



HOUSING LENDING ADVISORY GROUP REPORT TO CITY COUNCIL

Presentation to Austin City Council

December 8, 2016

Resolution No. 20161006-050

- Created a housing lending advisory group comprised of affordable housing experts, local lending institutions, non-profits and others that offer or are involved in programs to provide new lending tools for **purchasing a home or financing an accessory dwelling unit (ADU)**
 - *Specifically targeted at residents between 80-120% MFI (\$62,250 - \$93,360 for a family of 4)*

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- Directed the advisory group to:
 - *Engage lenders to develop more mechanisms for residents between 80-120% MFI to receive loans for home buying or ADUs*
 - *Partner with organizations to host or market home-buying education classes*
 - *Compile and assess existing lending resources available to homeowners and buyers*
 - *Evaluate how easily homeowners and buyers can access existing lending resources or educational materials*
 - *Review creative lending alternatives used in other cities and determine their applicability to Austin*

Advisory Group Participants

- Austin Community Design & Development Center (ACDDC)
- Austin Board of Realtors (ABOR)
- BCL of Texas
- BBVA Compass
- City of Austin Neighborhood Housing & Community Development (NHCD)
- Guadalupe Neighborhood Development Corporation (GNDC)
- Habitat for Humanity/HomeBase
- HousingWorks Austin
- Texas Department of Housing & Community Affairs (TDHCA)
- Texas State Affordable Housing Corporation (TSAHC)
- UT Austin Community & Regional Planning Program
- Urban Land Institute
- Various Lenders: Sente Mortgage, Guild Mortgage, CrossCountry Mortgage

Available Programs and Services

- Austin Community Design & Development Center (ACDDC) / Business & Community Lenders (BCL) of Texas – Pilot Construction Financing Program for Accessory Dwelling Units
- Texas Department of Housing and Community Affairs (TDHCA) – Texas Mortgage Credit Certificate and My First Texas Home Programs
- BCL of Texas & Wells Fargo – NeighborhoodLIFT Program
- BBVA Compass – Community Reinvestment Act Home Care Loan Program
- Texas State Affordable Housing Corporation (TSAHC) – Homes for Texas Heroes Home Loan Program and Home Sweet Texas Home Loan Program
- Travis County – Hill Country Home Down Payment Assistance Program
- City of Austin – Down Payment Assistance Program and Individual Development Accounts

Challenges to Homeownership for 80-120% MFI in Austin

■ Lack of housing inventory affordable to this income bracket

- *Advisory Group: it is not a lack of available lending options that is the issue for this group, it is a lack of appropriate housing inventory*
- *Missing middle housing types needed in city limits – condos, townhomes, 6-plex, 12-plex, etc. Code changes and simplified permitting are needed to make these housing types easier to build in more locations.*
- *Land and construction costs in city limits are high – developers often must sell homes for over \$300,000 just to break even*
- *When more affordable homes are up for sale, investors quickly purchase the properties by offering more than the asking price, in cash*

Challenges to Homeownership for 80-120% MFI in Austin

- What does 80% - 120% MFI look like in Austin?

Sales Price of Home Affordable to Households Between 80-120% MFI

	1-person household	2-person household	3-person household	4-person household	5-person household	6-person household
80% MFI	\$120,000	\$140,000	\$160,000	\$180,000	\$190,000	\$210,000
80% MFI (w/ DPA)	\$165,000	\$193,750	\$215,000	\$242,500	\$262,500	\$280,000
100% MFI	\$155,000	\$180,000	\$202,000	\$224,000	\$245,000	\$265,000
100% MFI (w/ DPA)	\$210,000	\$242,500	\$271,250	\$306,250	\$335,000	\$358,750
120% MFI	\$190,000	\$216,000	\$245,000	\$275,000	\$300,000	\$320,000
120% MFI (w/ DPA)	\$247,500	\$285,000	\$335,000	\$372,500	\$405,000	\$435,000

(assumes 5% down payment, 680+ credit score, 30-yr fixed mortgage at 4.375%, \$325-550 in other monthly debt payments, 2.4% tax rate w/homestead exemption, 20% DPA, 30% housing ratio, 45% overall debt ratio, no private mortgage insur. w/ DPA); Source: HomeBase/Habitat for Humanity/Sente Mortgage, 2016⁷

Challenges to Homeownership for 80-120% MFI in Austin

- What does 80% - 120% MFI look like in Austin?

Purchasing Power and Income – 2016 Year-to-Date

	3-person household	Detached Single-Family		Attached Housing**	
Income Level	Max Home Cost based on MFI*	Properties Sold (#)	Market Share of Sales (%)	Properties Sold (#)	Market Share of Sales (%)
80% MFI	\$160,000	228	2.1%	431	17.2%
80% MFI w/DPA	\$215,000	1,047	9.8%	935	37.2%
100% MFI	\$202,000	751	7.1%	832	33.1%
100% MFI w/DPA	\$271,250	2,737	25.7%	1,322	52.6%
120% MFI	\$245,000	1,904	17.9%	1,152	45.8%
120% MFI w/DPA	\$335,000	4,692	44.1%	1,678	66.8%

*Income and cost calculations based on a 3-person household

**Attached = Attached Half Duplex, Condo, and Townhouse

Data is YTD 2016 (1/1/16 – 12/6/16)

Source: Austin Board of Realtors

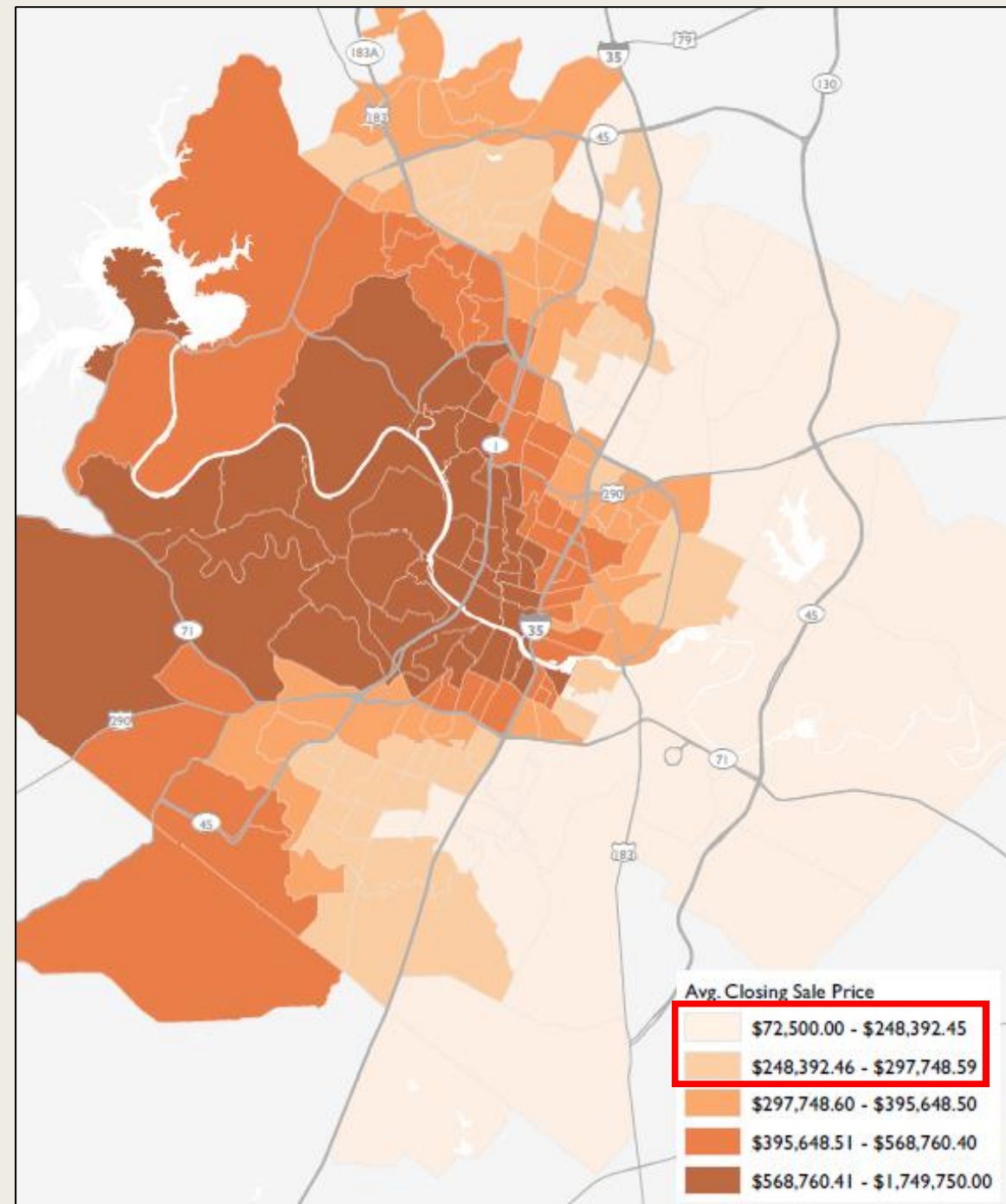
Compiled by: alubomudrov

Challenges to Homeownership for 80-120% MFI in Austin – Current Availability

	Affordable Price for 3-person household	#of 3 - bedroom homes on MLS
80% MFI	\$160,000	6
80% MFI (w/ DPA)	\$215,000	37
100% MFI	\$202,000	28
100% MFI (w/ DPA)	\$271,250	177
120% MFI	\$245,000	87
120% MFI (w/ DPA)	\$335,000	388

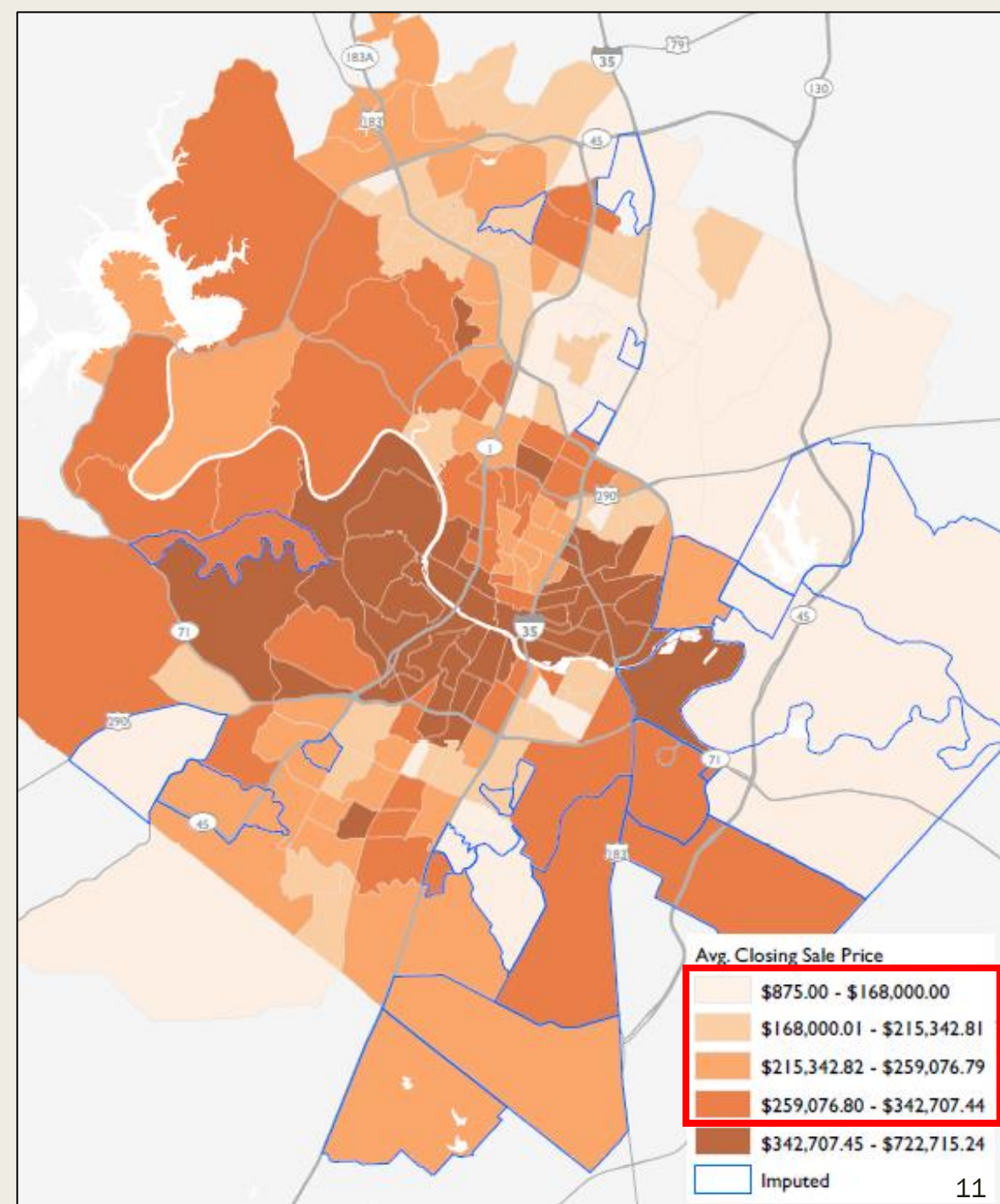
Challenges to Homeownership for 80-120% MFI in Austin

Single-Family Prices by Census Tract



Challenges to Homeownership for 80-120% MFI in Austin

Condo Prices by Census Tract



Challenges to Homeownership for 80-120% MFI in Austin

- **Federal Funding Limits Assistance to 80% MFI and below:**
 - *Federal funding sources are capped at 80% MFI*
 - *Expanding ownership programs to reach higher income levels will require different sources of funding – necessitating consideration of tradeoffs and competing priorities for a finite amount of funds*
- **Some Cities Use Local Funds for 80%-120% MFI lending products:**
 - *May not be effective in Austin due to lack of supply*

Challenges to Homeownership for 80-120% MFI in Austin

■ Challenges Associated with Accessory Dwelling Units (ADUs):

- *Homeowners struggle with equity, credit scores, debt-to-income ratios*
- *Possible property tax value impacts*
- *Federal regulations effectively limit lending for constructing ADUs (requires 25% down)*
- *Market doesn't provide option to allow homeowners to borrow to build ADU if they lack income/wealth or home equity – products should be available to help owners borrow on the basis of future income streams from rental ADUs – would probably have to come from City since private market isn't providing it*

Challenges to Homeownership for 80-120% MFI in Austin

■ Additional ideas:

- *Credit counseling services for buyers*
- *Education for realtors about available lending options*
- *Could create short lists of lenders and realtors who are willing to provide lending services to the 80-120% MFI homebuyer group*
- *Layering different sources of assistance is helpful – as long as you don't exceed program-specific caps (i.e., City of Austin's DPA cap of \$14,999)*
- *Broaden eligibility requirements for certain programs*

Conclusion

- Multiple programs exist for down payment assistance and lending for this income range
- Limited supply of ownership options for households earning 80-120% MFI. Increase supply by:
 - *Supporting recommendations included in Strategic Housing Plan*
 - *Supporting code changes through CodeNEXT to increase “missing-middle” housing types*
 - *Leveraging public land*
 - *Utilizing Community Land Trusts (CLT) / Shared Equity*
 - *Expanding partnerships to create mixed-income developments*
 - *Considering future affordable housing strategies & funding mechanisms*