
Building Blocks



A Publication of the Federal Housing Finance Board

Volume 3, Number 4

(Special Edition) April 1995

Special Edition

This Special Edition of Building Blocks was published to highlight the National Partners for Homeownership and to provide models for using the Affordable Housing Program (AHP) to support a variety of homeownership strategies.

The AHP subsidizes the interest rates for advances (loans) and provides direct subsidies to Federal Home Loan Bank System member institutions engaged in lending for long-term, very-low-, low-, and moderate-income, owner-occupied, and affordable rental housing.

8 Million New Homeowners by 2000

FHLBank System Embraces Strategy To Increase U.S. Homeownership Rate

The Federal Home Loan Bank System -- consisting of the 12 Federal Home Loan Banks and their regulator, the Federal Housing Finance Board -- has officially joined the National Partners for Homeownership (NPH), a broad-based partnership that has the goal of increasing the rate of homeownership nationwide to a record level by the end of the century. By increasing the rate of homeownership from the present rate of 64 percent, the NPH is expected to add 8 million new homeowners and bring the American homeownership rate to its highest level in history.

The NPH involves the

nation's major public and private housing industry groups, including builders, lenders, state and local housing finance agencies, and community housing organizations. The dozens of partners of the NPH will implement the 100 specific "action items" listed in the National Homeownership Strategy, which was coordinated at the request of President Clinton by the Department of Housing and Urban Development to increase homeownership rates nationwide.

"I am committed to a new and unprecedented partnership between industry leaders and community leaders and government, to recommit our nation to the idea of

homeownership and to create more homeowners than ever before," President Clinton said in a recent speech in Anaheim, California, before the National Association of Realtors.

"I want to say to the American people, and especially to young families ... I am determined to see that you have the opportunity [to own a home]," he said.

Echoing the President's enthusiasm, HUD Secretary Henry G. Cisneros said the program is aimed at middle-class America.

"This is an initiative to help people that are proving by their

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work and savings habits that they can be homeowners. We're really talking about a middle-class American initiative here," Cisneros stated.

The partnership agreement formalizing the FHLBank System's participation was signed by Alfred DelliBovi, president of the FHLBank of New York and chair of the FHLBank Presidents' Housing and Community Development Committee, and Nicolas P. Retsinas, HUD Secretary's Designee to the Federal Housing Finance Board.

The NPH calls on its partners to implement 100 action items related to three broad themes of cutting costs, opening markets, and expanding opportunities for homeownership.

Under the terms of the agreement, the 12 FHLBanks will participate in 37 of the action items, with each FHLBank developing its own plan for participation, and identifying specific actions it will undertake. Not every FHLBank will participate in each of the action items.

CUTTING COSTS

Cost cutting actions by the FHLBanks will include reducing financing, production, and transaction costs and fees to make buying and owning a home more affordable, making financing more available, and simplifying the home-buying process.

In an effort to cut production costs, some of the FHLBanks have agreed to work through members of their boards and Affordable Housing Advisory Councils to identify local ordinances or practices that add to housing costs. Through their publications and conferences, some of the FHLBanks will disseminate

successful models of small starter homes, modified underwriting criteria, and innovative plans that facilitate first-time homeownership.

In coordination with the National Association of Home Builders, some of the FHLBanks will make available information about innovative building and rehabilitation technologies. Others will distribute information on successful examples of underwriting and financing manufactured housing loans.

The Housing Finance Board will review its Affordable Housing Program (AHP) and disseminate information about starter homes, innovative building and rehabilitation strategies, and the financing of manufactured homes.

A number of the action items address home financing. Some of the FHLBanks have agreed to continue their support of state and local finance agencies, in particular, by offering letters of credit to enhance the credit rating of bond issues. The Housing Finance Board and some of the FHLBanks will identify ways the AHP could be used to better serve prospective buyers in underserved communities and benefit first-time homebuyers.

Efforts also will be made to expand the number of conventional lending institutions that participate in the FHA 203(k) housing rehabilitation mortgage insurance program. Both the Housing Finance Board and the FHLBanks pledge to continue their support for portfolio lenders and to develop a compendium of successful homeownership models including those that involve leveraging of various funding sources. Methods by which nonmember housing agencies that are eligible to borrow from an FHLBank could provide

mortgage credit on Native American lands also will be explored.

OPENING MARKETS

The FHLBanks will continue to sponsor fair lending conferences and to provide technical assistance to members to enable them to improve their marketing efforts and to increase extensions of credit to low- and moderate-income and minority households. These efforts will assist in increasing choices and remove discriminatory and regulatory barriers -- making homes, financing, and insurance more available and affordable.

In addition, information about homeownership models that work to serve underserved populations, including information on the legal, financial, and management issues associated with alternative forms of homeownership, will be offered by both the FHLBanks and the Housing Finance Board. The Housing Finance Board also will review its AHP regulations to ensure they do not have an adverse impact on housing affordability.

EXPANDING OPPORTUNITIES

The FHLBanks will expand opportunities for homeownership by raising Americans' awareness through education and counseling, information technology, communications media, and community involvement.

To assist in targeting areas and building communities through homeownership, the FHLBanks will continue to organize and participate in educational conferences that provide technical assistance in support of collaborative homeownership efforts. The

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FHLBanks and the Housing Finance Board have also agreed to continue to utilize the AHP and CIP to address needs of distressed communities, including those in Empowerment Zones and Enterprise Communities, and to ensure the availability of credit in rural areas.

The time frames for completing each of the 37 actions vary with the complexity of the proposal; some actions can be

implemented immediately, some within the next 12 months, many are ongoing and will continue to and past the year 2000, and others are still under development.

Once all of the partnership agreements are signed, a National Council on Homeownership will be established to follow the progress of the partnership, to ensure communication among the partners,

and to acknowledge successes in expanding homeownership opportunities. The council will be a nonprofit entity consisting of representatives from the various participating organizations.

For detailed information on actions to be undertaken by individual FHLBanks, contact the community investment officer at the respective FHLBank.

FHLBank of Boston

Land Sale, Sweat Equity, Energy Efficiency Highlight Island's Affordable Housing Effort

Developing affordable housing poses many challenges, from arranging adequate financing to finding qualified borrowers. In some instances, as the town of Isleboro, Maine, learned, something as basic as finding the right land can be an obstacle. But Isleboro, a 600-person community on Warren Island in Penobscot Bay on the central coast of Maine, also faced other problems: any affordable housing needed to be inexpensive, therefore the owners would have to use sweat equity to help build it, and the housing needed to be energy efficient, both to lower operating costs and protect the environment.

Over the years, Isleboro has become a haven for wealthy families from the Northeast who have purchased as summer homes much of the local housing stock that used to be occupied year-round by local very-low- and low-income households. Town officials recognized the danger in this trend because teachers, nurses, and

municipal employees, including those with very-low- and low-incomes, were finding it difficult or impossible to live on the island. Additionally, employers were having difficulty retaining employees, and some long-term resident families were leaving the island permanently. Many of the town's municipal services are run by volunteers and a critical mass of year-round residents is crucial to maintaining municipal services.

To create local affordable housing, the town's Board of Selectmen created Isleboro Affordable Property (IAP) as a private nonprofit organization. The selectmen donated to IAP a 33-acre town-owned tract that IAP sold, allowing the nonprofit to purchase a more suitable separate 14-acre parcel and subdivide it into eight lots.

The island has a long tradition of owner-built homes and IAP believed it was important to maintain that tradition for this project. Thus, the

nonprofit selected eight owner-builders that worked with volunteer professionals as a construction team to build the homes, with each owner helping on all of the homes. In addition, all of the owners are first-time homeowners. People's Heritage Bank, Portland, Maine, a member of the FHLBank of Boston, used an AHP direct subsidy of \$48,000 to help build the eight homes.

The homes' architecture stresses affordability and energy efficiency. Each house has 750 to 1,000 square-feet of space, open first floors, bedrooms in the second story, and has many energy-saving architectural features. The homes were clustered on the site to reduce road construction and utility costs.

Four of the new homes are owned by households earning 50 percent or less of the area median income, and the other four owners have incomes at 80 percent or less of the area median income.

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IAP estimates the homes cost \$48,000 each, which is lower than originally estimated primarily due to each owner's sweat equity.

To insure that these homes are later available for resale to other low-income households, the IAP will retain ownership of the land

and lease it to the homeowner at a reasonable price. The IAP lease contains clauses permitting the land lease to be inherited, an option for IAP to buy back the land, and a cap on the amount of equity the owner can keep following resale of the house.

Additional resources for this \$540,000 project came from the Maine State Housing Authority, the Isleboro CDBG program, and private donations.

For more detailed information on this project contact Stephen Miller, IAP, in Isleboro at (207) 734-6907.

FHLBank of New York

FHLBank's *First Home Club* Program Matches Family Savings To Purchase Home

Many low-income families earn enough to pay a mortgage, but are barred from homeownership because they cannot make the downpayment and pay closing costs. Even with minimum downpayments and closing costs, these obligations could run as high as 8 percent of the purchase price, or \$6,000 to \$8,000 for an affordable home. Despite cutting corners, delaying some household purchases, and foregoing others, low-income families are hard pressed to save even the required minimum downpayment and closing costs.

However, the FHLBank of New York in 1994 created its First Home Club Programs specifically designed to help low-income families (those earning between 50 and 80 percent of the area median income) purchase their first home. The program uses both AHP subsidies and a family's savings. In 1994, the Bank approved 7 First Home Club projects with 159 units of affordable housing, that will use nearly \$1.4 million in AHP subsidy. In several of these projects, additional subsidy resources from State or federal programs were used

to reduce total housing costs to an affordable level.

Under the First Home Club Program, an eligible family would be required to open a Home Club Savings Account with an FHLBank of New York member as a dedicated account for the systematic saving of money for a downpayment. The family would also be required to attend a homeownership counseling course offered by the member and the nonprofit sponsor of the project. The family is expected to make regular contributions to its account for at least 6 months prior to looking for a house.

Once the family has completed the homeownership course, it would be eligible to have its account matched at a ratio of three AHP dollars from the Bank's First Home Club Program to one dollar of savings, up to a maximum of \$5,000 from the AHP.

In addition to using AHP subsidies for the First Home Club Program, the member may also apply to use additional AHP subsidies for the same project. Typically, these additional AHP

subsidies would be for closing costs and writedowns of the mortgage interest rate or mortgage principal. The total AHP subsidy that may be approved for any single application, including First Home Club Program uses, may not exceed \$20,000 per project unit or 10 percent of the total amount of AHP subsidy available.

As an example, the First Home Club Program would work this way: a family of four living in New York City with personal savings of \$1,000 and earning \$33,350 (80 percent of the area median income) per year, could afford a mortgage payment (principal and interest only) of \$688 per month. That monthly payment could pay a mortgage of just under \$84,000 at 8.875 percent for 30 years. Assuming a 5 percent downpayment, the purchase price of the house would be \$88,375. To buy a home, the family would need a downpayment of \$4,419 and approximately 3 percent of the purchase price for closing costs, or \$2,651 -- a total of \$7,070.

If the family opened a First
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Home Club Saving Account and saved \$126.50 a month, it would have saved \$1,518 after a year, during which time it could complete the required homeowners' course. When the course is finished, the family's First Home Club Saving Account would be matched three to

one with AHP funds provided through the member, for a total of \$6,072 (\$1,518 plus \$4,554 matched funds). Added to that amount would be the family's original \$1,000 in personal savings. With the help of the AHP, the family would now have the needed \$7,072

for both downpayment and closing costs

For more detailed information regarding this program, contact Joe Gallo, community investment officer, FHLBank of New York at (212) 441-6821.

FHLBank of Pittsburgh

State Adds Low-Cost AHP To HUD Program For Affordable Housing In Rural Counties

State and local governments can often play a significant role in creating and developing AHP projects. In 1992, West Virginia's housing finance agency clearly showed that initiative and experience can contribute greatly to the potential success of a project.

The predicament in rural Berkeley and Jefferson Counties, West Virginia, is a familiar one to the affordable housing community. That is, commuters willing to tolerate long drives move from expensive urban areas to low-cost rural counties, buy up the relatively inexpensive housing stock, and thus force very-low- and low-income households that normally are renters into cheaper substandard housing.

The problem was particularly acute in the two panhandle counties of West Virginia starting in the 1970s as the population began an explosion that would see it increase 65 percent in just two decades. Housing costs in the 1980s followed the upward trend, with home prices increasing by 63 to 88 percent and rents doubling.

Salaries, meanwhile, remained low and by 1991 the area

median income of the two counties averaged \$34,000, while home costs averaged about \$101,000. Households earning less than 80 percent of the area median income were effectively barred from homeownership.

The problem was exacerbated by shrinking Federal and State housing budgets. The West Virginia Housing Development Fund (WVHDF), the State's housing finance agency, had by late 1992 only HUD funding for home repairs, not purchases.

In addition, WVHDF staff knew a livable house in the Jefferson/Berkeley area would be too expensive for a very-low-income household without substantial amounts of financial assistance. But WVHDF staff had experience with the FHLBank of Pittsburgh and the AHP, and had learned that one of the strong points of the AHP was its flexibility.

WVHDF officials decided to combine the AHP and HUD programs -- to use a below-market rate AHP advance to purchase the homes and use the HUD funds for rehabilitation.

By early 1993, Old National Bank, Martinsburg, West Virginia, a member of the FHLBank of Pittsburgh, used an AHP subsidized advance of \$380,000 to help finance homes for 11 very-low-income households in the Berkeley/Jefferson area. An additional \$350,000 from HUD's HOME Program helped the new homeowners rehabilitate the homes.

By March 1993, new owners had closed on the first of the 11 houses, and within 6 months the other 10 loans had also closed. Each \$34,500 mortgage has a 20-year term with a 25-year amortization at 6 percent, a full percent point less than the lender would normally charge. The HUD rehabilitation loans, which are about \$31,800 per house, are for 5 years at zero percent interest with 20 percent of the principal forgiven for each year the owner remains in the house.

For more detailed information of this project contact Terri McLaughlin, West Virginia Housing Development Fund, Martinsburg, West Virginia, at (304) 263-8220.

FHLBank of Atlanta

City Offers Homeownership Opportunities To Low-Income Public Housing Residents

Greenwood, South Carolina, is not markedly different from most small cities dotting America's rural landscape. Approximately 21,000 people live within the city limits, including a proportion of households living in public housing, some of whom public officials believed could qualify to buy their own homes. To accomplish this, the city combined the resources of its public works department, housing authority, and Office of the Mayor, along with the regional government's resources, to create homeownership opportunities for five very-low-income families.

An economic profile of Greenwood's public housing residents would be similar to a national profile, that is, many were hard-working, law-abiding, ordinary people who, for a variety of reasons, needed public assistance at the moment. The officials reasoned that because of their backgrounds and work ethic some of these households would be good candidates for homeownership, and in 1990 set out to design a local program to reach that goal.

Concurrently, United Savings Bank of Greenwood, a member of the FHLBank of Atlanta, was searching for an affordable housing project to enhance its CRA efforts, and approached the city with several ideas that eventually crystallized into a concept to help low-income public housing residents buy their first homes. To help provide technical assistance, owner counseling, and other services, the

bank and the city asked the Upper Savannah Council of Governments, the Greenwood Housing Authority, and the Greenwood Commission of Public Works to join the effort.

The first step was taken by the housing authority, which provided the bank with the names of 10 public housing residents who were good candidates for homeownership. The bank notified each resident of the opportunity and three households applied. Advertising by the city and the bank encouraged two additional very-low-income households to also apply for the program.

The bank then verified the income and credit history of the candidates, and qualified them for homes in the \$32,000 to \$45,000

range. Using the local real estate multiple listing system, each applicant selected a home.

United Savings used an AHP subsidized advance of \$150,000 to help finance the five homes. In addition, the city also provided a \$30,000 loan toward the \$180,000 effort, and the Greenwood public works commission waived its utilities deposit requirements. Each borrower pays 6 percent interest on 80 percent of the United Savings loan and zero percent on the city loan, creating a blended interest rate of 4.8 percent.

For more detailed information on this project, contact Steve Brown, Greenwood City Manager, at (803) 942-8410.

FHLBank of Cincinnati

100 Kentucky Residents Buy Homes Through *KYHOMEcoming '94*

Over the 5 years of its existence, the AHP has helped a variety of different sized projects, from large, urban, multifamily apartment complexes to a lone single-family home in a distant and rural county. Some AHP projects involve one lender, one nonprofit, and few units. But a 1994 Kentucky project involved multiple lenders, multiple nonprofits, and multiple units.

In 1994, members of the

FHLBank of Cincinnati and Kentucky Habitat for Humanity used an AHP direct subsidy of \$505,000 to help build 100 homes to be sold to low- and moderate-income families throughout the State of Kentucky.

KYHOMEcoming '94 was conceived and designed by the FHLBank of Cincinnati and the Kentucky chapter of Habitat for Humanity as an effort to increase homeownership in the State. The

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\$3 million effort involved AHP awards from 41 FHLBank System members across Kentucky, with the staffs from many of these members volunteering time, expertise, and materials to help build Habitat homes in their own communities.

Habitat for Humanity International was founded in 1976 by Millard Fuller, a former millionaire businessman, and his wife, Linda. The Fullers gave away their fortune and created Habitat as an ecumenical Christian housing ministry to provide decent, safe and affordable housing for low- and moderate-income families. Habitat is active in 41 foreign countries and throughout the United States, and has completed more than 30,000 homes.

Under the terms of KYHOMEcoming '94, each home was to cost approximately \$30,000, with the \$3 million of funding to be split evenly between 41 Kentucky Habitat affiliates that were sponsoring homes in their communities, and public and private contributions. The \$1.5 million in public and private sector funding came from the 41 FHLBank of Cincinnati members' AHP awards (\$505,000), the Kentucky League of Savings Institutions and the Kentucky Banker's Association (\$335,000), the Kentucky Housing Corporation (\$551,000), Toyota Automobile Corporation (\$50,000), and miscellaneous contributions (\$59,000). Funds from the savings league and the banker's association

were sent to the Fifth District Affordable Housing Foundation, an organization of the Cincinnati Bank, and then forwarded to the local Habitat affiliates.

The yearlong project inspired its own version of "Miracle on 33rd Street" when 70 staffers from the Cincinnati Bank helped erect five homes at a site on the city's 33rd Street. This local effort became the focal point for the staff and their families as they continued to provide volunteer labor for the project throughout the summer months.

For more detailed information regarding this project, contact Carol Peterson, community investment officer, FHLBank of Cincinnati, at (513) 852-7615.

FHLBank of Indianapolis

Homesteading Revitalizes Neighborhood; \$1 Houses, AHP Enhance Local Efforts

Homesteading, as used in the 19th century to open America's great heartland, had a definite public policy purpose -- to populate vast stretches of open land by giving away land, or selling it for a nominal fee. The idea was that homesteading would attract adventurers and entrepreneurs to create farms, ranches, businesses, towns, mines, and other economic activity. Eventually, the economic growth would make a heretofore "unlivable" land safe and attractive for ordinary citizens.

That same concept has been used since the 1960s as a means of reestablishing residential and business vitality in the nation's

deteriorated city centers.

In 1990, the City of Hammond, Indiana, HUD, Citizens Federal Savings and Loan Association of Hammond, and the FHLBank of Indianapolis combined resources within a local homesteading-style program to help three very-low- and low-income households achieve the dream of homeownership.

Using three homes acquired under HUD's Local Urban Homesteading Program Section 810 program, the city sold the houses to the new owners for \$1. The owners were selected by lottery from a pool of dozens of applicants.

The city estimated the rehabilitation cost of each house would be about \$25,000, or a total of \$75,000 for all three homes. Working with Citizens Federal, which provided an AHP direct subsidy of \$14,688, and local Community Development Block Grant (CDBG) funds, the city constructed a financing package that would allow the new owners to obtain the rehabilitation loan at 6 percent for 20 years, compared to then-existing mortgage rates of 10.5 percent. The mortgage payment would be approximately 28 percent of each household's monthly income.

The AHP subsidy was used
(See **SUBSIDY**, page 9)

FHLBank of Chicago

Homeownership Key To Community's Survival; Limited Equity Cooperatives Are First Step

Rogers Park, a former middle class neighborhood in Chicago's northeast corner, has seen the good times, survived the bad times, and is now working to restore the good times.

Bordered by Loyola University on the south and the progressive community of Evanston on the north, Rogers Park saw the good times end in the 1950s and 1960s, when upwardly mobile residents left behind their scenic views of Lake Michigan and followed the post-war rush to the city's northern suburbs.

For the next 20 years, Rogers Park struggled to survive a slow slide into decay as criminals and drug lords replaced the former technicians, government workers, and middle management homeowners. The passage into a "transitional neighborhood" was slow and painful.

But in 1980 the community began to fight back, with several neighborhood organizations taking a stake in the community by rehabilitating rental and ownership property. This third and perhaps final struggle for Rogers Park, its supporters believe, is to stabilize the neighborhood through homeownership and capitalize on the community's tradition as a springboard for entrepreneurs seeking the American Dream.

In 1986, Good News Partners (GNP), a Christian ministry focused on homeownership for low-income households that has

been active in Rogers Park for 8 years, opened its Phoenix Co-op Association at 7729 Hermitage Avenue. The 16-unit facility, created as a limited equity cooperative, was home to households all earning less than \$14,000 per year. In 1992, GNP bought the adjoining house at 7727 Hermitage Avenue to rid the

neighborhood of the drug users and prostitutes that used the abandoned property as a home. The building's four apartments were renovated using sweat equity from its new owners, and converted into a limited equity co-op and merged with the original co-op. In addition, the residence's spacious back yard provided an excellent playground for the 25 children at 7729 Hermitage.

Using \$40,000 of donations raised by residents of the original co-op, a 3-percent, \$30,000 loan from a church, a \$20,000 AHP direct subsidy and a \$107,000 loan from Cragin Federal, an FHLBank of Chicago member, GNP began an ambitious \$197,000 renovation of the deteriorated former crack house.

Three of the four units in the facility are for very-low-income families, with annual incomes between \$12,000 and \$20,000. One family from the original co-op will be moving into the renovated building. The fourth unit in the building is reserved for very-low-income, homeless, single men trying to enter a drug or alcohol rehabilitation center.

GNP, which served as both sponsor and developer for this project, provided ownership and management skills training for the tenants of the newly renovated building.

For more detailed information on this project contact Bud Ogle, Good News Partners, at (312) 743-7678.

FHLBank of Dallas

Consortium Restores Communities

An oft-promoted part of Texas culture and history is the State's rich tradition of individualism. Yet, in the archives of more than 2,000 AHP projects nationwide, few can match the degree of cooperation needed for an FHLBank of Dallas project that involved 5 national and local sponsors to help finance 75 homes in 3 Texas communities using repossessed properties from 4 Federal agencies and 2 private lending institutions.

In late summer of 1991, the Houston office of the Association of Community Organizations for

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Missouri Thrift Uses Experience, Initiative To Improve Affordable Housing Opportunities

Grabbing the bull by the horns is a time-worn cliché defining personal initiative and spirit, yet it offers the best explanation for why Equality Savings and Loan Association has been successful over the years in producing affordable housing in the St. Louis area and around Missouri.

By forming consortia with nonprofits around the State, Equality has over the past 5 years combined the AHP with four special initiatives under its Comprehensive Affordable Housing Program to provide more than 400 units of affordable housing, representing investments of \$20.5 million, for very-low- to moderate-income families.

This level of activity was possible only because Equality's

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to buy down the mortgage interest rate and pay for closing costs on the project. Citizens Federal provided a \$52,500 loan at 7.25 percent to the project and the city added \$22,500 at 3 percent from its CDBG program. The city will also be putting \$25-30 monthly in escrow for future maintenance. The new owners are required to live in their homes for 5 consecutive years.

For additional details on this project, contact Joseph Alamillo, City of Hammond Department of Planning and Development, at (219) 853-6397.

management knew the bank's strengths, had an intimate knowledge of the mortgage business and its players, recognized a profit potential where others didn't, and was willing to take risks to improve the community.

Equality, an FHLBank of Des Moines member with \$150 million in assets, has a long history in handling FHA and VA loans, working with first-time homebuyers, and in creating mortgage-backed securities (MBS) guaranteed by the Government National Mortgage Association. This work with FHA and VA loans also gave Equality a steady cash flow for servicing the accounts.

By combining AHP-assisted mortgages into the MBSs, Equality sold the securities to local lenders, knowing they would be attracted to an MBS due to its default-free nature and CRA credit potential. By handling all of the administrative tasks of creating MBSs, Equality further increased the attractiveness of its product.

In addition, Equality's president chairs a local savings and loan league and often promotes the AHP and MBS advantages to league members. Lastly, Equality offers incentives and bonuses on AHP projects to its loan production personnel, meaning the project were actively sought after rather than relegated to back-burner status.

In a recent effort, Equality used an AHP direct subsidy of \$210,000 for interest rate buydowns of mortgages for 100 very-low- to moderate-income households in the St. Louis area. The buydowns began at 6 percent and increased to 8 percent in one-half percent increments over 5 years, at which time the interest rate was frozen. Mortgages were exclusively limited to very-low-income households for the first 120 days of the program, after which low- and moderate-income households were eligible to apply. The development costs for this project were \$5.2 million.

This effort also involved other Federal programs by including provisions for 100 percent financing under the FHA's Section 203h program for victims of the 1993 floods, with Equality waiving any discount fees, and including the use of HUD's 203k Rehabilitation Loan Program for eligible participants. Other provisions included financing of HUD-owned properties, and having Equality contribute funds for homeownership counseling classes.

This project was sponsored by Equality's Operation Outreach, a consortium of 42 local nonprofit groups.

For more detailed information on this project contact Richard Fellhauer, president, Equality Savings and Loan Association, at (314) 352-3333.

Native American Tribe Code Revisions Protect Private Lenders On Trust Lands

For years private lending institutions have hesitated to make home mortgages on Native American tribal lands because in the event of a default it is often difficult, and frequently not possible, for a lender to get clear title to tribal lands.

Many Native populations hold their lands in a land trust for communal use and cannot sell it. Therefore, the greatest obstacle to affordable private sector mortgages on Native lands is bridging the gap between lenders accustomed to fee-simple interests and Native

Americans whose land is usually held in leasehold interests. (There are pockets of fee-simple land in some reservations, but recent trends have been for this land to be sold back to the administering tribe and for it to revert to trust status.)

As a result, privately owned homes are a rarity on most tribal lands. For example, on the Omaha Indian Reservation in Macy, Nebraska, there are only **17** privately owned housing units of the **353** units available. In fact, most residents of the reservation live in HUD-subsidized housing, which is

owned by the local Indian Housing Authority, with **327** of the **353** available units subsidized by HUD. Overcrowding is also a severe problem, with the available housing units serving a population of nearly **3,000** residents.

In order to increase homeownership on the reservation and relieve overcrowding, the Omaha Tribal Council, through its nonprofit Native Council on Community and Economic Development Corporation (NED),

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(TEXAS, from page 8)

Reform Now (ACORN) approached United Savings Association of Texas, an FHLBank of Dallas member, about finding a local AHP project. The savings association offered a counter proposal, asking ACORN if it would care to join with four additional local and regional nonprofits in a single coordinated homeownership effort.

United's management had an on-going outreach program to all nonprofits in its 64-branch, 5-city network. The officials' past experience showed that the most efficient way to reach new clients for affordable housing was through nonprofits, which also provided the clients with counseling on homeownership. For its role, ACORN recognized the value of enlisting more community organizations. First, cooperation

means that more clients can be served; second, ACORN's basic philosophy is to help other organizations; and lastly, cooperation establishes or cements an on-going relationship.

Gaining cooperation among the five organizations was "informal," according to United, with most of the work being coordinated over the telephone through United's Houston headquarters. The five nonprofits -- ACORN, Dallas County Community Action Committee, Liberation Community, Fifth Ward Community Redevelopment Corporation and Southeast Texas Housing Finance Corporation -- and United formed the Community Mortgage Initiative, a consortium specifically created for this single large project. The nonprofits operate in the metropolitan areas

of Dallas, Ft. Worth, and Houston, as does the bank.

United's role in the project was to provide an AHP direct subsidy of \$159,000 for downpayments and closing costs on homes sold to 75 very-low-to moderate-income households in Dallas, Ft. Worth, and Houston.

Approximately 15 of the households in this project purchased repossessed properties formerly held by HUD, RTC, FmHA, VA, Fannie Mae, or Freddie Mac. Additional funding for this \$3.45 million effort came from Commonwealth United Mortgage.

For more detailed information on this project, contact Jeffrey Baloutine, United Savings Association of Texas, Houston, Texas, at (713) 963-7974.

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set a goal in 1994 of building or purchasing for rehabilitation and resale 75 houses in the next 2 years for very-low- and low-income residents. And in late 1994, the council also adopted a foreclosure and eviction code that would enable private lenders to recover losses in the event of a foreclosure.

With the code in place, lenders became willing to finance the 75 homes the council planned, and Norwest Bank Nebraska, Omaha, Nebraska, a member of the FHLBank of Topeka, will use an **AHP direct subsidy of \$187,500** to help with partial downpayments and other closing costs. The AHP funds are not to exceed \$2,500 per household. Each house is expected to cost \$35,000 to \$68,000.

The homes, some of which will be built on a 40-acre tract set aside by the council, are targeted to very-low- and low-income first-time homeowners earning between 50

and 80 percent of the area median income of \$25,800 for a family of four. The project is sponsored by NED, which serves as the property developer and requires classes on homeownership, maintenance, and family financial management for all participants.

Given the income of the Native American population, program participants will need to combine a 30-year first mortgage at 8.5 percent interest or less with a subsidy, which is provided in the form of a silent second mortgage.

The second mortgage will range from \$15,000 to \$29,000 and will be a zero percent interest deferred loan, forgivable after 20 years, from HUD's Indian HOME Program.

The monthly mortgage rates and subsidy will vary according to household income, debt, and the purchase price of the house, with mortgage payments

limited to 25 percent of monthly income and total monthly debt limited to 33 percent of monthly income.

The first mortgages will be later sold to Fannie Mae, making them among the first mortgages on housing located on land held in trust by a Native American tribe purchased by Fannie Mae.

Additional resources for this \$5.6 million project came from the Omaha Tribe, Nebraska HOME funds, the Nebraska Investment Finance Authority, Mercy Housing Development Corporation, Holy Name Housing Development Corporation, Indian Health Services, and the Bureau of Indian Affairs Home Improvement Program.

For more detailed information on this project, contact Dan Finken, president, Norwest Bank Nebraska, Omaha, Nebraska, at (402) 536-2418.

FHLBank of San Francisco

Mobilehome Parks Converted To Tenant Ownership With AHP

Affordable housing comes in all shapes and sizes: some localities encourage limited equity cooperatives or large multi-family apartment complexes, while others favor single-room-occupancy units or single-family homes. In Southern California, as in many other areas, affordable housing often comes in the form of mobile homes.

A mobilehome lifestyle is attractive for many reasons, such as low initial cost and maintenance, or a need for privacy but without the disruptions of apartment living.

Some like the sense of security mobilehome parks provide, or the feeling of community the parks foster with amenities such as swimming pools, tennis courts, or club houses.

For some, the negative part of mobilehome life is that the resident is a tenant. While a resident may own the mobile home, the home is, in fact, not very mobile and a homeowner must rent from the mobilehome park owner the land the home sits on. This situation, many believe, leaves

mobilehome park residents in a bad position in trying to negotiate land rent with the park owner. That is, residents may have to choose between paying high land rents, or attempting to move a semi-permanent mobile home to another park. Either possibility could be an economic disaster for a very-low- to moderate-income family.

The City of Escondido, California, has for the past 7 years operated its Mobilehome Park

(See **CONVERSION**, page 12)

(CONVERSION, from page 11)

Aquisition/Conversion Program to encourage mobilehome park residents to purchase their parks. This program was created in the 1980s when town officials became concerned over the lack of entry-level ownership opportunities for very-low- and low-income families.

In 1991, the city actually became an interim owner of two local mobilehome parks when it purchased for \$16.1 million the 152-space The Views Mobilehome Park and the 209-space Mountain Shadows Mobilehome Park, two of only a few family mobilehome parks in a city where most mobilehome parks are for senior citizens. The city's temporary ownership was necessary while the tenants arranged permanent financing to buy the parks' individual lots.

Following the purchase, the city provided the technical expertise to convert the parks into fee simple airspace condominiums, hired a property manager, supervised and funded park improvements, and financed the purchase of some individual lots.

The city used an AHP direct subsidy of \$250,000 from Palomar Savings and Loan Association, Escondido, an FHLBank of San Francisco member, to provide homeownership opportunities to 25 very-low- and low-income families by helping them purchase lots in the parks. The project was designed to assist the parks' residents earning 55 percent of the area median income of \$41,300, meaning a family of four with an annual income up to \$22,700 would qualify for the program.

Permanent financing for the lots was provided by California's Department of Housing and Community Development (DHCD), the AHP, and private lenders. In addition, the State's DHCD and the city's housing division offered 3-percent, 30-year loans to borrowers who could obtain only partial financing, or could obtain no financing. When the lots are resold, the repaid mortgage funds will return to a mobilehome park affordability pool to help future tenants purchase their parks and convert them into condominiums.

Additional resources for this \$26.8 million effort came from First Interstate Bank of Escondido.

For more details on the project, contact Patricia Getzel, City of Escondido Housing Division, at (619) 432-4532.

FHLBank of Seattle

Community Land Trust Uses AHP Subsidy To Lower Housing Costs On Island

The cost of land continues to be a major road block to creating affordable housing in most parts of the country. To address the issue, some communities create community land trusts (CLTs) to help very-low and low-income households attain the dream of homeownership.

(A CLT is often a private nonprofit corporation created to own land in perpetuity and develop affordable housing for very-low- and low-income residents. With a CLT, a person can own a house but the organization retains title to the land it sits on.)

For the residents of Lopez,

San Juan County, in the State of Washington, a CLT appeared to offer the best solution to providing affordable housing for some of its very-low-income residents living in substandard housing.

For most of the recorded 170-year history of San Juan Island, its residents relied on logging, farming, and fishing for their livelihoods. Life on the island, which is the largest of several islands in the Strait of Georgia constituting Washington's San Juan County, was slow and easy. With only 900 people living on fewer than 1,900 acres in 1980, the islanders enjoyed a simple balance

between their needs and what nature could provide.

Then came personal computers. And fax machines. And modems. The 21st Century was reaching out to San Juan Island and, in the process, threatened to destroy it. The high technology hardware was brought in by people working at nonoffice jobs, such as consulting and financial brokering. This, combined with the island's attraction as a tourism and retirement area, led to a population explosion to 1,800 people by 1994. The new, affluent residents and visitors created competition for

(See ISLAND, page 13)

(ISLAND, from page 12)

houses and land, driving up home prices by nearly 200 percent. While San Juan County has the highest income and housing costs in Washington, it also has the lowest wages, forcing very-low-income households into substandard housing.

To meet local needs, the Lopez CLT built seven energy-efficient homes for about \$450,000 using an AHP direct subsidy of \$38,500 from Key Savings Bank, Tacoma, a member of the FHLBank of Seattle, and a 60-year loan at 1 percent interest from the Washington State Housing

Trust Fund. The seven homes, built on 1.5 acres purchased at a 10 percent discount, range in size from 625 to 1,140 square-feet, and are of a simple design using low-maintenance materials.

Each very-low-income new owner assisted in the construction of the homes by donating 25-30 hours of sweat equity each week for 6 months until all 7 homes were completed. The homeowners participated in all aspects of the development process by joining in the CLT's development committee and board meetings, having a significant voice in the

organization's decision-making process, contributing to the design of their homes and participating in the homes' construction.

Though the individuals owned the houses, the CLT, which served as the project sponsor, retained ownership of the land through a ground lease. The 99-year ground lease, and a restriction on the resale price of the units through a limited equity formula in the lease, helped to assure continued long-term affordability of the housing.

For more details on this project, contact Sandy Bishop at the Lopez CLT, (206) 468-3723.

RESOURCES

"Rebuilding Communities" is a new multi-year initiative funded by the **Annie Casey Foundation**. Neighborhoods in Boston, Philadelphia, Washington DC, Denver, and Detroit will receive \$160,000 each in planning funds for the project. For more information contact Bill Rust, Annie Casey Foundation, One LaFayette Place, Greenwich, CT 06830, or call (203) 862-2716.

"Building Blocks: Community-Based Strategies to Counteract Housing Disinvestment and Abandonment in New York City" by Vicki Ann Oppenheim and Luis Sierra (195 pp.) is available from the **Community Service Society**, 105 East 22nd Street, New York, NY 10010, or by calling (212) 254-8900.

"Developing Affordable Housing: A Primer for CHDOs" provides information and resources

for community-based housing developers to become strong providers of affordable housing. The \$32 book can be ordered by contacting Linda Chavez at the **Texas Department of Housing and Community Affairs** at (512) 475-1245.

"Our Home: Giving Form to Traditional Values" was developed by HUD in cooperation with the **National Endowment for the Arts** and the **American Indian Council of Architects and Engineers** to help architects and designers incorporate Native American cultural and spiritual elements of life into housing. For a free copy of the seven-section guidebook, contact HUD's Office of Native American Programs at (202) 708-1015.

"Reclaiming the Inner City: Chicago's Near North Revitalization confronts Cabrini-Green" is the

third book in Ed Marciniak's trilogy chronicling Chicago's urban evolution. The 168-page paperback costs \$5.95. For more details contact the **Institute of Urban Life** at (312) 787-7525.

"The Community Land Trust Homeownership Manual" has been published by the Burlington [VT] Community Land Trust. The manual provides information on legal, financial, marketing, and homeowner-education issues arising from the creation of community land trusts. For more information on the \$25 manual, contact the **Institute for Community Economics** at (413) 746-8660.

"Building for the Future: A Discussion Paper on Strengthening Staff Leadership in Community-Based Development Organizations" by Joseph McNeely, commissioned by the Fannie Mae Foundation, is available free from

C. Maxey, **Development Training Institute**, 2500 Maryland Ave., Baltimore MD 21218.

"To Protect & Defend: Converting Military Housing & Other Federal Property to Help Homeless Americans" is available for \$20 from the **National Law Center on Homelessness and Poverty** at (202) 638-2535.

"Profile of Affordable Housing Providers" is being compiled by **HUD's Office of Community Development**. For more information contact Marcia Dodge at (800) 998-9999.

"Affordable Housing and Public Policy: Strategies for Metropolitan Chicago" is available for \$17.95 from the **University of Illinois Press** by calling (800) 545-4703.

"The Community Reinvestment Sourcebook - A Guide to Resources and Strategies for Effective Community Reinvestment" helps community groups to increase access to credit for targeted populations. The \$50 book is available from the **National Community Reinvestment Coalition** at (202) 986-7898.

"Hopes, Dreams & Promises: The Future of Homeless Children in America" explores the issues fostering homelessness in America and offers solutions. The \$10 book can be ordered from

Homes for the Homeless at (212) 529-5252.

"HUD's Housing Programs: Tenant's Rights" is a comprehensive guide to HUD's rental housing programs examining relevant statutes and legislative history; agency regulations, handbooks, notices and circulars; judicial opinions; and suggested litigation strategies. For further information contact the **National Housing Law Project**, Publications, Suite 815, 2201 Broadway, Oakland, CA 94612.

"Old Building Owner's Manual," by the **Ohio Historical Society**, includes information on understanding, maintaining, and improving older buildings. For more information on the \$9.95 book, contact the Ohio Historical Society at (614) 297-2414.

The Neighborhood Reinvestment Training Institute has published the first three titles in its Community Redevelopment Series: "Loan Origination: A Workbook on Gathering and Verifying the Information"; "Loan Underwriting: A Workbook on Analyzing and Committing to Lend"; and "Loan Closing: A Workbook on Executing the Documents and Transferring the Funds." The workbooks are \$10 each, or \$25 for the set. For additional information write the institute at Suite 800, 1325 G Street NW, Washington DC 20005, or call them at 1-800-438-5547.

"The Politics of Ending Homelessness," by Susan Yeich (108 pp., 1994) has recently been published by **University Press of America**, 4720 Boston Way, Lanham, MD 20706. Copies are available for \$26.20.

The **Housing Assistance Council** recently published "Report on a Study of the Affirmative Fair Housing Marketing Process in Nonmetropolitan America." The \$4 study presents findings from an analysis of selected Affirmative Fair Housing Marketing plans administered by HUD and FmHA. For more information contact HAC at Suite 606, 1025 Vermont Ave. NW, Washington, D.C. 20005, or call (202) 842-8600.

"Developing Affordable Housing: A Practical Guide for Nonprofit Housing Organizations" is a step-by-step guide with cutting-edge strategies to meet community housing needs, and offers tips on taking advantage of economic opportunities. The 500-page book is available for \$95 by calling (800) 879-4539.

"Rebuilding Our Communities: How Churches Can Provide Support and Finance Quality Housing for Low-Income Families" describes 25 housing strategies from entry-level to advanced. The 280-page book is available for \$15.50 from **World Vision, U.S. Ministries**, Department 812, 919 West Huntington Drive, Monrovia, CA 91016.

Building Blocks is published quarterly by the Federal Housing Finance Board, Office of Public Affairs, 2nd Floor, 1777 F Street, N.W., Washington, D.C. 20006. The telephone number is (202) 408-2810.