



MEMORANDUM

TO: Mayor and Council Members

FROM: Rosie Truelove, Director
Neighborhood Housing and Community Development Department

DATE: December 18, 2018

SUBJECT: Response to Resolution No. 20180524-040 regarding mortgage assistance for low-income households

The purpose of this memorandum is to respond to Resolution No. [20180524-040](#), which directed the City Manager to research homeowner assistance programs used in other cities and to propose a mortgage assistance program for Austin households that meet certain eligibility standards.

At this time, Neighborhood Housing and Community Development Department (NHCD) staff does not recommend the creation of a new mortgage assistance program as research does not suggest non-payment of mortgage is one of the most significant issues impacting low-income homeowners. A majority of very low-income homeowners in Austin with incomes at or below 30% of the median family income, or about \$25,000 a year, own their homes *without* a mortgage. In addition, Austin has a foreclosure rate of only 0.01%, which is lower than the state's rate of 0.03% and the national rate of 0.04%.

In researching more effective strategies to mitigate displacement, staff found multiple federal programs designed to assist low-income homeowners who are having difficulty paying their mortgages or facing foreclosure. Multiple cities (including the City of Austin) provide information about foreclosure prevention services on their websites, or refer residents to local [U.S. Department of Housing and Urban Development \(HUD\)](#) approved housing counselors at agencies providing foreclosure prevention programs. These programs include:

- [Home Affordable Modification Program \(HAMP\)](#). Designed to help financially struggling homeowners avoid foreclosure by modifying loans to a level that is affordable and sustainable over the long term. The program includes incentives for borrowers, servicers and investors.
- [Second Lien Modification Program \(2MP\)](#). Complementary program to HAMP designed for first lien mortgages. The Second Lien Modification Program coordinates with HAMP's first mortgage modification program to lower payments on second mortgages and offer comprehensive affordability solutions for homeowners.
- [Home Affordable Refinance Program \(HARP\)](#). Enables borrowers with little or no equity to refinance into more affordable mortgages without new or additional mortgage insurance. HARP targets borrowers with loan-to-value (LTV) ratios equal to or greater than 80 percent and who have limited delinquencies over the 12 months prior to refinancing. HARP offers a lower interest rate,

shorter loan terms, or change from an adjustable to fixed-rate mortgage; no minimum credit score needed.

In addition to the mortgage assistance programs for homeowners offered through HUD, there are other federal programs including:

- [Home Affordable Unemployment Program \(UP\)](#). Provides servicers with the flexibility to provide assistance to borrowers whose hardship is related to unemployment and is a supplemental program to HAMP. Specifically, UP requires servicers to grant qualified unemployed borrowers a forbearance period during which a borrower's monthly mortgage payment may be reduced or suspended prior to considering such borrowers for HAMP.
- [Federal Housing Administration \(FHA\) Special Forbearance](#). Assists homeowners with FHA insured loans who are having difficulty making mortgage payments because they are unemployed and have no other sources of income. FHA requires servicers to extend the forbearance period by offering a reduced or suspended mortgage payment for up to twelve months for FHA borrowers who qualify for the program.

The Austin area also has a number of agencies certified by HUD that provide no-cost housing counseling services. These agencies include [Austin Habitat for Humanity](#), [Business and Community Lenders of Texas](#), [Frameworks Community Development Corporation](#), and [Transformance Austin](#). Information and links to these services are available on the Neighborhood Housing and Community Development Department's website under [Resources for Homeowners](#).

The University of Texas (UT) gentrification report, [Uprooted](#), identifies four municipal and two state administered homestead stabilization fund programs. Many of the assistance measures provided in other cities are prohibited under Texas State Law; Texas municipalities cannot pay a homeowner's property taxes. Property tax exemptions are only available in Texas for: homesteads, residents who are age 65 or older or disabled, veterans, and properties with solar and wind-powered energy devices. Ensuring vulnerable homeowners are aware of and able to obtain exemptions for which they are eligible remains a priority and will be addressed in the department's displacement mitigation strategy.

Similar to the federal programs listed above, the programs described in the UT report help stabilize families by providing short-term property tax and mortgage assistance during a short-term financial crisis; however, they do not provide long-term relief for vulnerable families unable to afford tax increases or ongoing mortgage payments. While this short-term relief is beneficial, staff believes that there may be better options to provide greater financial stability for low-income homeowners.

The department is reviewing all of the recent displacement mitigation recommendations, including those in the [University of Texas gentrification report](#) and the [Anti-Displacement Task Force report](#), among others, for the most promising, sustainable strategies to mitigate the displacement of low-income homeowners. Those strategies will be incorporated into the department's plan to implement the *Strategic Housing Blueprint*, which will be presented to City Council Housing and Planning Committee in February 2019.

Should you have questions, please contact Rosie Truelove, Director, at (512) 974-3064 or rosie.truelove@austintexas.gov; or Erica Leak, Acting Assistant Director, at (512) 974-9375 or erica.leak@austintexas.gov.

cc: Spencer Cronk, City Manager
Joe Pantalione, Interim Assistant City Manager