are currently paying to live in Pauls Valley? Yes
 No
12. If yes, how much more? \$_____/month
13. How many car/trucks do members of your household own? _____
14. Estimate **monthly** car/truck expenses for all members of your household for
*monthly payments \$_____
*gas \$_____

EMPLOYEE SURVEY

Renter

This survey is being conducted by APB Enterprises, Inc. The purpose of the survey is to determine the extent and type of demand for housing in and near Pauls Valley. This information is **CONFIDENTIAL**. **INDIVIDUAL** results will **NOT** be shown to your employer. Summary information will be used to develop programs to meet identified needs.

Thank you for your participation.

Please check the desired answer or fill in the blanks to the following questions:

Question


Response

1. Where are you currently living?
 More than 30 miles from Pauls Valley
 Between 5 and 30 miles from Pauls Valley
 Under 5 miles from Pauls Valley
 In Pauls Valley
2. How long does it take you to get to work?
_____ minutes
3. If you don't live in Pauls Valley, what is the most important reason you don't?
 No available housing
 Can't afford houses
 Spouse works somewhere else
 Family elsewhere
 School System
 Other _____
4. How much is your current rent?
\$ _____ /month
5. Please check the category that best describes your total annual household income
 Less than \$15,000
 \$15,001 - \$20,000
 \$20,001 - \$25,000
 \$25,001 - \$30,000
 \$30,001 - \$40,000
 \$40,001 - \$50,000
 Over \$50,000
6. How many bedrooms in your current home?

(OVER)

Renter survey continued

7. Is your current home a mobile home? Yes
 No
8. Would you like to buy a house? Yes
 No
9. If yes, what is the primary reason you have not bought a house?
 Down payment too high
 No homes available
 Bank will not finance a loan
 Can't afford monthly payment
 Have never tried to buy one
 Other _____
10. If Pauls Valley could offer housing to meet your needs, would you consider moving?
 Yes
 No
 Maybe
11. Would you pay more than you are currently paying to move in Pauls Valley?
 Yes
 No
12. How much more would you pay? \$_____/month
13. How many car/trucks do members of your household own? _____
14. Please estimate **monthly** car/truck expenses for all members of your household for
*monthly car payments \$_____
*gas \$_____
15. Are you currently living with parents or other family? Yes
 No




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Answers from the CEO



Fannie Mae News

- Media
 - Current Issues
 - News Releases
 - Executive Speeches
 - For the Media
 - National Housing Survey
 - Company Advertising
 - E-News
- Initiatives
- Issues & Commentary
- Translated Documents

About Us

-
-
-
-

For Business Partners

- Affordable Housing & Community Development
- Single-Family
- Multifamily
- Tools & Resources
- Debt Securities
- Mortgage-Backed Securities

For Home Buyers & Homeowners

- Homepath
- Find a Mortgage
- Find a Lender Search
- Resources

News Release

April 20, 2004

Fannie Mae Announces a Record Commitment of \$135 Billion Over the Next Seven Years to Expand the American Dream of Homeownership Across the State of Illinois

Related Links

- Illinois Partnership Office
- Expanding the American Dream Commitment

SPRINGFIELD, IL -- Fannie Mae (FNM/NYSE), the nation's largest source of financing for home mortgages, today announced that its Illinois Partnership Office will expand its efforts to the entire State of Illinois as part of the company's new seven-year, \$135 billion Illinois affordable housing investment strategy. The American Dream Commitment® for Illinois builds upon the company's previous \$55 billion investment plan, announced in 2001 and targeted at the Chicago Metropolitan Statistical Area. The new investment strategy will help provide affordable homeownership and rental opportunities for as many as 900,000 individuals and families across the state of Illinois.

Joining the announcement were a myriad of state and local leaders and organizations, all active in the development and expansion of affordable homeownership opportunities across the state. In attendance were: Thomas Davlin, mayor of Springfield; representing Governor Rod Blagojevich, Kelly King Dibble, the executive director of the Illinois Housing Development Authority and the state's highest ranking housing official; and representatives from the Springfield Housing Authority; LR Development Company; Apollo Housing Capital, LLC; the Springfield Center for Independent Living; selected area banks; and other local housing leaders.

"Today's commitment by Fannie Mae to invest \$135 billion in Illinois housing is unprecedented," said Mayor Davlin. "We are very excited about the company's commitment to expand its creative financing capabilities and community development concepts to all Illinois towns, both large and small. Many families in Springfield, and across the State of Illinois as well, are eager to join the world of homeownership. The initiatives that will flow from this investment strategy may be just the thing to help make their dream come true."

"Fannie Mae's expanded affordable housing strategy is excellent news for working families throughout the State of Illinois," said U.S. Representative Ray LaHood (R-IL), in a prepared statement. "The company has a history of being at the forefront of innovation with expanding affordable homeownership. It also has a reputation for coming up with big ideas and bold plans, and this commitment here today is a good example of a bold plan."

The announcement was held at the Madison Park Place Housing Development in Springfield, an affordable housing development designed for working families. Fannie Mae, through Apollo Housing Capital, LLC, invested \$12.3 million in Madison Park, a property that qualifies for Low Income Housing Tax Credits allocated by the Illinois Housing Development Authority.

"The State of Illinois is proud to recognize the effort and commitment that Fannie Mae has demonstrated over the years through its efforts to expand affordable homeownership opportunities," said Kelly King Dibble. "The state looks forward to expanding our partnership with the Fannie Mae Illinois Partnership Office as we both work to extend the dream of homeownership to first-time home buyers across Illinois."

"This seven-year affordable housing strategy will focus on increasing affordable homeownership opportunities, community development, local housing pilots to address unique needs, and quality affordable rental housing for the growing housing needs of families throughout the state," said Terry Young, director of the Fannie Mae Illinois Partnership Office.

Over the next seven years, Fannie Mae's Illinois Partnership Office will work with housing industry partners, focusing attention and resources on expanding homeownership and rental housing opportunities for minority populations, first-time home buyers, and working families. This includes providing lender partners with affordable mortgage financing solutions, such as mortgages with low down payment requirements and flexible qualification criteria, and offering valuable resources to local nonprofit groups to help more working families become homeowners.

Specific areas of focus that will help Fannie Mae implement the \$135 billion affordable housing strategy include:

- **Affordable Homeownership Opportunities.** An initiative was developed through the collaborative efforts of Fannie Mae; the National Training and Information Center (NTIC); and NTIC community-group affiliates such as the Central Illinois Organizing Project (CIOP), and is designed so that local lenders, such as National City, can help more low- and moderate-income borrowers purchase homes. To qualify for a mortgage under this initiative, borrowers in targeted cities cannot earn more than the area median income. The mortgage loans are available through National City and require as little as \$500 toward either the down payment or closing costs. The remaining borrower contribution, if applicable, can be a gift from a relative or a nonprofit organization, or an unsecured loan from nonprofit organizations or government agencies.
- **Anti-Predatory Lending Initiatives.** To help combat abusive lending practices in underserved communities, Fannie Mae is working with local housing partners, including CIOP and National City, on an anti-predatory lending initiative. This \$5 million pilot enables homeowners in Central Illinois who have a predatory loan to refinance into a conventional market rate mortgage.
- **Homeownership for People With Disabilities.** Helping individuals with disabilities become homeowners is a priority for Fannie Mae. Several community development organizations, including the Springfield Center for Independent Living, are working on offering Fannie Mae's Community HomeChoice™ mortgage product. This product is designed for low- and moderate-income people with disabilities, or borrowers who care for a family member with a disability, and provides affordable

mortgage financing with down payments as low as \$500.

- **Employer Assisted Housing (EAH) Initiatives.** Fannie Mae is working with the Metropolitan Planning Council and the Illinois Housing Development Authority on expanding the state's Employer Assisted Housing initiative. In Cook County, more than 20 companies offer the employee financial benefit, which can be used toward the purchase of a home. Employers can choose from a variety of EAH benefit options including access to home-buying information, or a financial benefit such as a loan or grant to help fund down payments, closing costs or interest rate buy downs. In turn, EAH is a tool that employers can use to attract and retain qualified employees, revitalize neighborhoods, and reduce employee commutes. To date, Fannie Mae has assisted nearly 600 public and private employers across the nation.
- **Section 8 to Homeownership.** Fannie Mae is working with various public housing authorities (PHAs) across the state to help low-income families purchase homes. Through the PHAs' Section 8 Housing Choice Voucher Program, low-income residents can use their Section 8 rental assistance vouchers toward buying a home. Residents use their current income, combined with the housing assistance subsidies, to qualify for a mortgage loan.
- **Affordable Rental Housing.** In high-cost housing markets, such as Chicago, rental housing can be an affordable alternative to homeownership for many young families, low-income individuals, and single heads of households. Fannie Mae has invested in local rental housing developments, including: Cedar Creek Apartments in Quincy, Prestwick Senior Community in Galena, and River West Apartments in Peoria.
- **Community Development -- Neighborhood Revitalization.** Fannie Mae invests equity and funds debt to help leverage financial investments that bring new and restored economic life to neighborhoods, making them places that families want to call home. The company has used its facilities to become a key partner in the rehabilitation and revitalization of the city of Chicago's Cabrini Greene Public Housing Project and neighborhood.

This \$135 billion affordable housing strategy is part of Fannie Mae's national American Dream Commitment® to expand access to homeownership for millions of first-time home buyers; help to raise the national minority homeownership rate to at least 55 percent; make homeownership and rental housing a success for millions of families at risk of losing their homes; and expand the supply of affordable housing where it is needed most.

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. Since 1968, Fannie Mae has provided \$5.9 trillion of mortgage financing for 60 million families.

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Style Usage: Fannie Mae's Board of Directors has authorized the company to operate as "Fannie Mae," and the company's stock is now listed on the NYSE as "FNM." In order to facilitate clarity and avoid confusion, news organizations are asked to refer to the company exclusively as "Fannie Mae."

Consumer Resource Center

Telephone 1-800-7FANNIE
(1-800-732-6643)

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