STRENGTHENING COMMUNITY-BASED HOUSING IN THE MID-SOUTH DELTA

A POLICY DEVELOPMENT PAPER

STRENGTHENING COMMUNITY-BASED HOUSING IN THE MID-SOUTH DELTA

A POLICY DEVELOPMENT PAPER

Housing Assistance Council

2001

$7.00
October 2001

Housing Assistance Council
1025 Vermont Avenue, NW
Suite 606
Washington, DC 20005
202-842-8600 (voice)
202-347-3441 (fax)
hac@ruralhome.org (e-mail)
http://www.ruralhome.org

ISBN 1-58064-118-0

This report was prepared by Gordon Goodwin of Development Solutions, under a consulting arrangement with the Housing Assistance Council (HAC). The work that provided the basis for this publication was supported in part by funding from the Enterprise Corporation of the Delta. HAC is solely responsible for the accuracy of statements and interpretations contained in this publication and such interpretations do not necessarily reflect the views of the Enterprise Corporation of the Delta.

HAC, founded in 1971, is a nonprofit corporation that supports the development of rural low-income housing nationwide. HAC provides technical housing services, loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services.

Acknowledgment

The Housing Assistance Council (HAC) appreciates the assistance of the many organizations and individuals who participated in the research survey of Mid-South Delta community development corporations and/or advised HAC staff during the preparation of this report, including:

Enterprise Corporation of the Delta
Phil Eide, Director of Housing Initiatives
Garrett Martin, Senior Program Officer
Donna Simmons, Vice President for Development and Policy

Mississippi Home Corporation
Katina Pace, Tax Credit Analyst
Betty Temple, Vice President of Single Family Program Operation
Quandra Swayze, Vice President of Tax Credits
Jim Magnum, Development Services Coordinator
Ben Mokry, Senior Vice President of Research and Development
Chuck Morris, Senior Vice President of Program Operations

Federal Home Loan Bank of Dallas
Deborah Murray, Community Investment Program
Suzan Mayberry, Community Investment Program

Debbie Redfearn, Single Family Housing Program Director, Rural Development Louisiana

Allen Crosswhite, Rural Development Mississippi

Selvin McGahee, Florida Nonprofit Housing, Inc.

Andy Saavedra, Housing Program Manager, Northeast Louisiana Community Development Corporation, Tallulah, Louisiana

Clanton Beamon, Executive Director, Delta Housing Development Corporation, Indianola, Mississippi

Glenn Nishimura, Mid-South Delta Local Initiatives Support Corporation, Greenville, Mississippi

Don Jackson, HOME Program Manager, Arkansas Development Finance Authority

Alvin Johnson, Jr., Housing Finance Program/Compliance Specialist, Louisiana Housing Finance Authority

The Mississippi Development Authority

Additional Consultants
Ken Hubbell and Chanda Camden, Ken Hubbell & Associates, Little Rock, Arkansas
Ernie T. Hughes, Hughes & Associates, Baton Rouge, Louisiana
Malcolm T. Shepherd, Malcolm T. Shepherd Limited, Jackson, Mississippi

Table of Contents

Appendices

Introduction

This report contains the recommendations of the Housing Assistance Council (HAC) for increasing the housing development capacity of community-based organizations (CBOs) in the Mid-South Delta, with an emphasis on increasing CBOs' capacity to produce affordable housing. It is based on research conducted during the summer of 2001 under a memorandum of agreement with the Enterprise Corporation of the Delta (ECD).

HAC's recommendations are primarily based on the survey responses of 23 community-based organizations in the ECD's 58-county service area in Arkansas, Louisiana, and Mississippi.[1] In the survey, HAC inquired about the organizations':

- productivity,
- knowledge of housing programs,
- biggest challenges (over the next five years), and
- their recommendations for changing the way that public agencies and/or intermediaries work with them.

The priorities of the Mid-South Delta community-based housing organizations, as expressed in their survey responses, can be grouped into four categories:

- finding additional resources to build low-income housing,
- finding resources for staff and administration costs and money to build staff capacity,
- finding and/or qualifying participants for mortgage programs, and
- increasing the flexibility of low-income mortgage programs.

The recommendations presented in the attached document address these priorities by suggesting ways to:

- increase cooperation and flexibility from the public and private sectors as they consider investment opportunities with community-based housing organizations; and
- broaden the use of state and national program funding to create more housing, primarily homeownership, opportunities for low-income Delta residents.

Each recommendation requires partnerships between community-based housing organizations, states, state housing finance authorities, public housing agencies, local political jurisdictions and, in one case, federal congressional delegations and a federal agency. The strategies that require the most partnering, planning and coordination include creating change in the Rural Housing Service Section 502 program and persuading public housing authority directors that it is in their best interest to begin using Section 8 Housing Vouchers for homeownership purposes.

None of the recommended strategies can be pursued successfully without the informed and active support of the Delta's community-based housing organizations. Practitioner-led coalitions such as the Delta Compact and the fledgling statewide associations of community development corporations (CDCs) in all three states can, when given the opportunity, serve as important allies and strategic standard bearers for these recommendations.

At ECD's request, most of the following recommendations focus on homeownership as a key strategy for Delta community wealth-building and improved quality of life. The Housing

Assistance Council recognizes the need for improved rental opportunities for low-income Delta residents as well, and throughout its history has been a strong supporter of affordable rental housing.

The challenges of increasing the Delta's supply of quality housing and encouraging homeownership are significant, but their benefits have far-ranging impacts:

- ⌂ In 1995, 44 percent of all U.S. household net worth was attributable to homeownership.
- ⌂ Homes are important savings accumulation and equity vehicles. For low-income Delta households, they are often the only appreciating asset available to leverage loans for education and small business start-ups. They also serve as valuable launching pads for home-based businesses and self-employment. The successes of these income-generating strategies are all greatly affected by homeownership.
- ⌂ Homes are often the only means of generational wealth transfer for Delta families.
- ⌂ Housing is among the few assets whose financing costs are acknowledged with a federal personal tax deduction, providing low-income households with an increased opportunity to preserve earned income.
- ⌂ Homes serve as an important taxable item for state and local taxing jurisdictions, such as school districts.
- ⌂ Homeownership anchors families to communities and reduces transience, increasing children's chances of completing school successfully. It is often the most visible quality of life indicator in a community.
- ⌂ Homeownership is a powerful economic engine. The National Association of Home Builders estimates that the construction of 1,000 new homes generates 2,448 jobs in construction and related industries, approximately $79 million in wages and more than $42.5 million in federal, state and local tax revenues.[2]
- ⌂ In the first 12 months of new homeownership, owners spend an average of $6,500 to furnish, decorate and improve their homes. Buyers of existing homes spend $2,668 more than non-moving homeowners during the 12 months after purchase for appliances, landscaping, plumbing, heat and air conditioning, and eating out.

HAC's recommendations are presented as memos that strategically address the challenges identified from the survey of several Delta community-based housing organizations.[3] The challenges are:

- ⌂ increasing the number of low-income persons who qualify for subsidized mortgage programs;
- ⌂ improving one of the most often used[4] low-income mortgage programs so that it better serves its target audience;
- ⌂ increasing Mid-South Delta states' support for low-income housing and capacity building for community-based housing development organizations;
- ⌂ involving public housing agencies in Delta homeownership efforts;
- ⌂ increasing Delta communities' participation in HOME program funding; and
- ⌂ improving Delta communities' access to housing rehabilitation resources.

An additional topic, the potential use of alternative building methodologies and energy-efficient technologies to reduce costs, is addressed in Appendix D.

How can the number of low-income persons who qualify for subsidized mortgage programs be increased?

Investing in credit education and repair programs while offering savings incentives for low-income homebuyers can increase the number and quality of loan applicants for available programs.

Background

The largest challenge to building housing in the Delta today is finding applicants who can survive the scrutiny of a loan underwriting process.[5] Many nonprofit housing developers surveyed for HAC said that it is not unusual to be unable to qualify 97 out of 100 or more would-be applicants due solely to their inability to meet debt-to-income thresholds and/or their poor credit performance.[6] Improving the ability of low-income persons to qualify for loans will mean increased economic impact in local communities from construction and improved quality of life for Delta families. Increased demand for low-income housing development will also pave the way for larger scale production by nonprofit developers.

Recommendation: Homebuyer Clubs

Community-based housing organizations and states should make credit training and remediation top priorities for a period of not less than a decade. Programs that support prospective low-income homebuyers should be designed and demonstrated using the following components:

⌂ training that develops participants' financial evaluation skills so that they can make informed decisions about when to use credit, compare the costs of using various credit vehicles and understand the legal responsibilities of credit arrangements;

⌂ counseling and assistance with debt management strategies and bad debt remediation;

⌂ peer-based support structures for debt management and remediation, as well as saving for a home purchase; and

⌂ Individual Development Account (IDA) matched savings programs to reward and assist potential homebuyers with accumulating funds for fees, downpayments, move-in costs or other costs associated with securing housing.

The following concept for homebuyer clubs is one illustration of how these features might be assembled to create a program that would encourage wise credit use and saving for homeownership.

Concept

Homebuyer clubs are formed to provide credit training, credit management and credit remediation to persons seeking assistance in purchasing a home. The clubs are vehicles that combine training for personal financial management and consumer credit use, access to information on how to purchase a home, opportunities to obtain information about one's creditworthiness and repair credit mistakes, and opportunities to save monies for home purchase downpayment. Homebuyer clubs incorporate peer support and goal-setting to encourage saving for homeownership.

Funding Sources

Funding sources for homebuyer clubs in the Delta could include HUD's HOME and Community Development Block Grant (CDBG) programs, foundations, public housing authorities, lending institutions complying with the Community Reinvestment Act, mortgage companies, real estate sales brokerage firms and other investors.

Administering Agency

State housing finance agencies or a public agency of the state's choosing (as in the case of Mississippi Home Corporation and the Mississippi Homeownership Initiative program) are potential administering agencies. The designated agencies could:

- ⌂ design a training curriculum or assemble one using materials available nationally;
- ⌂ develop a reimbursement formula for training and convening activities conducted by program partners;
- ⌂ design and administer a Request for Proposals process to select homebuyer club program partners;
- ⌂ train program partners to deliver the homeownership and debt reduction curriculum;
- ⌂ monitor homeowner club performance;
- ⌂ contract with local credit counseling service providers; and
- ⌂ establish an IDA homebuyer account mechanism using HUD guidelines (Notice CPD-01-12).

Program Partners

Homebuyer clubs could be formed by nonprofit community-based housing organizations, Community Housing Development Organizations (CHDOs), local units of government, public housing authorities, credit unions and community colleges. These entities would contract with administering agencies to deliver the program components to prospective homebuyers. Program partners would be responsible for:

- ⌂ identifying committed low-income persons with demonstrated potential to become homeowners;
- ⌂ working with local public housing authorities, banks, employers and other service agencies to secure applications;
- ⌂ learning and delivering the homeownership and savings curriculum;
- ⌂ organizing dues collection and motivating participants to carry out debt reduction plans to pay off medical bills, utility bills and consumer credit cards;
- ⌂ organizing and setting up HUD IDA dollar-for-dollar match accounts for potential homebuyers. Match sources might include local banks, employers, churches, foundations, utility companies, and other institutions; and
- ⌂ working with local banks to establish trust accounts for IDA funds.

In addition, a credit counseling contractor is recommended as a partner for assisting clients with credit remediation. The credit counseling agency would:

- ⌂ provide debt counseling and credit remediation plans;
- ⌂ assist with mortgage placement; and

- monitor debt reduction progress of Homebuyer Club members.

Support

Homebuyer clubs could be primarily underwritten using HOME and CDBG annual allocations. Additional program support might come from public housing authorities, banks and other regulated lending institutions, foundations, local governments, employers and program fees.

In addition to any program fees, participant membership dues should be required for club members. These dues would not available to pay for program costs but would be used to pay down debts and accumulate savings for home purchases.

Desired Impact

As outstanding debts were paid and credit re-established, participants would reduce debt levels to program minimums, achieve creditworthiness and earn downpayment funds to purchase homes.

Delta Community Benefits

- Homebuyer clubs would help individuals build financial discipline and achieve creditworthiness.
- Less consumer debt for Delta households would mean more money available for home purchases.
- Homebuyer clubs could increase visibility for current housing initiatives and serve as a feeder mechanism for other programs.
- Improved creditworthiness of individuals may increase tax revenues and reduce costs of debt delinquencies.
- Homeowners make significantly more purchases than other resident groups, benefitting the local economy.

Delta Community Costs

- Program partners and states would invest time and money organizing, promoting, and maintaining a club.
- The process would require a minimum two-year commitment from participants to yield measurable results.
- Clubs would reduce the amount of public and HOME funds available for other programs.
- Managing clubs might require administering agencies to increase the size of their program budgets.

How can the Rural Housing Service Section 502 low-income mortgage program be improved to better serve its target audience?

Adding a credit counseling and repair component will offer a needed function within the program. Changing the formula for computing loan interest from reliance on Area Median Income to one based on participants paying 20 percent of their adjusted annual income to principal, interest, taxes and insurance (PITI) will provide more cost equity to low-income rural buyers.

Background

The Section 502 direct lending program provides low-cost housing acquisition loans to qualified rural low-income households. These loans can be used to build, repair, renovate or relocate homes, or to purchase and prepare sites, including providing water and sewage facilities. The program is especially valuable to Delta community-based housing development organizations because of its ability to extend homeownership to very low-income households – those earning 50 percent or less of Area Median Income (AMI). In the Mid-South Delta study area, this means that the Section 502 program can finance housing purchases for households earning $12,100 or less annually. The program also provides low-cost financing to households earning up to 80 percent of Area AMI – a Delta study area average of $19,300.

As important as these funds are to low-income homeownership, it has become more difficult for low-income persons to access this resource. The first challenge is building opportunities for borrowers to meet Section 502 debt-to-income limitations. This can be addressed by adding credit repair and counseling as a program component.

In addition to this barrier, the current loan pricing method uses Area Median Income to determine the repayment rate for borrowers. This often penalizes those living in more rural communities. For example, a low-income household in Phillips County, Arkansas, where the AMI was $18,898 in 1997, can earn no more than 50 percent of AMI ($9,449) to qualify for the most favorable Section 502 interest rate of 1 percent. A household living in rural Desha County, however, where the median income in 1997 was $23,361, can earn up to $11,680 and still obtain the 1 percent rate. Neither is in less need of the subsidy, yet the Phillips County family will pay more to service their debt under the current system. At this income level, even a 1 percent increase in the cost of a loan can prevent a family from obtaining a home.

Recommendations

In an effort to enhance the usefulness of the Section 502 direct loan program for its designated purpose – the financing of mortgages for low-income persons living in distressed rural areas – the following course of action is recommended.

⌂ The Secretary of Agriculture and the Rural Housing Service (RHS) Administrator should request monies from Congress to add a credit counseling and repair component to the program.

1. Mid-South Delta Rural Development directors, governors and congressional delegations can play an active role in educating the Secretary and RHS Administrator about the need for this funding. The Mid-South Delta region is home to House Agriculture Committee members Bennie Thompson, Ronnie Shows, Charles Pickering and Marion Berry. Senate Agriculture Committee members include Blanche Lincoln, Tim Hutchinson and Thad Cochran (who also serves as the ranking minority member of the Senate Agriculture Appropriations Committee).

2. A General Accounting Office program audit of Section 502 direct loan program application rejections should be requested by the Mid-South Delta congressional delegations.

3. An internal Office of the Inspector General audit of the Section 502 direct loan program should be conducted to document the rejection rate and the rate at which Section 502 loans are denied because applicants cannot afford a higher rate of interest as well as the accompanying principal, insurance and taxes.

4. Findings from the above inquiries should be revealed at public hearings to be held in each of the Mid-South states for the purposes of providing the public an opportunity to recount their experiences with the Section 502 direct loan program.

⌂ Should findings support a revision of the Section 502 program's rules and procedures, then the following should be considered:

1. The Section 502 program rules should be changed from reliance on Area Median Income to a standard based on families paying 20 percent of adjusted income for PITI.

2. In addition, typical allowances for utility payments and regular maintenance should be calculated and added to PITI to arrive at a total monthly housing cost. The interest credit subsidy offered by the program should result in a total shelter cost of 30 percent of an applicant's adjusted income. This approach for determining loan interest would ensure affordability throughout the term of ownership while preserving the value of the housing asset.

3. Terms would remain at 33 and 38 years.

⌂ Delta organizations should advocate for additional appropriations for Rural Housing Service to hire in-house staff in each local office who would be responsible for administering homebuyer education, credit training and debt remediation services to Section 502 program applicants.

How can Mid-South Delta states increase their support for low-income housing development and capacity building for community-based housing development organizations?

HOME and CDBG allocations can be further focused to provide more assistance to CHDOs, encourage sweat equity programs, and fund housing rehabilitation and low-income mortgage purchases.

<u>Background</u>

The primary purposes of HUD's HOME Investment Partnerships (HOME) program is to provide safe, decent, affordable housing for all Americans by alleviating excessive rent burdens, homelessness and deteriorating housing stock. HOME funds were designed to be the most flexible monies available to participating jurisdictions to achieve these purposes. They can be used for rental and homeownership development. The Delta has considerable need for both.

Community Housing Development Organizations (CHDOs) – locally responsive nonprofit organizations – are important delivery mechanisms for low-income communities, and HUD recognizes this by requiring states to set aside 15 percent of their HOME allocations for projects developed by these organizations. States may also use up to 5 percent of additional HOME funds for CHDO operating expenses. HAC strongly encourages this use of funds. At present, none of the Mid-South states offers the complete range of HOME assistance allowed by HUD to CHDO applicants or communities (see Appendix B), and some offer no direct CHDO assistance at all.[7]

The Community Development Block Grant (CDBG) Program, which predates HOME, also provides state and local governments with access to money for demolition, rehabilitation, property acquisition, homebuyer assistance, public facilities and improvements, and economic development/training activities that directly benefit low-income persons. Currently, less than 2.3 percent of the $101 million in CDBG allocated to Mid-South states is earmarked for housing. Two of the three Mid-South states allocate no CDBG monies to housing.

Recommendations

Both HOME and CDBG use can be better focused by Mid-South states to improve the living conditions and ownership prospects of Mid-South residents and improve the viability of the nonprofit sector. To achieve this end, states should amend their Consolidated Plans and HOME/CDBG budgets to:

- allocate an additional 5 percent of state HOME allocations to invest in CHDO operations and capacity building necessary to improve and increase the production of low-income housing in Delta communities[8,9];

- set aside 10 percent of the 15 percent CHDO annual allocation to invest exclusively in delivering project technical assistance to improve the capacity of CHDOs and for project-specific seed money loans to CHDOs for land purchase, purchase option, utility placement, planning activities and engineering/architectural fees)[10,11];

- set aside a percentage of annual HOME allocation for grants to support CBO-based sweat equity construction programs. This money should be used to match the HUD Self-Help Homeownership Opportunity Program (SHOP) property acquisition and predevelopment loan/grant. Combining this option with SHOP's 75 percent grant conversion provides sweat equity programs with an additional project subsidy of up to $17,500 for each $20,000 SHOP loan/HOME grant combination;

- set aside no less than 10 percent of their CDBG annual allocation to participate in mortgage purchase programs that benefit low-income owner/residents. This might be accomplished through direct purchase or by investing in available regional programs. Programs such as the Enterprise Corporation of the Delta's Mid-South Home Ownership Program, which finance low- and moderate-income owners' non-FHA-compliant housing loans, should be considered as suitable investments for this purpose.

How can Delta public housing authorities support Delta homeownership?

The Section 8 subsidy can be used as a downpayment and financing vehicle to provide additional homeownership subsidies to qualified borrowers.

Background

HUD's Section 8 housing voucher is the Delta's prevailing direct housing subsidy. Section 8 vouchers were limited to use as a rental subsidy until October 2000 when HUD finalized rules for using them for homeownership. This is probably a viable option for approximately 10 percent of the Delta study area's 12,613 Section 8 recipients whose incomes would support modest homeownership.[12]

Recommendation: Section 8 Homeownership Program

The necessary components of a Section 8 homeownership program include:

- ⌂ public housing authorities (PHAs) that are willing to issue housing choice vouchers for homeownership (large scale and regional PHAs are the most likely candidates for this program);
- ⌂ available homes or new construction dwellings (a PHA might team up with a self-help operator, CHDO, nonprofit CBO or private developer to develop a subdivision of no less than 10 units, or might use the Section 8 homeownership program to sell public housing units as condominium or cooperative units); and
- ⌂ willing and qualified (debt lowered, creditworthy and downpayment in hand within one year of joining program) Section 8 housing choice voucher recipients.

Process

A streamlined version of the HUD's final rule authorizing the use of Section 8 vouchers for homeownership is included in Appendix E.

Barriers

Potential barriers to use of Section 8 vouchers for homeownership include:

- ⌂ need for cooperation at the local level;
- ⌂ lack of planning;
- ⌂ lack of information – PHAs do not know about the program, and tenants do not know enough to advocate for it.

Cost to PHAs

HUD makes no additional administrative monies available for PHAs that choose to use vouchers for homeownership. They must pay for increased program operating expenses from earned income or another source.

Costs to Families

- ⌂ A 1 percent contribution is required from a purchasing family's personal resources.
- ⌂ The family pays for the cost of unit inspection prior to purchase.

How can rural Delta communities achieve direct participation in HOME funding?
Delta counties that share in-state boundaries can form consortia under HOME program guidelines for the purposes of receiving direct allocations of HOME funds set aside for entitlement communities.

Background

HOME funds are among the most flexible available to participating jurisdictions for designing and implementing low-income housing strategies. States receive 40 percent of HOME funds. The remaining 60 percent are reserved for cities and urban counties. In FY 2001, the Mid-South states received over $44 million in HOME monies (15 percent of which are set aside for CHDO projects), while Mid-South cities and urban counties received just over $23 million. Nonmetropolitan counties in the Delta region currently receive HOME funds from their respective states.

Consortia are contiguous units of local government that form for three-year renewable terms for purposes of receiving a HOME allocation and administering the HOME program as a single grantee. Each consortium designates a lead member and must receive certification from the state that it will direct its activities to the alleviation of housing problems within the state.[13]

Recommendation: HOME Partnership Consortia

Nonmetro Delta communities should consider forming consortia with urban counties and cities. Doing so would create the opportunity to consider rural demand in light of regional priorities, resources and capacity for creating low-income housing; would increase the amount available for local leverage of housing; and should result in a fairer deployment of resources for low-income persons across each consortium area. It would also provide the opportunity for rural areas to negotiate access to CDBG, other investments and capacity from organizations typically unavailable to them if they were not part of a regional housing strategy.

Benefits to Delta communities

⌂ Consortia can obtain access to the 60 percent of HOME direct participation monies set aside nationally for entitlement cities and urban counties.

⌂ Consortia would enjoy the benefits of a coordinated regional approach for addressing the Delta's housing issues with increased resources for strategic planning and housing delivery for the Delta's low-income residents.

⌂ Coordination of resource deployment and leveraging requirements could benefit more low-income households than any one jurisdiction can assist on its own.

⌂ Direct participation in HOME funding provides access to a 15 percent set-aside from the consortium's annual budget for local CHDOs.

⌂ Each newly formed consortium can use up to 20 percent of its minimum 15 percent CHDO set-aside for capacity building activities during its first 24 months of participation in the program.

Costs to Delta communities

Delta communities would incur certain costs, including:

⌂ the time, effort and expense of coordinating the assembly of a multi-jurisdictional Consolidated Plan (required by HUD);

⌂ a required minimum combined investment from consortia members of $750,000 to leverage HUD investment (a contribution from the state is allowed); and

- a minimum three-year commitment to pursue and invest in the consortium's Consolidated Plan components.

Benefits to states

Benefits to states include:

- increased opportunity for states to accomplish their five-year Consolidated Planning Goals and Annual Action Plan benchmarks for low-income housing through enhanced local participation;
- increased opportunity for states to achieve their non-federal private sector and philanthropic leveraging benchmarks stated in Consolidated Plans; and
- building of resources and capacity for Delta-specific low-income housing solutions.

Cost to states

Forming consortia usually reduces the amount of HOME funds available to states for their programs, and could further reduce the amount of HOME funds available to participating jurisdictions statewide.

Challenges for all

Challenges for all include:

- cooperating, coordinating, communicating and building trust during the establishment of the consortium, the development of a Consolidated Plan, and especially as Consolidated Plan activities were carried out;
- a deadline-driven process with key submission dates beginning March 1 for consortia members seeking consideration for HOME funding in the upcoming program year.

Process

See Appendix F for a description of the roles of consortia members, states and HUD regarding this process.

How can Delta communities access more resources for rehabilitation?

States may be able to play a role in obtaining increased rehabilitation financing.

Elements of a successful state-funded rehabilitation program should include:

- regional assessments of housing stock that match rehab demand with specific locations and provide baseline data for determining an average cost or range of investment needed for repair;
- establishment of a repair priority – based on homeowner health and safety – that can serve as the basis for negotiating a rehabilitation standard across several Delta counties within a state so that a financing product can be designed to address many circumstances;
- access to funds at less than the federal funds rate or at no interest (e.g., general obligation bond financing targeted for sale to regulated lenders, HOME or CDBG);
- deferred or reduced property assessment increases resulting from property improvements; and
- a secondary market purchase mechanism that serves to accelerate repayment of publicly financed loans. This might best be accomplished by a Community Development Financial Institution working in cooperation with either Fannie Mae or Freddie Mac.

Background

Demand for rehabilitation is extremely strong in the Delta. One important indicator of the demand for home rehabilitation and repair is the use of rural rehabilitation funds in Mid-South Delta states. The Rural Housing Service Section 504 Very Low Income Housing Repair program – among the programs most often used by HAC survey respondents – features loans of up to $20,000 and grants of up to $7,500 to repair low-income, owner-occupied housing.[14] In most cases, Section 504 loan and grant monies are commingled to meet homeowners' ability to repay. RHS allocates separate amounts for loans and grants for each state. As of July 31, 2001, with two thirds of the current fiscal year gone, Arkansas, Louisiana, and Mississippi had expended 104 percent, 116 percent and 144 percent of their Section 504 grant allocations, respectively. Moreover, while Arkansas and Louisiana had expended nearly 90 percent of their Section 504 loan monies, Mississippi had expended 171 percent of its allocation.

Challenges to Successful Rehab[15]

Challenges to successful rehabilitation programs in the Delta include:

- finding contractors and subcontractors who can successfully carry out the work for the budget available;
- managing program requirements;
- the need for adaptive re-use of existing structures; and
- obtaining the cooperation of building code officials.

Benefits to Delta Communities

- Elderly homeowners comprise 49 percent of the Delta's low-income homeowners.[16] Most live on fixed incomes and experience some housing problems. Although many of these homeowners cannot pay for new housing, they may be able to pay for repairs necessary to maintain the safety and integrity of the housing unit if a suitable payment and term can be determined.

- Several Delta community-based housing organizations that responded to the HAC survey identified finding adequate rehab resources as being a difficult task. During follow-up interviews, several mentioned a demand for rehab but also indicated a reluctance to pursue it as an activity due to a lack of adequate resources, contractor experience, and a sense of what can be undertaken successfully (standard for rehabilitation).

- Rehabilitation makes existing units safer for current inhabitants and contributes to reductions of housing-related public health threats such as lead paint poisoning, respiratory disease, fire prevention, and risk of personal injuries from accidental falls, burns or electrocution.

- Rehabilitation strategies would preserve dwindling housing supplies in Delta communities for new generations of homeowners.

Costs to Delta Communities

- Conducting housing stock assessments would require time and money resources that many Delta communities do not have.

- Developing clearly defined rehabilitation standards and priorities may require coordination with local lenders and secondary market purchasers.

Benefits to Mid-South States

- Increased homeownership preserves the value of local taxable bases.

- Homeownership contributes directly to Delta residents' quality of life.

Costs to Mid-South States

- General obligation bond preparation and use may be considered unfeasible during slow economic cycles.

Recommendation: CDBG Allocation

No less than 20 percent of annual CDBG allocations should be set aside to finance owner-occupied and rental rehabilitation lending programs. In addition, no less than two thirds of this amount should be further designated for rural, distressed communities. These monies would be lent/granted in conjunction with the Rural Housing Service's Section 504 Very Low Income Housing Repair program.[17] An interagency agreement between a state housing finance agency and the Rural Housing Service may be required to achieve the desired impact of doubling the number of single-family households that have access to affordable housing rehab services.

Elements of a Delta Rehab Strategy

- Each Delta county should undertake an assessment of housing stock in cooperation with volunteers from local public housing authorities, county employees, university volunteers and CBOs. The purpose of the assessment would be to identify current housing problems and develop a database for future renovation or demolition.

- Assessments should identify location of structure, number of units, ownership status (homeowner/occupant or landlord), year built and documented existing housing problems as per the American Housing Survey definition or Section 8 Housing Quality Standard. Sources for support might include state HOME and CDBG monies as well as assistance from the Delta Regional Authority.[18] States would bee encouraged to amend their five-year Consolidated Plans to include these assessments.

- ⌂ Each county would establish a prioritized list of items that must be corrected to preserve the health and safety of owner/occupants and the structural integrity of the housing units.

- ⌂ State housing authorities should work with Delta counties to coordinate in-state development of rehabilitation standards to be applied to a Delta rehab program.

- ⌂ Housing finance agencies and Delta counties should seek support from state legislatures to authorize the sale of general obligation bonds at a rate not to exceed 1 percent to finance rehabilitation loans in Delta counties. The bonds would be marketed for sale to regulated banking and finance, insurance and utility institutions in the Mid-South states.

- ⌂ Housing finance agencies should work with financial regulating entities to recognize bond purchases as eligible for Community Reinvestment Act credit. In addition, state insurance commissions and state industrial development bond authorizing agencies could market the bonds as a "good faith" investment with insurance companies and manufacturing concerns seeking tax abatement.

- ⌂ Each state housing finance agency should charge no more interest to borrowers than is necessary to repay the state's obligation on its bonds, fees necessary to achieve the bond sale, and the cost of loan servicing.

- ⌂ Housing finance agencies could manage origination and collection of rehab loans or contracts with a financial intermediary or institution for loan dispersal, administration and repayment. Every effort should be made to accelerate repayment of bonds by bundling pools of loans to social investors and other secondary market sources.

- ⌂ In circumstances where homestead exemptions are not available for low-income homeowners, states should seek agreement from local taxing jurisdictions to defer property tax increases until a rehab loan is repaid or otherwise limit or phase in a tax increase of no more than 2 percent.

Recommended Loan Program Features

- ⌂ Eligible borrowers would be homeowner(s) with household income at or below 80 percent of Area Median Income and with net assets limited to their personal residence and its contents, savings of no more than $5,000 and a vehicle valued at no more than $10,000.

- ⌂ Allowable income sources would include wages and salaries, net income from business or profession, interest or dividends from real property, social security, pension and annuities, disability or death benefits, alimony, and regular contributions or gifts from family members not residing in the home.

- ⌂ Excluded income sources would include gambling winnings, inheritance or insurance payments and personal injury lawsuit settlements.

- ⌂ Recommended loan terms are amortization up to 10 years and a maximum loan size of $20,000. These loans could be combined with the Section 504 grant program, if RHS permits.

⌂ The interest rate would be 1 percent.

Endnotes

1. A complete list of organizations participating in the survey is included in Appendix A, along with a copy of the survey. The counties included in the study area are listed in Appendix C.

2. National Association of Home Builders, "How Housing Effects the Economy," *Housing Facts Figures and Trends 2001*, 31-32.

3. The survey and a summary of results are in Appendix A.

4. Based on response to a survey of Delta CHDOs and community-based housing organizations.

5. Based on conversations with survey respondents and report contributors.

6. The Section 502 direct loan mortgage program permits no more than 41 percent of an applicant's income to be used for retiring debt.

7.

	HOME 1992-2000 Allocation	*CHDO Reservation*	*CHDO Percentage*	*CHDO Operating*	*Operating Percentage*	*CHDO Capacity*
Arkansas	$88,879,000	$15,199,914	17.1%	$1,464,547	1.7%	$0.0
Louisiana	$113,249,999	$14,419,208	12.7%	$1,325,000	1.1%	$0.0
Mississippi	$112,282,000	$17,676,302	15.7%	$0	0%	$0.0

Source: Office of Affordable Housing, U.S. Department of Housing and Urban Development, Washington, D.C.

8. § 92.208 Eligible community housing development organization (CHDO) operating expense and capacity building costs.

(a) Up to 5 percent of a participating jurisdiction's fiscal year HOME allocation may be used for the operating expenses of community housing development organizations (CHDOs). These funds may not be used to pay operating expenses incurred by a CHDO acting as a subrecipient or contractor under the HOME Program. Operating expenses means reasonable and necessary costs for the operation of the community housing development organization. Such costs include salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; equipment; materials and supplies.

The requirements and limitations on the receipt of these funds by CHDOs are set forth in § 92.300(e) and (f).

(b) HOME funds may be used for capacity building costs under § 92.300(b).

24 CFR Part 92 - HOME Investment Partnerships Program (2001), http://www.access.gpo.gov/nara/cfr/index.html.

9. Operational subsidies should be offered via an annual competitive application process that accounts for existing CHDO needs and opportunities to invest in the start-up of early stage CHDOs in areas that have no CHDO available. Operational subsidy should not require a current project application be submitted, but should consider how the CHDO will use the subsidy to leverage other operational resources during the grant period.

Capacity building monies should be offered on a case-by-case competitive application basis and should not be tied to project applications. Capacity building requests should consider how the training, equipment, expertise or other resource that is being purchased will help the organization fulfill its current work plan.

Wherever financially feasible, states should make an effort to secure training opportunities requested by one CHDO to other CHDOs by hosting in-state training series. Housing, finance and management industry certification programs that feature continuing education credits towards a degree in each state's university system are recommended. If fees are charged for training programs, the cost of the fee should not exceed the cost of training materials (books, CD materials, web-based access) and meals. These fees should be used to defray the costs of attendance to other nonprofit housing developers.

Reimbursement for travel and lodging should be accommodated whenever they are necessary to complete capacity building training offered for CHDOs.

10. The size limit for seed money loans would be no more than 10 percent of the total anticipated project cost, not to exceed $100,000. Interest would be set at 1 percent. The term of the loan should not exceed 3 years. The application process should consider an applicant's prior success with the proposed activity or project.

11. The range of assistance offered should include project-related problem solving, organizational development, management assistance and assistance with project planning. The conditions and terms of technical assistance offered should be developed in cooperation with CHDOs.

12. Calculated using data gathered online from HUD's Multifamily Tenant Characteristics System.

13. U.S. Department of Housing and Urban Development, Community Planning and Development Division, Notice CPD 01-4, Subject: Notice of procedures for designating consortia: HOME Investment Partnerships Program. (This Notice is included in Appendix B.)

14. RHS grants are restricted for use by elderly applicants to fund health and safety repairs only.

15. Based on conversations with selected survey respondents.

16. The Rural Housing Service defines elderly as age 62 and older.

17. A grant/loan combination is made if the applicant can repay part of the cost. Loans and grants can be combined for up to $27,500 in assistance.

18. The Delta Regional Authority was authorized by the Consolidated Appropriations Act, 2001, signed into law on December 21, 2000 (Public Law 106-554). The Authority covers 235 counties in eight states (Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri and Tennessee). Its purpose is to assist economically distressed areas with planning and development, and it is authorized to receive $30 million in each of fiscal years 2001 and 2002 for that purpose.

AAPPENDIX A

Date

Contact Name
Title
Address 1
Address 2
City, ST ZIP

Dear (Name of Contact):

I am working with the Housing Assistance Council (www.ruralhome.or to identify opportunities to improve the performance of nonprofit housing development in the MidSouth Delta Region, An important part of this effort is to gather data about how nonprofits access available public and private housing resources.

Your organization has been identified as a nonprofit that is developing housing in the (S7) Delta. I am asking for 20-30 minutes of your time to participate in a phone survey. y

The survey (see attached) is designed to obtain information about:

- Your organization's housing production accomplishments,;
- Housing programs and your suggestions for how these programs can be improved;
- Challenges your organization is facing as it pursues housing development for Delta people. .

The data you provide will be used to improve the delivery of very low, low and moderate-income housing in the region. Findings from this study will be published as part of a 6-part series of policy papers by the Enterprise Corporation of the Delta (\&ww.ecd.orq). The timeframe for publication is October 2001. This project is being underwritten by the W.K. Kellogg Foundation as part of its Mid South Delta Initiative.

Your time and effort in participating in this interview is crucial to the success of the study and sincerely appreciated. **Your answers will be kept anonymous and confidential.**

Thank you for your support. I look forward to speaking with you or your assistant soon to schedule a time to administer the survey. If you have any questions or comments, please call me at *(phone number)* or e-mail me at (email(d~email.com).

Your cooperation is greatly appreciated.

Sincerely,

Survey of Delta Nonprofit Housing Developers

DATE: INTERVIEWER:

Name of Organization:

Contact name and e-mail address:

Organization type (circle all that apply): CDC, CHDO, Housing Authority, Faith-based Developer, Private Developer, Intermediary Affiliate, Other

Housing Production Experience *(cirde al/ that apply):* single family ownership / single family rental/ multifamily ownership / multifamily rental / elderly rental / Disabled rental Self-Help Housing / Other

Sources of Support (circle all that apply) Federal / State / City I County / Foundation/ Fee / Membership / Other

2000 Budget:

Total	Administration %	Staff %	Program %	Other %

How does your organization pay for administrative expenses?

% from fees	% public grants	% foundation grants	% earned income

How many housing units has this organization built over its lifetime?

Single Family	Multifamily

How many housing units has this organization rehabilitated over its lifetime?

Single Family	Multifamily

How many households has the organization assisted through its housing program(s)?

How many housing units are currently under construction / rehab?

/	/

Survey of Delta Nonprofit Housing Developers

Housing Program Inventory

Which of these pubic resources does your organization use? (Check the most appropriate answer)

Fannie Mae (Foundation and Corp.)

FnMA Foundation grants

___Use ___Tried to use w/out success ___Aware of ___Not Aware of

FnMA Homebuyer Education Program (credit training and ownership preparedness for potential homebuyers)

___Use ___Tried to use w/out success ___Aware of ___Not Aware of

FnMA Community Homebuyers Program (5 percent downpayment mortgages available through FnMA qualified lenders)

___Use ___Tried to use w/out success ___Aware of ___Not Aware of

FnMA 3/2 mortgages (3% downpayment from buyer / 2 percent from employer, relative, IDA or sponsor

___Use ___Tried to use Without success ___Aware of ___Not Aware of

FnMA 97 (3% down payment mortgage for income verified buyer)

___Use ___Tried to use Wout success ___Aware of ___Not Aware of

Fannie Neighbors Program (mortgage option for underserved areas)

___Use___Tried to use w/out success ___Aware of

___Not Aware of

FnMA Community Seconds (combine a second lien mortgage with a down payment program to reduce monthly note)

___Use ___Tried to use Wout success ___Aware of ___Not Aware of

Federal Home Loan Bank

Federal Home Loan Bank Affordable Housing Program (FHLB grants money to member banks to invest in low-moderate income housing partnerships with nonprofits)

___Use ___Tried to use Wout success ___Aware of ___Not Aware of

Federal Home Loan Bank Community Improvement Program Direct Loan (Belowmarket-rate loans to support low-moderate income housing construction)

___Use ___Tried to use Wout success ___Aware of ___Not Aware of

USDA Rural Housing Services

502 Single Family Mortgage Guarantee/ Direct Loan (90% guarantee of an approved borrowers loan or USDA direct loan to very low / low-income borrower)

___Use ___Tried to use Wout success ___Aware of ___Not Aware of

Survey of Delta Nonprofit Housing Developers

USDA Rural Housing Services (cont'd)

Rural Rental Assistance (5-year rental housing subsidy of up to 70 percent for very low an low-income renters)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

515 Multifamily Housing Direct Loan (USDA Loans to construct, purchase and rehab rental or cooperative housing or develop manufactured housing.)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

RHS Housing Preservation Grants (renovation monies for preserving housing for very low and low income renters)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

523 Mutual Self Help Housing Grants (admin underwriting for Self Help Housing developer-organizers)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

HOME grant awards (competitive grants from your state for nonprofit and public housing construction, acquisition, rehab, rental assistance)

_qse **Tried to use Wout success** **Aware of** **Not Aware of**

CDBG (grant money made available to localities for housing and community needs investment)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

Federal Housing Administration

203 (b) Home Purchase or Refinance (3 % downpayment for home purchases refinancing for up to 97% of a home's loan to value.)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

203 (k) Home Rehabilitation Loan (purchaser can borrow money for acquisition and necessary improvements at 30-year mortgage terms/rates)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

HUD

Section 8 Housing Assistance payments program (rental subsidy)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

Youthbuild Program (grants for activities to assist economically-disadvantaged youth and expand the supply of affordable housing for very low and low income persons.)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

Housing Counseling Assistance (HUD-Approved agencies instruct tenants in ways to improve their living conditions and prospective buyers in homeownership responsibilities.)

Use **Tried to use Wout success** **Aware of** **Not Aware of**

Survey of Delta Nonprofit Housing Developers

HUD (cont'd)

221 (d) 4 (HUD insures lenders' against 90%of loss on multifamily mortgages made to nonprofits to house moderate-income families, the elderly and handicapped)

Use   Tried to use w/out success   Aware of   Not Aware of

202 program (direct payments for site acquisition and improvement, construction, rehab or adaptive re-use of a structure for supportive housing of low-income persons aged 62 and older.)

Use   Tried to use w/out success   Aware of   Not Aware of

Freddie Mac

Community Gold (2% downpayment contribution from home buyer plus 1 % from IDA match or sponsor. Requires Freddie Mac "Alliance" or Initiative" community designation.)

Use   Tried to use w/out success   Aware of   Not Aware of

Home Works! (purchase / refinance and rehab loans for single family residences targeted by housing agencies.)

Use   Tried to use w/out success   Aware of   Not Aware of

NeighborWorks (purchase and rehab of 1-4 unit properties with 2% downpayment contribution from home buyer plus 1 % contribution from IDA match or sponsor.)

Use   Tried to use w/out success   Aware of   Not Aware of

Intermediary Partnerships

Housing Assistance Council (Predevelopment, construction and utility loans to nonprofit developers. Rural Capacity Building Initiative or Rural Community Development Initiative program funding available for eligible nonprofits. Loan-to-grant conversion program for Self Help Housing programs.)

Partner   Tried to partner w/out success   Aware of   Not Aware of

Rural LISC (Capacity Building, Loans and technical assistance to rural nonprofit CDC's)

Partner   Tried to partner w/out success   Aware of   Not Aware of

Enterprise Foundation (supportive network for housing delivery best practice, funding and financing resources for nonprofit housing developers.)

Use   Tried to use w1out success   Aware of   Not Aware of

McAuley Institute (Faith-based housing support network offering technical assistance and financing to create affordable housing for low-income women and children.)

Use   Tried to use Wout success   Aware of   Not Aware of

For those programs or partnerships that you **tried to use without success,** what obstacles prevented you from using the resource?

Survey of Delta Nonprofit Housing Developers

Challenges & Opportunities

"The biggest challenge our organization faces over the next 5 years is..." (please be specific)

If your organization could change anything about the way public agencies or intermediaries work with you to create low and moderate income housing in the Delta, what would it be? (E.g., the rules of a specific program, type of assistance offered, etc.)

Are you willing to participate in a mid-August forum to propose low-mod income housing policy changes for Delta residents?

0
0
0

Selected Survey Results

Survey Respondents

Bolivar County CAA
N. Delta P&DD
Delta Housing Devt Corp
Greater Greeneville Housing
Magnolia CDC
MACE
Mississippians for Community Development Corp.
Quitman County Development Organization
Southeastern Development Opportunities, Inc.
Tunica County Community Development Coalition, Inc.
Mississippi Home Corporation
Traceway CDC
Yazoo County Fair/ Civic League Inc.
Delta Research & Educational Development
Lee County CDC
Southeast Arkansas Community Housing Development Organization
Chicot Housing Assistance Corp.
Crowley's Ridge Development Council
Boys Girls Adults CDC
LaSalle CAA, Inc.
Macon Ridge CDC
Northeast LA Delta CDC
Booker T. Outreach
Mt Pleasant CDC

24 respondents (13 = Mississippi, 6 = Arkansas, 5 = Louisiana).

Cumulative Units Built		Cumulative Units Rehab	
Single Family	Multifamily	Single Family	Multifamily
1337	794	11 n88*	301

*includes weatherization

5-Year Challenges

Find Funding to Build Housing (5,

Finding Funding for Rehab (3)

Produce more low income housing (6~

Achieve self sufficiency (3)

Land acquisition / predevelopment

Applicant mortgage eligibility - credit

-counseling and management (4)

Sustainability (2)

Funding for Staff and Administration (6)

Staff Capacity Building (6)

Selected Survey Results

Ways Public and Private Sector can Work with You better?

More targeted training and local TA (4)	More flexible application of USDA credit restrictions (3)
Increase homeownership opportunity	Downpayment assistance
Intermediary Funding Collaboration	Combined agency/investor compliance reporting
Pay Developer fee at construction draw	Flexible credit and income criteria
Predevelopment financing for site control	HOME as predevelopment grant source (2)
Operating Funds (2)	Credit / budget/ maintenance counseling (2)
More flexible weatherization rules	Reduce processing time for HOME grants / loans

Most Used Programs / Intermediaries

Fannie Mae Homebuyer Education (8)
Federal Home Loan Bank AHP (9)
RHS 502 Direct Loan Program (8)
RHS 504 Program (9)
RHS Housing Preservation Grant (9)
HUD HOME grant (17)
HUD Section 8 (12)
HUD Housing Counseling (10)
HAC (8)
Mid South Delta LISC (11)

Least Known Programs

Fannie Mae Mortgage Programs
Freddie Mac Mortgage Programs

0 1
0

APPENDIX B

U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:	Notice: CPD 01-4
All Secretary's Representatives	Issued: April 9, 2001
State Coordinators	Expires: April 9, 2002
All CPD Division Directors	
All HOME Participating jurisdictions	Cross Reference: 24 CFR Parts 91 &92

Subject: Notice of procedures for designating consortia: HOME Investment Partnerships Program

01.0 **Background**

The HOME Program is authorized by the HOME Investment Partnerships Act which is Title 11 of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. 12701 *et seq.)* (Act). Section 216(2) of the Act provides that a consortium of geographically contiguous units of general local government is considered a unit of general local government for purposes of the HOME Pro ram if the Secretary determines 9 that the consortium (a) has sufficient authority and administrative capability to carry out the purposes of the Act on behalf of its member jurisdictions and (b) will, according to a written certification by the State, direct its activities to the alleviation of housing problems within the State.

In accordance with section 217(b)(3) of the Act, HUD will include, as jurisdictions eligible to receive allocations of HOME funds by formula, units of general local government that, as of the end of the previous fiscal year, qualified as metropolitan cities (as defined at section 102(a)(4) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(4)); urban counties (as defined at section 102(a)(6) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(6)) and throughout this notice "urban county" has this meaning); and approved consortia of units of general local government.

in the amount of funds available for local governments is divided among more jurisdictions each vear due to new metro cities, new urban counties, and new consortia, the amount going to the new consortium depends on its relative share compared to other jurisdictions. Field offices should take care in listing those Consortia that are receiving CDBG funds and explain the possible loss of funding to the State as a whole in discussing the merits of consortia formation with prospective.

Irrespective of the funding levels, the formation of consortia can be a positive force for affordable housing production, in that it permits an area that otherwise may not be assured of fimding to plan and carry out an 'housing program with continuitv.
affordable

V. Timing of Submissions

The HOME Program regulations at 24 CFR 92. 101 (a)(1) require that to be considered as a consortium, the proposed consortium is to provide written notification to the appropriate HUD Field Office of its intent to participate as a consortium in the HOME Program for the following year. The following schedule -will govern the procedure for jurisdictions to qualify as HOME Program consortia for Fiscal Years 2002-2004. Unless noted otherwise, deadlines may only be extended by prior written authorization from Headquarters. However, no extensi n may be granted by the Field Office if it would have the effect of extending a subsequent deadline 10 that the Field Office is not authorized to extend.

By March 1, 2001 (or such later date as agreed to by the applicable HUD Field Office), to be considered for an allocation of HOME, funds in FY 2002, a proposed consortium, an existing consortium that is adding members, or a consortium that must sign a new HOME consortium agreement is to provide to the appropriate HUD Field Office written notification of its intent to participate as a consortium in the HOME Program for FY 2002. Any changes in participants must be listed within the agreement.

By June 30, 2001 (or a later date if agreed to by the applicable HUD Field Office), a proposed consortium, a consortium that must sign a new agreement, or a consortium that is amending its current agreement to add members must submit to the appropriate HUD Field Office the documents as required below in Paragraph VII, entitled "Procedures Localities Must Follow for Designation as a Consortium or Renewal of an Expiring Agreement," or Paragraph VIII, "Procedures for Existing Consortia That Are Adding Members," as appropriate. NOTE: Any delay in receipt of the consortium documents must not interfere with the Field Office's ability to meet the August 2 deadline below.

By **August 2, 2001,** Field Offices must approve all consortia agreements and provide Headquarters CPD, Office of Technical Assistance, Systems Development & Evaluation Division, with evidence from the consortium agreement for each consortium which must sign a new or amended agreement which (1) lists the consortium members and (2) documents the consortium qualification period. The appropriate pages from the consortium agreement should be forwarded to Jill S. Alexander, Systems Development & Evaluation Division, Room 7224 or faxed to (202) 708-4275. If you should have any questions regarding the Policy that govern Consortia, you may contact Alice Gregal, Director,

CGHF: Distribution: W-3-1

NOTE: THIS DATE MAY NOT BE EXTENDED WITHOUT PRIOR WRITTEN AUTHORIZATION FROM HEADQUARTERS.

During late August or early September, the CPD Systems Development and Evaluation Division in Headquarters will send worksheets via email to Field Office CPD Directors to verify data for each consortium that will be included in the formula allocation for Fiscal Year 2001. CPD Directors must verify the worksheets with the consortium lead agency to assure the accuracy of the information.

By September 20, 2001, CPD Directors shall update and complete the worksheet for each consortium in the Field Office jurisdiction, sign the worksheet and send a copy of the worksheet to Jill S. Alexander. Systems Development and Evaluation Division, Room 7224 to allow sufficient time for data to be assemble~ so that changes can be reflected in the FY 2002 allocation of HOME funds. Directors are reminded that it is imperative that the information in the directory be confirmed with the consortium's lead entity prior to transmitting the required certification to Headquarters. NOTE: **THIS DATE MAY NOT BE EXTENDED WITHOUT PRIOR WRITTEN AUTHORIZATION FROM HEADQUARTERS.**

VI. **Eligibility** for Forming a Consortium

Local governments that are geographically contiguous may form a consortium for purposes of receiving an allocation and participating in the HOME Program. A river or other body of water may separate them, but if there is transportation access (e.g., bridges), they may be considered contiguous. The local governments forming a consortium may be cities or urban counties that would be eligible, individually, to become participating jurisdictions in the HOME Program, or other local governments. A unit of local government that is included in an urban county may be part of a consortium, only if the urban county joins the consortium. The included local government cannot join the consortium except through participation in the urban county. (Thus, when local governments become part of an urban county for the CDBG Program, they are part of the urban county for the HOME Program, except for metropolitan cities under joint grant agreements with urban counties as described in Paragraph IX, of this notice.)

Further, as indicated in Section 91.402 of the Consolidated Plan final rule and in Paragraph X of this notice, all units of general local government that are members of the consortium must be on the same program year for the CDBG, HOME, Emergency Shelter Grants (ESG) and Housing Opportunities for Persons With AIDS (HOPWA) programs.

VII. Procedures Localities Must Follow for Designation as a Consortium or Renewal of an Expiring Agreement.

To be considered as a HOME Program consortium for FY 2002, a proposed consortium, or a consortium that must execute a new HOME consortium agreement, must provide the following qualification documents by June 30, 2001 (or such later date as agreed to by the applicable HUD Field Office), to the appropriate HUD Field Office:

A written certification by the State that the consortium will direct its activities to the alleviation of housing problems within the State. The State certification may be signed by whomever has the authority to make the certification; it may be the Governor or his/her designee. If a designee signs. the signature line must indicate the signer is an "Authorized Official."

One legally binding consortium cooperation agreement that has been executed by all consortium members:

(a) Agreeing to cooperate to undertake or to assist in undertaking housing assistance activities for the HOME Program;

(b) Authorizing one member unit of general local government to act in a representative capacity for all member units of general local government for the purposes of the HOME Program;

(c) Providing that the representative member (also referred to as the lead entity) assumes overall responsibility for ensuring that the consortium's HOME Program is carried out in compliance with the requirements of the HOME Program, including requirements concerning a Consolidated Plan in accordance with HUD regulations in 24 CFR Parts 92 and 91, respectively, and the requirements of 24 CFR 92.350;

NOTE: The agreement must not contain a provision for veto or other restriction that would allow any member unit of local government to obstruct the implementation of the consortium's approved Consolidated Plan.

(d) Accompanied by authorizing resolutions from the governing body of each member unit of local government, or other acceptable evidence that the chief executive officer is authorize d to sign the agreement;

(e) Signed by the chief executive officer of each member unit of local government-,

NOTE: If an urban county is part of the consortium, only the county (not all the members of the urban county) signs the consortium agreement. However, any unit of local government that is located in but is not participating as part of the Urban County, and that wishes to be included in the HOME consortium, must sign the cooperation agreement. Also, for new consortia and renewal of existing consortia which include a non-urban county, the county cannot on its own include the whole county in the consortium, any unit of local government in the non-urban county that wishes to participate as a member of the consortium must sign the HOME consortium agreement.

(f) Containing, or accompanied by, a legal opinion from the lead entity's counsel citing applicable law and concluding that the terms and provisions of the agreement are fully authorized under State and local law and that the agreement provides fiill legal authority for the consortium to undertake or

(g) Containing a provision requiring each member unit of local government to affirmatively further fair housing;

(h) Specif'Ving the qualification period (the three Federal Fiscal Years for which the consortium is to quali6, to receive HOME funds), and the prohibition on withdrawal from the agreement during such time, as described in Paragraph XII. At the option of the consortium, the agreement may provide that it will automatically be renewed for participation in successive three-year qualification periods.

Where automatic renewal provisions are used, the agreement must state that, by the date specified in HUD's consortia designation notices, the consortium lead entity will notiA, each participating unit of general local government in writing of its right not to participate for the successive three-year qualification periods. A copy of the notification to each jurisdiction must be sent to the HUD Field Office by the date specified in the consortia designation notice.

Consortia agreements with automatic renewal provisions must also include a stipulation that requires the consortium to adopt any amendment to the agreement incorporating changes necessary to meet the requirements for cooperation agreements set forth in a Consortia Qualification Notice applicable for a subsequent three-year consortia qualification period, and to submit the amendment to HUD as specified in the Consortia Qualification Notice for that period, and that failure to comply will void the automatic renewal of the consortium agreement.

Stating the program year start date for the consortium and that all units of general local government that are members of the consortium are on the same program year for the CDBG, HOME, ESG and HOPWA programs; and

Authorizing the lead entity to amend the consortium agreement on behalf of the entire consortium to add new members to the consortium.

NOTE: This provision need not be in the agreement if the consortium members prefer to have all the members sign and approve additions.

VIII. Procedures for Existing Consortia Which Are Adding Members.

A consortium agreement can be amended to add new member units of general local government for'the remaining fiscal years of the qualification period. The agreement must be amended 'in the fiscal year before the fiscal year(s) for which the new members are added. The consortium must provide the HUD Field Office a copy of the authorizing resolution from the new member's governing body and an amendment to the consortium agreement signed by the chief executive officer of the lead entity (if the consortium agreement authorizes the lead entity to sign on behalf of all members) and the chief executive officer of the new unit of local government, adding the new unit of local government as a member of the consortium. Any change in the make-up of the consortium must be communicated to Headquarters in accordance with the'requirements of Paragraph V above.

DL Joint Grant Agreements

The CDBG Program regulations at 24 CFR 570.308 allow for any urban county, and any metropolitan city located in whole or in part within that county, to submit a joint request to HUD to approve the inclusion of the metropolitan city as part of the urban county for purposes of planning and implementing a joint community development and housing program. Each metropolitan city and urban county submitting 4 joint request must also have executed a cooperation agreement to undertake or to assist in the undertaking of essential community development and housing activities. Such agreement is hereafter referred to as a "joint grant agreement." Upon HUD's approval of the joint request and joint grant agreement, the metropolitan city is considered a pan of the urban county for purposes of -program planning and implementation under the CDBG Program, and is treated the same as any other unit of general local government which is pan of the urban county.

However, for the HOME Program, if a metropolitan city that has a joint grant agreement with an urban county for the CDBG Program wishes to be considered for funding as part of the urban county for the HOME Program, it must form a HOME consortium with the urban county and must have the same program years for funding. If such a city and urban county wish to form a new HOME consortium, the urban county and/or the metropolitan city must follow the procedures outlined above for new consortia.

X Consolidated Program Year

As required by section 91.402 of the Consolidated Plan final rule, all units of general local government that are members of a new HOME consortium approved after February 6, 1995, must be on the same program year for the CDBG, HOME, ESG and HOPWA programs.

X1 Consolidated Plan

To receive FY 2002 HOME funds, a unit of general local government must submit a Consolidated Plan. A consortium is considered a unit of local government for purposes of receiving an allocation and participating in the HOME Program. Therefore, when two or more units of local government form a consortium for the purpose of receiving a formula allocation under the HOME Program, the consortium must, as a condition of funding, submit a single Consolidated Plan that covers the entire geographic area encompassed by that consortium. Where a consortium includes one or more CDBG entitlement grantees, any such grantee does not submit an individual Consolidated Plan (for the CDBG Program) in addition to the consortium's Consolidated Plan.

NOTE: A new consortium must submit the complete strategic plan required by sections 91.215, 91.220 and 91,225. A consortium that has previously participated in the HOME Program and previously submitted a complete strategy may submit only the Action Plan and certifications unless it is required to submit a new five-year complete strategic plan (See 91.15(b)). If joint grant agreement participants form a consortium for the HOME Program (see Paragraph IX), the Consolidated Plan submitted by the urban county will also serve as the Consolidated Plan for the HOME consortium because the local governments in the consortium are the same as the local governments in the urban county joint, grant agreement.

The Field Office should be aware that the date they notify the consortium of its formula allocation amount will drive the date that the consolidated plan is due according to the following timeline:

- Field Office notifies lead entity of consortium of formula allocation amounts (Section 92.50(a))
- Consortium must submit a written notification of its intention to be a PJ no later than 30 davs after receiving notice of its formula allocation amount (Section 92.103)
- Consortium must submit a consolidated plan to the Field Office within 90 days after providing notification of its intent to be a PJ (Section 92.104).

Because of the statutory timeline listed above, it is critical that Field Offices work with new jurisdictions so that formal notification of formula allocation amounts can be sent at a point that creates the most flexibility for new jurisdictions as they prepare their consolidated plans.

XR. **Consortium Agreement: Qualification Period and Duration of Agreement**

The consortium agreement must specify the fiscal years for which the consortium is to qualify to receive allocations as a participating jurisdiction in the HOME Program. The qualification period is the three Federal fiscal years following the fiscal year in which the agreement is executed (i.e., FY 2002-2004), except if one or more urban counties are members of the consortium, the agreement may specify a lesser number of Federal fiscal years coinciding with the fiscal years remaining in an urban county's qualification period; or at the option of the consortium, the agreement may provide that it will automatically be renewed for participation in successive three-year qualification periods (See Paragraph VII.2.(h)). Notwithstanding the Federal fiscal years specified, if an urban county consortium member falls to re-qualify as an urban county for a fiscal year included in the consortium agreement, the consortium's qualification period terminates with the last fiscal year for which the urban county qualified. A new consortium agreement must be executed for the succeeding qualification period.

The consortium agreement must, at a minimum, remain in effect until the HOME funds from each of the Federal fiscal years of the qualification period are expended for eligible activities. No consortium member may withdraw from the agreement while the agreement remains in effect. The new agreement is governed by the requirements of the then current Consortium Qualification notice.

NOTE: A consortium may be disbanded if the consortium fails to receive a HOME allocation for the first Federal fiscal year of the consortium's qualification period and does not request to be considered to receive a HOME allocation in each of the subsequent two years.

XIII. HUD Action

For any consortium request whose notification was received by the deadlines established by the HUD Field Office, the HUD Field Office will review the documentation to determine whether the consortium is made up of geographically contiguous units of general local government, whether the consortium has sufficient legal authority and administrative capability to carry out the purposes of the HOME program the HOME Program on behalf of its member jurisdictions, and that there is a written certification from the State as provided in Paragraph VII. Also, the Field Office will assure that all units of general local government which are to be members of the consortium are on the same program Year for CDBG, HOME, ESG and HOPWA.

XIV. **Legal Authority**

Field Office Counsel should review each consortium's request to determine if the consortium has sufficient legal authority to carry out the HOME Program.

XV. **Administrative Capacity**

If the consortium includes a metropolitan city or an urban county as the lead entity, the consortium would be considered to have sufficient administrative capability to carry out the purposes of the HOME Program. If the consortium does not include a metropolitan city or an urban county, but the lead member or an existing public agency has relevant experience (e.g., successful experience in administering a CDBG or Rental R~habilitation Prograni or has been administering a successful HOME Program as a State recipient), the consortium could also be considered to have sufficient administrative capability to carry out the HOME Program. On the other hand, a newly created public agency established to administer the HOME Program for a consortium would not be viewed as having sufficient administrative capability unless it includes as its administrators a person or persons with relevant experience in successfully administering programs similar to the HOME Program, such as the CDBG or Rental Rehabilitation Programs.

If the HUD Field Office is satisfied that the consortium meets the requirements for the HOME Program and has the necessary legal authority and administrative capability to carry out the HOME Program, it will approve the consortium request and notify Headquarters as provided in Paragraph V no later than **August 2, 2001.**

XV1. **Appendix**

Attachment A	Consortium Membership for FY 2001
Attachment B	Consortium Members DUE to Re-Qualify in FY 2001 **(Please list Who's In, Who's Out & whether or not they are receiving CDBG funds)**

Paperwork Reduction Act Statement

The information collection requirements contained in this notice have been approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), and assigned OMB control number 2506-0128.

§ **92.208 Eligible community housing development organization (CHDO) operating expense and capacity building costs.**

(a) Up to 5 percent of a participating Juni sdiction's fiscal year HOME allocation may be used for the operating expenses of community housing development organizations (CHDOs). These funds may not be used to pay operating expenses incurred by a CHDO acting as a subrecipient or contractor under the HOME Program. Operating expenses means reasonable and necessary costs for the operation of the community vhousing development organization. Such costs include salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; equipment; materials and supplies.

The requirements and limitations on the receipt of these funds by CHDOs are set forth in § 92.300(e) and (f). (b) HOME funds may be used for capacity building costs under § 92.300(b).

Subpart G -- Community Housing Development Organizations

§ **92.300 Set-aside for community housing development organizations (CHDOs).** (a) (1) Within 24 months after HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnerships Agreement, the participating jurisdiction must reserve not less than 15 percent of the HOME allocation for investment only in housing to be developed, sponsored, or owned by community housing development organizations. For a State, the HOME allocation includes funds reallocated under § 91-1.451(c)(2)(i) and, for a unit of general local government, funds transferred from a State under § 92.102(b). The funds are reserved when a participating jurisdiction enters into a written agreement with the community housing development organization. The funds must be provided to a community housing development organization, its subsidiary or a partnership of which it or its subsidiary is the managing general partner. If a CHDO owns the project in partnership, it or its wholly owned for-profit or non-profit subsidiary must be the managing general partner. In acting in any of the capacities specified, the community housing development organization must have effective project control. In addition, a community housing development organization, in connection with housing it develops, sponsors or owns with HOME funds provided under this section, may provide direct homeownership assistance (e.g. downpayment assistance) and not be considered a subrecipient.

(2) The participating jurisdiction determines the form of assistance, e.g., grant or loan, that the community housing development organization receives and whether any proceeds must be returned to the participating jurisdiction or may be retained by the community housing development organization. While the proceeds the participating jurisdiction permits the community housing development organization to retain are not subject to the requirements of this part, the participating jurisdiction must specify in the written agreement with the community housing development organization whether they are to be used for HOME-eligible or other housing activities to benefit low-income families. However, funds recaptured because housing no longer meets the affordability requirements under § 92.254(a)(5)(ii) are subject to the requirements of this part in

accordance with § 92.503.

(b) Each participating jurisdiction must make reasonable efforts to identify community housing development organizations that are capable, or can reasonably be expected to become capable, of carrying out elements of the jurisdiction's approved consolidated plan and to encourage such community housing development organizations to do so. If during the first 24 months of its participation in the HOME Program a participating jurisdiction cannot identify a sufficient number of capable community housing development organizations, up to 20 percent of the minimum community housing development organization setaside of 15 percent specified in paragraph (a) of this section, above, (but not more than $150,000 during the 24 month period) may be committed to develop the capacity of community housing development organizations in the jurisdiction.

(c) Up to 10 percent of the HOME funds reserved under this section may be used for activities specified under § 92.301.

(d) HOME funds required to be reserved under this section are subject to reduction, as provided in § 92.500(d).

(e) If funds for operating expenses are provided under § 92.208 to a community housing development organization that is not also receiving funds under paragraph (a) of this section for housing to be developed, sponsored or owned by the community housing development organization, the participating jurisdiction must enter into a written\ agreement with the community housing development organization that provides that the community housing development organization is expected to receive funds under paragraph (a) of this section within 24 months of receiving the funds for operating expenses, and specifies the terms and conditions upon which this expectation is based.

(f) Limitation on community housing development organization operating funds. A community housing development organization may not receive HOME funding for any fiscal year In an amount that provides more than 50 percent or $50,000, whichever is greater, of the community housing development organization's total operating expenses in that fiscal year. This also includes organizational support and housing education provided under section 233(b)(1), (2), and (6) of the Act, as well as funds for operating expenses provided under § 92.208.

§ 92.301 Project-specific assistance to community housing development organizations.

(a) *Project-specific technical assistance and site control loans. (1) General.* Within the percentage specified in § 92.300(c), HOME funds may be used by a participating jurisdiction to provide technical assistance and site control loans to community housing development organizations in the early stages of site development for an eligible project. These loans may not exceed amounts that the participating jurisdiction determines to be customary and reasonable project preparation costs allowable under paragraph (a)(2) of this section. All costs must be related to a specific eligible project or projects.

(2) *Allowable costs.* A loan may be provided to cover project costs necessary to determine project feasibility (including costs of an initial feasibility study), consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, option to acquire property, site control and title clearance. General operational expenses of the community housing development organization are not allowable costs.

(3) Repayment. The community housing development organization must repay the loan to the participating jurisdiction from construction loan proceeds or other project income. The participating Jurisdiction may waive repayment of the loan, in part or in whole, if there are impediments to project development that the. participating jurisdiction determines are reasonably beyond the control of the borrower.

(b) *Project-specific seed money loans.*

(1) General. Within the percentage specified in § 92.300(c), HOME funds may be used to provide loans to community housing development organizations to cover preconstruction project costs that the participating jurisdiction determines to be customary and reasonable, including, but not limited to the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies, and legal fees.

(2) Eligible sponsors. A loan may be provided only to a community housing development organization that has, with respect to the project concerned, site control (evidenced by a deed, a sales contract, or an option contract to acquire the property), a preliminary financial commitment, and a capable development team.

(3) *Repayment.* The community housing development organization must repay the loan to the participating jurisdiction from construction loan proceeds or other project income. The participating jurisdiction may waive repayment of the loan, in whole or in part, if there are impediments to project development that the participating jurisdiction determines are reasonably beyond the control of the community housing development organization.

§ 92.302 Housing education and organizational support

HUD is authorized to provide education and organizational support assistance, in conjunction with HOME funds made available to community housing development organizations in accordance with section 233 of the Act. HUD will publish a notice in the Federal Register announcing the availability of funding under this section, as appropriate. The notice need not include funding for each of the eligible activities, but may target funding from among the eligible activities.

§ 92.303 Tenant participation plan.

A community housing development organization that receives assistance under this part must adhere to a fair lease and grievance procedure approved by the participating jurisdiction and provide a plan for and follow a program of tenant participation in management decisions.

APPENDIX C

AR	1990 % HU bit prior to 1950	LA	1990 % HU bit prior to 1950	MS	1990 % HU bit prior to 1950
Arkansas	25%	Caldwell	16%	Adams	24%
Ashley	18%	Catahoula	18%	Bolivar	20%
Chicot	23%	Concordia	12%	Carroll	17%
Clay	23%	East Carroll	20%	Claiborne	15%
Craighead	14%	Franklin	17%	Coahoma	23%
Crittenden	13%	Madison	20%	Desoto	5%
Cross	18%	Morehouse	18%	Holmes	21%
Desha	22%	Ouachita	15%	Humphreys	24%
Drew	23%	Richland	17%	Issaquena	25%
Greene	18%	Tensas	22%	Jefferson	16%
Independence		17%	West Carroll	19%	Leflore 26%
Jackson	17%	LA Avg	17%	Panola	16%
Jefferson	19%			Quitman	26%
Lawrence	21%			Sharkey	20%
Lee	21%			Sunflower	21%
Lincoln	15%			Tallahatchie	24%
Lonoke	14%			Tate	13%
Mississippi		18%			Tunica 22%
Monroe	21%			Warren	20%
Phillips	20%			Washington	19%
Poinsett	19%			Yazoo	22%

Mid South ST Averages

	RENTERS		OWNERS							
	Elderly	Total Renters	Elderly	Total Owners	Total Hhlds;	% rent	% Own	% low	% moderate	% Elderly I-I owners
State of AR										
Very Low Income	40,693	127,882	80,116	134,191	262,073	49%	51%			
Other Low Income	9,659	63,662	48,502	111,944	175,606	36%	64%	43%		52%
Moderate Income	2,757	26,298	18,355	56,124	82,422	32%	68%		8%	
Total Households	61,396	308,963	233,106	703,700	1,012,663	31%	69%			
State of LA										
Very Low Income	51,670	241,631	103,628	211,026	452,657	53%	47%			
Other Low Income	12,956	98,518	55,689	149,521	248,039	40%	60%	44%		44%
Moderate Income	3,701	38,654	20,437	72,442	111,096	35%	65%		7%	
Total Households	80,667	547,702	289,799	1,060,349	1,608,051	34%	66%			
State of MS										
Very Low Income	34,510	133,219	85,424	160,443	293,662	45%	55%			
Other Low Income	7,249	54,005	40,340	110,479	164,484	33%	67%	45%		46%
Moderate Income	1,690	20,597	14,202	50,887	71,484	29%	71%		7%	
Total Households	49,597	289,659	213,141	725,265	1,014,924	29%	71%			
3. ST Aggregate - -										
Very Low Income	126,873	502,732	269,168	505,660	1,008,392	50%	50%			
Other Low Income	29,864	216,185	144,531	371,944	588,129	37%	63%	44%		47%
Moderate Income	8,148	85,549	52,994	179,453	265,002	32%	68%		7%	
Total Households	191,660	1,146,324	736,046	2,489,314	3,635,638	32%	68%			

HUD CHAS
Data - 2002
Estimates http://www.comcon.org/resources/chas/state.asp

	RENTERS		OWNERS							
	Elderly	Total Renters	Elderly	Total Owners	Total HhIds	% rent	% Own	% low	% moderate	% Elderly LI owners
AR Delta Study Area										
Very Low Income	14,346	43,358	24,593	41,166	84,524	51%	49%			
Other Low Income	2,921	17,811	12,577	30,494	48,305	37%	63%	47%		52%
Moderate Income	735	7,167	4,428	15,173	22,340	32%	68%		8%	
Total Households	19,836	92,756	61,774	192,419	285,175	32%	68%			
LA Delta Study Area										
Very Low Income	4,013	16,903	9,280	17,432	34,335	49%	51%			
Other Low Income	1,003	6,150	4,577	11,669	17,819	35%	65%	47%		48%
Moderate Income	258	2,219	1,537	5,090	7,309	30%	70%		7%	
Total Households	6,039	34,497	24,341	76,407	110,904	31%	69%			
MS Delta Study Area										
Very Low Income	9,738	33,888	15,795	31,144	65,032	52%	48%			
Other Low Income	1,638	10,768	7,273	19,761	30,529	35%	65%	48%		45%
Moderate Income	279	3,371	2,447	8,918	12,289	27%	73%		6%	
Total Households	12,953	63,708	39,065	134,457	198,165	32%	68%			
Mid South DELTA Study Area										
Very Low Income	28,097	94,149	49,668	89,742	183,891	51%	49%			
Other Low Income	5,562	34,729	24,427	61,924	96,653	36%	64%	47%		49%
Moderate Income	1,272	12,757	8,412	29,181	41,938	30%	70%		7%	
Total Households	38,828	190,961	125,180	403,283	594,244	32%	68%			

WWWWWWWWWWWWWWWWWWWWWWWW

	Elderly	Total Renters	Elderly	Total Owners	Total	% rent	% own		
Very Low Income	3,965,062	14,280,550	5,994,181	10,301,792	24,582,342	58%	42%		
Other Low Income	1,080,387	7,542,528	3,932,564	9,463,560	17,006,088		56%	40%	50%
Moderate Income	345,238	3,347,118	1,605,186	5,375,615	8,722,733	38%	62%		8%
Total Households	6,428,297	36,980,359	18,712,724	66,375,112	103,355,471	36%			

HUD CHAS

Data - 2002

Estimates http://www.comcon.org/resources/chas/state. asp

	RENTERS		OWNERS						
	Elderly	Total Renters	Elderly	Total Owners	Total Hhlds	% rent	% Own	% low	% moderate
ARKANSAS									
Very Low Income	386	1,001	559	957	1,958	51%	49%		
Other Low Income	91	554	429	800	1,354	41%	59%	41%	
Moderate Income	30	220	164	370	590	37%	63%		7%
Total Households	582	21700	1,994	5,370	8,070	33%	67%		
ASHLEY									
Very Low Income	324	994	903	1,486	2,480	40%	60%		
Other Low Income	81	369	410	1,105	1,474	25%	75%	43%	
Moderate ' Income	11	207	176	504	711	29%	71%		8%
Total Households	456	2,133	2,110	7,012	9,145	23%	77%		
CHICOT									
Very Low Income	251	938	675	1,231	2,169	43%	57%		
Other Low Income	86	287	251	637	924	31%	69%	59%	
Moderate Income	17	113	55	177	290	39%	61%		5%
Total Households	390	1,659	1,397	3,614	5,273	31%	69%		
CLAY									
Very Low Income	389	857	968	1,295	2,152	40%	60%		
Other Low income	73	380	486	935	1,315	29%	71%	48%	
Moderate Income	8	184	249	562	746	25%	75%		10%
Total Households	541	1,917	2,344	5,323	7,240	26%	74%		
CRAIGHEAD									
Very Low Income	1,390	4,785	2,016	3,308	8,093	59%	41%		
Other Low Income	298	2,429	1,154	2,909	5,338	46%	54%	42%	
Moderate Income	113	950	465	1,868	2,818	34%	66%		9%

Total Households	1,977	11,278	5,680	20,473	31,751	36%	64%		
CRITTENDEN									
Very Low Income	1,020	3,782	1,208	2,487	6,269	60%	40%		
Other Low Income	137	1,331	476	1,721	3,052	44%	56%	54%	
Moderate Income	48	430	142	843	1,273	34%	66%		7%
Total Households	1,308	6,762	2,468	10,344	17,106	40%	60%		
CROSS									
Very Low Income	317	908	500	938	1,846	49%	51%		
Other Low Income	42	399	308	715	1,114	36%	64%	43%	
Moderate Income	27	154	123	411	565	27%	73%		8%
Total Households	435	2,127	1,519	4,803	6,930	31%	69%		
DESHA									
Very Low Income	291	1,027	510	911	1,938	53%	47%		
Other Low Income	54	311	228	526	837	37%	63%	53%	
Moderate Income	0	67	37	168	235	29%	71%		4%
Total Households	372	1,816	1,255	3,449	5,265	34%	66%		
DREW									
Very Low Income	316	846	579	971	1,817	47%	53%		
Other Low Income	66	358	303	691	1,049	34%	66%	42%	
Moderate Income	1	160	101	398	558	29%	71%		8%
Total Households	417	1,922	1,454	4,837	6,759	28%	72%		
GREENE									
Very Low Income	637	1,556	1,214	1,976	3,532	44%	56%		
Other Low Income	171	839	788	1,697	2,536	33%	67%	41%	
Moderate Income	4	369	207	728	1,097	34%	66%		7%
Total Households	915	4,008	3,367	10,652	14,660	27%	73%		
INDEPENDENCE									
Very Low Income	609	1,151	1,315	2,086	3,237	36%	64%		
Other Low Income	102	627	640	1,585	2,212	28%	72%	41%	

Moderate Income	54	327	257	801	1,128	29%	71%	9%
Total Households	869	3,288	3,140	9,892	13,180	25%	75%	
JACKSON								
Very Low Income	494	1,176	665	1,091	2,267	52%	48%	
Other Low Income	78	409	400	833	1,242	33%	67% 49%	
Moderate Income	26	189	124	383	572	33%	67%	8%
Total Households	655	2,278	1,801	4,874	7,152	32%	68%	
JEFFERSON								
Very Low Income	1,192	4,318	2,479	4,099	8,417	51%	49%	
Other Low Income	254	1,677	1,101	2,514	4,191	40%	60% 44%	
Moderate Income	92	667	410	1,386	2,053	32%	68%	7%
Total Households	1,700	9,406	6,268	19,047	28,453	33%	67%	
LAWRENCE								
Very Low Income	318	843	935	1,508	2,351	36%	64%	
Other Low Income	71	284	416	878	1,162	24%	76% 51%	
Moderate Income	9	173	146	372	545	32%	68%	8%
Total Households	434	1,763	2,017	5,166	6,929	25%	75%	
LEE								
Very Low Income	245	1,148	460	794	1,942	59%	41%	
Other Low Income	61	253	239	633	886	29%	71% 63%	
Moderate Income	22	73	54	257	330	22%	78%	7%
Total Households	342	1,693	1,071	2,799	4,492	38%	62%	
LINCOLN								
Very Low Income	183	549	519	899	1,448	38%	62%	
Other Low Income	28	210	204	516	726	29%	71% 46%	
Moderate Income	4	118	56	198	316	37%	63%	7%
Total Households	234	1,240	1,059	3,451	4,691	26%	74%	
LONOKE								
Very Low Income	802	2,576	1,578	2,794	5,370	48%	52%	

Other Low Income	44	967	609	2,528	3,495	28%	72%	46%	
Moderate Income	23	415	271	1,537	1,952	21%	79%		10%
Total Households	926	5,021	3,599	14,231	19,252	26%	74%		
MISSISSIPPI									
Very Low Income	907	2,992	1,036	1,596	4,588	65%	35%		
Other Low Income	232	1,443	600	1,318	2,761	52%	48%	44%	
Moderate Income	36	644	220	636	1,280	50%	50%		8%
Total Households	1,331	7,658	2,889	9,015	16,673	46%	54%		
MONROE									
Very Low Income	276	729	373	664	1,393	52%	48%		
Other Low Income	65	314	189	394	708	44%	56%	55%	
Moderate Income	21	86	55	134	220	39%	61%		6%
Total Households	388	1,413	916	2,377	3,790	37%	63%		
PHILLIPS									
Very Low Income	847	2,673	854	1,438	4,111	65%	35%		
Other Low Income	173	824	334	752	1,576	52%	48%	58%	
Moderate Income	37	284	124	411	695	41%	59%		7%
Total Households	1,121	4,552	1,982	5,185	9,737	47%	53%		
POINSETT									
Very Low Income	664	1,642	668	1,170	2,812	58%	42%		
Other Low Income	159	800	453	994	1,794	45%	55%	49%	
Moderate Income	19	185	110	466	651	28%	72%		7%
Total Households	926	3,338	1,835	6,158	9,496	35%	65%		
PRAIRIE									
Very Low Income	169	351	401	615	966	36%	64%		
Other Low Income	44	252	186	430	682	37%	63%	46%	
Moderate Income	9	83	60	170	253	33%	67%		7%
Total Households	231	971	954	2,574	3,545	27%	73%		
RANDOLPH									

Very Low Income	421	935	824	1,226	2,161	43%	57%		
Other Low Income	43	283	526	1,038	1,321	21%	79%	48%	
Moderate Income	35	240	109	431	671	36%	64%		9%
Total Households	519	1,861	1,967	5,446	7,307	25%	75%		
ST. FRANCIS									
Very Low Income	619	2,173	778	1,503	3,676	59%	41%		
Other Low Income	122	591	340	974	1,565	38%	62%	53%	
Moderate Income	34	225	187	497	722	31%	69%		7%
Total Households	853	3,907	1,887	6,063	9,970	39%	61%		
WHITE									
Very Low Income	1,030	2,730	2,144	3,497	6,227	44%	56%		
Other Low Income	315	1,430	1,331	2,991	4,421	32%	68%	43%	
Moderate Income	55	523	457	1,270	1,793	29%	71%		7%
Total Households	1,584	6,759	5,866	18,099	24,858	27%	73%		
WOODRUFF									
Very Low Income	249	678	432	626	1,304	52%	48%		
Other Low Income	31	190	176	380	570	33%	67%	54%	
Moderate Income	0	81	69	195	276	29%	71%		8%
Total Households	330	1,286	935	2,165	3,451	37%	63%		
AR Delta Study Area									
Very Low Income	14,346	43,358	24,593	41,166	84,524	51%	49%		
Other Low Income	2,921	17,811	12,577	30,494	48,305	37%	63%	47%	
Moderate Income	735	7,167	4,428	15,173	22,340	32%	68%		8%
Total Households	19,836	92,756	61,774	192,419	285,175	32%	68%		

http://www.comcon.org/resources/chas/state.asp

HUD CHAS
Data - 2002
Estimates

	RENTERS Elderly	Total Renters	OWNERS Elderly	Total Owners	Total Hhlds	% rent	% Own	% low	% moderate
Adams									
Very Low Income	501	1,983	1,014	2,172	4,155	48%	52%		
Other Low Income	88	597	578	1,332	1,929	31%	69%	47%	
Moderate Income	42	141	198	526	667	21%	79%		5%
Total Households	736	3,761	3,115	9,304	13,065	29%	71%		
Bolivar									
Very Low Income	799	3,072	1,005	1,921	4,993	62%	38%		
Other Low Income	124	942	423	1,169	2,111	45%	55%	55%	
Moderate Income	5	203	156	460	663	31%	69%		5%
Total Households	1,014	5,333	2,452	7,675	13,008	41%	59%		
Carroll									
Very Low Income	134	326	464	787	1,113	29%	71%		
Other Low Income	22	191	171	521	712	27%	73%	47%	
Moderate Income	3	33	55	264	297	11%	89%		8%
Total Households	178	764	1,033	3,128	3,892	20%	80%		
Claiborne									
Very Low Income	124	490	458	886	1,376	36%	64%		
Other Low Income	14	115	137	439	554	21%	79%	57%	
Moderate Income	0	11	55	207	218	5%	95%		6%
Total Households	174	882	891	2,493	3,375	26%	74%		
Coahoma									
Very Low Income	922	2,649	733	1,538	4,187	63%	37%		
Other Low Income	101	771	313	810	1,581	49%	51%	55%	
Moderate Income	24	171	122	319	490	35%	65%		5%
Total Households	1,136	4,620	2,011	5,943	10,563	44%	56%		

De Soto									
Very Low Income	918	2,929	1,798	4,091	7,020	42%	58%		
Other Low Income	75	1,255	1,057	3,996	5,251	24%	76%	35%	
Moderate Income	18	687	405	2,251	2,938	23%	77%		8%
Total Households	1,082	6,681	4,792	28,857	35,538	19%	81%		
Holmes									
Very Low Income	320	1,440	1,006	2,142	3,582	40%	60%		
Other Low Income	60	274	306	805	1,079	25%	75%	65%	
Moderate Income	6	84	65	337	421	20%	80%		6%
Total Households	418	2,135	1,837	5,049	7,184	30%	70%		
Humphreys									
Very Low Income	168	847	341	639	1,486	57%	43%		
Other Low Income	62	326	124	330	656	50%	50%	59%	
Moderate Income	14	76	24	118	194	39%	61%		5%
Total Households	268	1,511	724	2,109	3,620	42%	58%		
Issacluena									
Very Low Income	26	93	59	133	226	41%	59%		
Other Low Income	2	26	19	49	75	35%	65%	59%	
Moderate Income	1	7	0	20	27	26%	74%		5%
Total Households	34	166	104	341	507	33%	67%		
Jefferson									
Very Low Income	115	448	336	908	1,356	33%	67%		
Other Low Income	17	110	89	351	461	24%	76%	65%	
Moderate Income	3	17	8	184	201	8%	92%		7%
Total Households	138	632	523	2,170	2,802	23%	77%		
Leflore									
Very Low Income	1,181	3,317	722	1,285	4,602	72%	28%		
Other Low Income	239	992	355	854	1,846	54%	46%	50%	
Moderate Income	15	361	228	498	859	42%	58%		7%

Total Households	1,616	6,195	2,335	6,660	12,855	48%	52%		
Panola									
Very Low Income	420	1,385	1,163	2,184	3,569	39%	61%		
Other Low Income	71	411	570	1,335	1,746	24%	76%	45%	
Moderate Income	17	148	213	555	703	21%	79%		6%
Total Households	553	2,838	2,812		11,738	24%	76%		
Quitman									
Very Low Income	144	574	432	698	1,272	45%	55%		
Other Low Income	37	202	138	352	554	36%	64%	57%	
Moderate Income	5	66	39	128	194	34%	66%		6%
Total Households	203	1,026	883	2,184	3,210	32%	68%		
Sharkey									
Very Low Income	108	476	151	347	823	58%	42%		
Other Low Income	28	138	50	194	332	42%	58%	59%	
Moderate Income	2	22	16	80	102	22%	78%		5%
Total Households	149	773	356	1,201	1,974	39%	61%		
Sunflower									
Very Low Income	654	2,233	971	1,671	3,904	57%	43%		
Other Low Income	95	673	417	869	1,542	44%	56%	54%	
Moderate Income	5	220	136	374	594	37%	63%		6%
Total Households	825	4,100	2,219	6,061	10,161	40%	60%		
Tallahatchie									
Very Low Income	293	849	533	1,116	1,965	43%	57%		
Other Low Income	28	283	280	622	905	31%	69%	58%	
Moderate Income	14	109	66	233	342	32%	68%		7%
Total Households	366	1,528	1,198	3,462	4,990	31%	69%		
Tate									
Very Low Income	241	854	689	1,262	2,116	40%	60%		
Other Low Income	65	342	336	880	1,222	28%	72%	41%	

Moderate Income	2	130	141	404	534	24%	76%		7%
Total Households	344	2,006	1,783	6,042	8,048	25%	75%		
Tunica									
Very Low Income	182	787	165	394	1,181	67%	33%		
Other Low Income	18	181	91	271	452	40%	60%	65%	
Moderate Income	4	31	37	82	113	27%	73%		5%
Total Households	235	1,164	453	1,331	2,495	47%	53%		
Warren									
Very Low Income	856	2,891	1,514	2,729	5,620	51%	49%		
Other Low Income	141	1,084	567	1,727	2,811	39%	61%	46%	
Moderate Income	28	299	182	800	1,099	27%	73%		6%
Total Households	1,165	5,740	3,634	12,740	18,480	31%	69%		
Washington									
Very Low Income	1,071	4,381	1,459	2,703	7,084	62%	38%		
Other Low Income	253	1,413	833	1,876	3,289	43%	57%	47%	
Moderate Income	54	447	202	749	1,196	37%	63%		5%
Total Households	1,597	8,856	3,929	12,995	21,851	41%	59%		
Yazoo									
Very Low Income	561	1,864	782	1,538	3,402	55%	45%		
Other Low Income	98	442	419	979	1,421	31%	69%	55%	
Moderate Income	17	108	99	329	437	25%	75%		5%
Total Households	722	2,997	1,981	5,812	8,809	34%	66%		
MS **Delta Study Area**									
Very Low Income	9,738	33,888	15,795	31,144	65,032	52%	48%		
Other Low Income	1,638	10,768	7,273	19,761	30,529	35%	65%	48%	
Moderate Income	279	3,371	2,447	8,918	12,289	27%	73%		6%
Total Households	12,953	63,708	39,065	134,457	198,165	32%	68%		

http://www.comcon.org/resources/chas/state.asp

HUD CHAS
Data - 2002
Estimates

	RENTERS		OWNERS						
	Elderly	Total Renters	Elderly	Total Owners	Total Hhlds	%rent	%Own	%low	% moderate
Caldwell									
Very Low Income	93	340	404	766	1,106	31%	69%		
Other Low Income	43	172	157	502	674	26%	74%	47%	
Moderate Income	10	37	53	215	252	15%	85%		7%
Total Households	183	775	935	3,046	3,821	20%	80%		
Catahoula									
Very Low Income	78	401	431	960	1,361	29%	71%		
Other Low Income	12	156	212	515	671	23%	77%	50%	
Moderate Income	7	37	49	185	222	17%	83%		5%
Total Households	119	774	1,040	3,282	4,056	19%	81%		
Concordia									
Very Low Income	212	974	659	1,330	2,304	42%	58%		
Other Low Income	97	390	280	630	1,020	38%	62%	45%	
Moderate Income	24	123	121	403	526	23%	77%		7%
Total Households	366	1,922	1,705	5,525	7,447	26%	74%		
East Carroll									
Very Low Income	156	742	297	672	1,414	52%	48%		
Other Low Income	50	167	86	268	435	38%	62%	65%	
Moderate Income	1	50	11	131	181	28%	72%		6%
Total Households	231	1,113	585	1,725	2,838	39%	61%		
Franklin									
Very Low Income	284	1,017	899	1,545	2,562	400/6	60%		
Other Low Income	70	290	340	953	1,243	23%	77%	49%	
Moderate Income	22	148	176	452	600	25%	75%		8%

Total Households	436	1,914	2,011	5,815	7,729	25%	75%		
Madison									
Very Low Income	225	939	484	856	1,795	52%	48%		
Other Low Income	42	331	192	507	838	39%	61%	57%	
Moderate Income	1	44	47	180	224	20%	80%		5%
Total Households	293	1,670	1,105	2,953	4,623	36%	64%		
Morehouse									
Very Low Income	392	1,499	907	1,707	3,206	47%	53%		
Other Low Income	100	472	573	1,282	1,754	27%	73%	44%	
Moderate Income	37	195	202	565	760	26%	74%		7%
Total Households	601	2,973	2,714	8,179	11,152	27%	73%		
Ouchita									
Very Low Income	1,984	9,070	3,634	6,749	15,819	57%	43%		
Other Low Income	444	3,496	1,908	5,223	8,719	40%	60%	45%	
Moderate Income	135	1,319	606	2,217	3,536	37%	63%		6%
Total Households	2,949	19,643	10,305	35,273	54,916	36%	64%		
Richland									
Very Low Income	326	1,016	785	1,372	2,388	43%	57%		
Other Low Income	83	318	363	865	1,183	27%	73%	48%	
Moderate Income	13	166	159	381	547	30%	70%		7%
Total Households	469	1,980	1,985	5,413	7,393	27%	73%		
Tensas									
Very Low Income	101	378	276	583	961	39%	61%		
Other Low Income	18	164	139	323	487	34%	66%	60%	
Moderate Income	4	16	21	74	90	18%	82%		4%
Total Households	139	692	681	1,705	2,397	29%	71%		
West Carroll									
Very Low Income	162	527	504	892	1,419	37%	63%		
Other Low Income	44	194	327	601	795	24%	76%	49%	

Moderate Income	4	84	92	287	371	23%	77%		8%
Total Households	253	1,041	1,275	3,491	4,532	23%	77%		
LA Delta Study Area									
Very Low Income	4,013	16,903	9,280	17,432	34,335	49%	51%		
Other Low Income	1003	6150	4577	11669	17819	35%	65%	47%	
Moderate Income	258	2219	1537	5090	7309	30%	70%		7%
Total Households	6,039	34,497	24,341	76,407	110,904	31%	69%		

http://www.comcon.org/resources/chas/state.asp

Appendix D: Utilizing Alternative Building Methodologies and Energy-efficient Technologies to Increase the Availability of Affordable Housing for Low-Income Persons and Families

Introduction

According to the report by the U.S. Bureau of the Census, *Characteristics of New Housing (2000),* in 1999 over 1.6 million new privately owned housing units were produced in the United States. That figure was an increase from the 1.3 million produced in 1995. In the South, 750,000 new housing units were produced. That figure also represents an increase in production of housing units from 581,000 produced in 1995.[1]

The majority of housing units produced in the United States are single-family dwellings for sale on the open market. A small percentage is produced for rental markets. Surprisingly, the South leads the nation in the overall number of dwellings produced having two or more units, outside of Metropolitan Statistical Areas (MSAs), according to data from the Bureau of the Census. Data indicate that low-income families generally occupy either rental units, including apartments, or rent older single- or multifamily dwellings. Older units generally do not have energy efficient features installed and are costly to heat and cool. Only newer dwellings incorporate some energy-saving features and the majority of these units are constructed using conventional construction methods. Due to cost and other factors, newer units are out of the reach of low-income families. Low-income families are rarely in the position to purchase a home of their own without subsidies and creative financing techniques.

The issue of providing homeownership to low-income families has been addressed primarily by specialty housing organizations and other nonprofit groups. PHAs, community development corporations, Community Housing Development Organizations, faith-based groups, Habitat for Humanity, and others produce affordable housing through grants and government assistance. Even with assistance from these and other sources, only a small number of low-income families are able to achieve homeownership.

Historically, the primary focus of homeownership for this target market has centered on achieving affordability. Numerous individuals and groups have approached affordability in a variety of ways. As a result, a host of models, programs and processes have been tried and tested to achieve affordability. Some of these techniques have included first-time homebuyer programs, down payment assistance, low interest mortgage programs, high risk mortgage pools, sweat equity techniques, recruiting volunteers for free labor, and many others. Most recently, the U.S. Department of Housing and Urban Development changed its rules to allow Section 8 vouchers to be used for purchasing homes. While many of these activities have proven to be successful and have positive track records, increasing homeownership among low-income families remains a challenge.

This appendix will provide direction to and implications for utilizing alternative building techniques and energy efficient technologies as a means to increase homeownership for low-income persons and families. By incorporating new technologies and financial products in this market, a more complete approach to affordability can be established and a possible missing link discovered to increase homeownership among low-income families.

Traditional Housing Construction (Site-Built Homes)

Low-income housing producers have traditionally employed private sector contractors to construct dwellings. Only a small percentage of these nonprofit organizations and governments

---

[1] South is defined as Delaware, Maryland, Washington, D.C., Virginia, West Virginia, North and South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas.

have the construction capacity to develop their own units. The majority of these organizations and almost all residential contractors build these housing units with a single traditional construction methodology. Site building, the construction of dwellings using mostly wood frame on slabs at grade or raised columns (conventional foundations), is the primary method employed.

Site building is the standard of the construction industry for residential development. It has proven to be a frequently costly method of construction. It requires phasing and coordination of specialty trades. The usual process for phasing is preparing the site for the foundation, pouring the foundation (if slab) or building columns (if conventional), framing of the unit, installation of equipment (HVAC), then performing finish work. Coordination of the foundation crew with site preparation, framing with plumbers, carpenters, painters, and electricians, then all final exterior (bricking, etc.) and interior (painting, counter tops, tile floors, etc.) finish work is a required part of construction. Along with this activity is the required coordination at the planning level with local city or county inspectors. Mostly, however, site building is impacted by weather conditions up to the point that walls are up and a roof has been completed. Even then, some trades cannot be performed under moist conditions or in cold weather.

Costs associated with materials can be impacted by availability. For example, the construction trade in the South continues to experience a shortage of wood products for residential construction. Since wood is still being imported from surrounding states and other countries, the cost has almost doubled. The same situation continues to occur with sheet rock. Additionally, labor costs make up more than half the cost of constructing housing units. Depending upon the size of the units and materials used, the most costly labor is carpentry and finishing work. In a wood frame unit, carpentry is the primary trade. The finished work is what most individuals see in a home after construction. These finish trades require high levels of competency and are the most costly. Finished items can include counter tops, cabinets, doors, wood floors, and windows.

Data from the Bureau of the Census indicate that 94 percent of all new homes constructed in 1999 used traditional stick or site built method, 3 percent used modular technology and 3 percent used panelized or pre-cut technologies.

<u>Traditional Housing Finance Methods</u>

In 1999, according to the Census Bureau's *Characteristics of New Housing* 9 percent of all new houses in the United States were financed with FHA insured loans, 3 percent were financed with VA guaranteed loans, 79 percent were financed with conventional mortgages, less than 1 percent were financed with mortgages issued by the Rural Housing Service, and 9 percent were purchased with cash transactions. Comparatively, in the South, 11 percent of new homes were FHA insured, 4 percent were VA guaranteed, 76 percent were financed with conventional mortgages, 1 percent were financed by the Rural Housing Service, and 8 percent were financed with cash transactions.[2]

New Home Financing	*United States*	*South*
FHA Insured	9%	11%
VA Guaranteed	3%	4%
Conventional Mortgages	79%	76%
Rural Housing Service	1%	1%
Cash Transactions	9%	8%

Programs being utilized specifically for low-income markets, including HUD's 203k mortgage program and RHS's Section 523 program (which does not provide mortgages but helps fund organizations that sponsor self-help housing), are proving successful but are not impacting

[2] Percentages may not equal 100 due to rounding.

affordability and homeownership on a large scale. Data show most mortgages are issued using conventional financing methods. This means that the majority of credit decisions are based upon market rate credit criteria, including level of incomes, placing possible homeownership beyond low-income households.

Low-income households generally do not qualify for conventional mortgage products. Moderate-income families have limited success accessing conventional mortgage programs, depending upon the cost of a unit. They also very seldom qualify to purchase a newly constructed unit.

To mortgage lenders' credit, many conventional mortgage providers participate with community-based organizations in addressing housing needs of the elderly, disabled, and low-income families. Often through Community Reinvestment Act programs, they are involved with mortgage loan participation programs offered by community- and faith-based groups, provide gap funding, and support nonprofit organization efforts through grants. In recent years, local banks have begun working with community-based organizations to establish Individual Development Account programs, providing a match to low-income families' accounts. Among other things, these accounts can be used for downpayments on homes once enough dollars have accumulated.

While a valuable service is being provided through conventional mortgage lenders, low-income families are still not being afforded homeownership opportunities in numbers that make a difference.

<u>Lessons Learned Utilizing Alternative Technologies</u>

We have learned the following about market forces impacting homeownership levels among low-income families.

⌂ The majority of new housing units are beyond the buying power of low-income families.

⌂ Conventional construction can increase housing prices.

⌂ Conventional financing program criteria are too stringent for low-income families to qualify.

⌂ Specialty programs for low-income housing development do not produce significant numbers of homeowners.

⌂ Most new housing units contain some energy-efficient measures.

In order to increase homeownership levels among low-income families a more inclusive approach to affordability must be established. Affordability should not only drive financing methods and the attempt to realize low monthly principal and interest payments, but should include design and construction methods, which lower housing production, operation and maintenance costs.

Units should be designed, whether new or renovated, to include all energy savings options. These include solar and other available options depending on the local environment. From insulating foundations and flooring to using longer lasting materials (tin roofing materials, for example), alternative technologies should be employed to reduce the cost of housing. Value in housing is also related to lower maintenance, comfort level, energy savings and efficiency. Additionally, all appliances and equipment used in low-income housing units should achieve energy savings and efficiencies. These can be specified at the design stage and incorporated in subsequent construction plans and specifications.

<u>Alternative Methodologies: a Review of Site Built, Modular and Panelized Housing Construction Methods</u>

Alternative technologies have been available for housing production for some time. They can materially impact the way housing is developed. These technologies include alternative methods for construction of housing units, energy-efficient appliances and materials, and financing products that promote energy savings in residential dwellings.

Site-built construction dominates the residential building industry. As noted above, it raises certain issues but remains the staple method for housing construction. Other methods of construction for residential dwellings include modular, panelized and pre-cut construction.

Modular housing construction is a factory-based process through which entire dwellings are produced in the factory by sections. These units are produced using wall panels, similar to panelized housing units, but are pieced together in the factory and then shipped in sections to a site with prepared foundations. Electrical wiring and plumbing are factory-built into the walls and are fully operational at the time of shipment. When these units arrive on site, sections are placed on the foundation, secured and sealed. The value of modular housing is that the complete unit is manufactured in the factory and can be delivered and placed on site within a matter of days.

Panelized housing units make use of the same factory-based process to produce wall panels as does modular construction, but these units are not finished on the exterior or interior. These units usually come with service cutouts for electrical, plumbing, and ventilation systems. Panelized units are also designed to be shipped and assembled on site. These units can be set up on site within a matter of days. Panelized units can be completely finished in the factory or the basic wall panel system can be shipped and local contractors can complete finish work on site. The value of a panelized unit is the fact that it can be completely produced in the factory, can be placed on site within a couple of days and, depending on the number of units in production, can realize tremendous savings to the purchaser.

Other construction methods, not explored in this work, but which may also be less expensive and provide energy efficient implications, include increased use of native materials and reduced finishings, just to name a few.

Several common benefits are shared by modular and panelized construction methods:

⌂ Neither method is affected by weather during the manufacturing process.

⌂ Both use four- to eight-inch wall panels that exceed code requirements for R ratings.

⌂ Both have great design flexibility.

⌂ Both construction methods are quicker than site-built units.

⌂ Both can achieve cost savings through economies of scale. (This final benefit means a lower unit cost passed on to owners).

Modular and panelized construction have been touted as the new less costly building methods. Cost savings are associated with basically two areas: less labor required than site built units and energy saving qualities.

Assuming a unit with the same square footage, the following costs can be formulated. This example excludes land costs, site preparation, and foundation costs. It also assumes that all equipment, materials, and amenities are the same for each construction method, and it assumes the same distance and transportation to the site for modular and panelized units.

Construction Type	*Cost Per Square Foot*	*Size of Unit*	*Cost of Unit*

Site Built	$67.00	1,300	$87,100
Modular	$52.00	1,300	$67,600
Panelized	$47.00	1,300	$61,100

Construction costs were obtained directly from modular and panelized manufacturers and a residential home contractor in Mississippi. While the unit size of 1,300 square feet is larger than average units occupied by low-income families, it is useful for this presentation purpose. Site-built homes carry higher construction costs and in this example exceed the cost of modular and panelized units by nearly $20,000 and $26,000 respectively. However, all units would appear to be out of the reach for low-income families. Additionally, site-built unit costs would remain constant, while for modular and panelized units costs could be reduced using economies of scale. That is, if two or more units are being produced at the same time in the factory, a unit cost savings can be realized not only through the purchase of materials in bulk but in addition factory labor costs will be impacted since units can be produced at the same time without regards to weather conditions and specialty trade coordination delays.

Still, the issue of homeownership for low-income families remains a challenge. While modular and panelized unit methods could reduce costs of housing, it appears that mass production of these units would be necessary to reduce cost enough for them to be affordable for low-income families. Invariably, the combination of housing supports such as downpayment assistance coupled with modular and panelized mass production would together make these units affordable to even low-income families.

Using the panelized unit cost of $61,100, for example, downpayment assistance of $8,000 (a figure used by the Mississippi Home Corporation) would result in a purchase price of $53,100. Adding an estimated cost for land, site preparation, and foundation (slab) of an additional $5,000 would result in a cost of $58,100 for the unit. Financing this unit over a 20-year period using a 2.0 percent interest rate would result in a monthly mortgage payment of $293.92, excluding taxes and insurance.

Low income is defined as an income under 60 percent of Area Median Income (AMI). Assuming an AMI of $20,000, 60 percent would be $12,000 annual income. Using prevailing guidelines of up to 33 percent of household income for housing payments (including utilities), a low-income family would have $3,960 annually (or $330.00 per month) for debt service. In this case, low-income families could qualify for a mortgage, notwithstanding credit issues, and meet debt service and have additional dollars available for taxes and insurance payments.

Four key elements in the above example make this work:

- starting with an alternative construction method to lower costs;
- finding low cost mortgage dollars that allow creative financing terms and rates;
- obtaining down payment assistance; and
- having an area with median income of no less than $20,000. For lower income levels, additional adjustments would be needed.

Additional tools can be employed to make housing affordable to low-income families. These include the use of energy efficiency, which reduces utility costs to units on a functional basis, and financing programs that take into consideration energy savings in the mortgage. These programs too can be incorporated as part of the above example and can further affordability.

Energy Efficiency in Housing Development

Given the increasing costs of fossil fuels, electricity, and gas, energy has been a hot topic in recent years. Combating the high cost of fuels is a top priority of the federal government and many utility companies and is a concern of all persons having to pay high utility bills.

Utility costs impose a disproportionate burden on low-income households. For those on Social Security who are single, elderly, poor, or disabled, average energy burden is 19 percent of household income, according to data from HUD. The energy burden on families receiving Aid to Families with Dependent Children (replaced by the Temporary Assistance to Needy Families program) is, on average, seven times greater than for families at area median incomes. One report presented the data shown in the table below.

Income Level	*Percent of Income for Utilities*
U.S. Median	4%
SSI Elderly	19%
AFDC	26%

Source: National Consumer Law Center, 11 Beacon Street, Suite 821, Boston, Mass., 617-523-8010.

A National Energy Assistance Directors Association's April 15, 2001 study showed that as many as 3.6 million families in 18 states, including the District of Columbia, risk having their utilities turned off due to high energy costs. Energy costs impact persons being evicted from rental units as well. A study called "From Heatless to Homeless" showed that in Minnesota in 1997, record evictions occurred and the breakout of these evictions showed that 26 percent of evictions were due to electric and gas terminations and 40 percent were due to water cutoffs. Families no longer must choose between just paying rent or buying food, but between paying rent, buying food, or paying utility bills.

According to *New Housing Construction, Bureau of the Census,* of the 1.3 million new houses constructed in 1999 in the United States, 70 percent use gas for heating, 27 percent use electricity, 3 percent use heating oil, and 1 percent use other heating sources. In the South, gas accounts for approximately 50 percent of heating fuels, followed by electricity at 49 percent, while heating oils and other sources account for less than 1 percent combined. These facts alone provide reasonable yet urgent consideration for employing energy efficiency and conservation measures in residential housing development.

While current energy policies favor developing new sources of energy focusing on fossil fuels, some technologies are pointing to conservation measures. In residential housing construction, conservation measures are being employed on a wider scale than in other industries. Modular and panelized units are generally considered to be more energy efficient than site built units; however, site built units can also be designed to use minimal amounts of energy to heat and cool and be comfortable and healthy environments.

The envelope of the house is the primary focus of energy efficiency. The thermal envelope is everything about the house that serves to shield the living space from outside elements. It includes wall and roof sections, insulation, windows, doors, finishes, weather stripping, and air/vapor retarders.

For wall and roof assemblies, several alternatives are available to conventional site-built units. Optimum Value Engineering, a method of using wood only where it works best to reduce cost but workmanship must be of the highest quality and little room is left for errors. Structural Insulated Panels (SIPs) or panels used in both modular and panelized unit construction is generally plywood or oriented strand board sheets laminated to a core foam-board. Usually 4 to 8 inches thick, SIPs act as both the framing and the insulation. They allow much faster construction than OVE or site-built units. This construction is higher quality than site-built, too, since there are fewer places for workers to make mistakes. Finally, insulated concrete forms, which consist of two layers of extruded foam-board – one inside the house and one outside the house – act as forms for steel-reinforced concrete centers. This is the fastest construction technique and the least likely to result in construction mistakes. While units constructed this way are extremely strong and easily exceed code requirements for tornado and hurricane areas, they too are expensive.

Insulation is the primary energy-efficient agent in residential construction, and is measured by R ratings. The higher the R rating, the lower the amount of heating and cooling lost from structures, thus reducing the amount of energy used to heat and cool structures. Code requirements vary from state to state, but usually require somewhere in the range of R-19 in exterior walls and ceilings, while insulation being optional in floors and foundation walls. Codes also require between R-20 and R-30 for interior walls. Types of insulation include fiberglass batt or roll, wet-spray cellulose (recommended), or foam insulations to completely fill wall cavities.

Additional areas of concern are equipment and appliances used in the unit. Energy efficient heating and cooling equipment and water heaters provide energy conservation measures and use less energy than older models. The same should be the goal of appliances in the unit. No washing machine or dryer, microwave oven, stove, garbage disposal, dishwasher or refrigerator should be used that does not carry a reduced energy usage certification or that is not energy efficient.

Energy Efficient Mortgages

Incorporating energy-efficient measures in residential housing development must start with the design. To include such measures requires additional funding in the mortgage. New mortgage products have been in the market for quite some time to assist new homeowners and existing homeowners in incorporating energy-efficient measures.

What are energy-efficient mortgages? Such mortgages are a means of financing a dwelling that credits a home's energy efficiency as a part of the loan. There are two types of energy mortgages: an Energy Improvement Mortgage (EIM) and an Energy Efficient Mortgage (EEM).

An EIM finances energy upgrades, usually on existing units, in the mortgage loan using monthly energy savings as the source of payment. An EEM uses the energy savings from a new unit to increase the home buying power of consumers and capitalize the energy savings in the appraisal.

The conventional mortgage industry should support these mortgages because they:

⌂ increase the volume of mortgage loans;

⌂ qualify more first-time homebuyers for mortgage loans;

⌂ reduce the cost of homeownership and cost of construction to developers; and

⌂ reduce dependence on fossil fuels and aid the environment.

The use of these mortgage programs can serve to increase the volume of loans made in the industry by 6.8 percent, according to a recent analysis by the Environmental Protection Agency. Another published study found that the market value of homes are increased $20 by every $1 decrease in annual energy costs. Another recent study by the Pacific Northwest National Laboratory showed that building a home to exceed Model Energy Codes results in annual savings of $170 to $425 on energy costs. Still further, if these findings were applied to the value of a home, market values would increase by $4,000 to $10,000, according to an Appraisal Journal report.

Energy-efficient mortgages are being offered by several organizations including Fannie Mae, Freddie Mac, FHA and VA. These organizations make financing energy measures on new and existing homes less burdensome. While space does not allow the full description of these programs and guidelines, they can be found online at RESNET, Lender's Corner, http://natresnet.org/lenders/default.htm.

Recommendations

The combination of energy savings and alternative construction methods could substantially increase the availability of affordable housing to low-income families. The conventional mortgage and construction industry cannot be asked to address the need to produce affordable housing alone. Public organizations, nonprofits, faith-based and philanthropic organizations must join together in an effort to address affordability problems in a functional way. The ever-changing need for affordability can be operationalized through a combination of financing, construction methodology, and energy-efficient measures.

To achieve this operational definition, organizations providing affordable housing to low-income families should:

⌂ add alternative construction methods to their homebuilding arsenal;

⌂ gain knowledge and technical assistance in making use of all energy-efficient mortgage programs;

⌂ locate a local lender willing to work with energy-efficient mortgage products;

⌂ locate alternative construction contractors and manufacturers and obtain bids on new and existing housing units; and

⌂ gain knowledge and obtain technical assistance on calculating residential energy savings.

ECD should support low-income housing producers by providing training dollars to learn about home energy efficiency, provide mortgage dollars for low-income mortgage programs, incorporate the National Energy Code as a part of its housing and housing funding efforts, and develop training materials for local financial institutions to encourage participation in home energy efficiency in the low-income housing market.

Appendix E: Process for Using the Section 8 Voucher Assistance Home Purchase Option

The PHA's role is as follows.

- Each PHA retains sole decision-making authority as to whether it will use its federal assistance for homeownership.
- The PHA must use its standard annual contribution from HUD to fund any homeownership program.
- The PHA is not allowed to set aside Section 8 program funding or create special waiting list positions for homeownership vouchers.

The process involves several steps.

- The PHA governing body must conduct public hearings prior to adoption of its annual plan.
- If the governing body approves, the PHA must state its intention to develop a homeownership program in its annual plan submission to HUD.
- The PHA must demonstrate capacity to operate a successful homeownership program by:

  1. requiring each participating family to pay a minimum down payment of at least 3 percent of the home purchase price;
  2. requiring that financing for homes purchased using Section 8 vouchers complies with FHA standards; and
  3. otherwise demonstrating its capacity to successfully operate a Section 8 homeownership program.

- The PHA must establish homeownership policies and describe them in its administrative plan. These policies must include:

  1. the amount of home ownership expenses to be allowed by the PHA;
  2. the policy for dispersing the homeownership assistance – either directly to the family or to the lender on behalf of the family.

- In addition, the PHA may also adopt any additional policies it deems necessary to ensure program success, such as:

  1. the maximum time a family is provided to locate and purchase a home;
  2. purchasing terms, including down payment, financing and mortgage payment requirements;
  3. whether families will be provided Section 8 rental assistance if purchases are not completed or in case of default;
  4. events that will trigger the PHA to prohibit a family moving to another home or to discontinue rental or homeownership assistance.

Families seeking to purchase homes using Section 8 must:

- be Section 8 housing choice voucher recipients;
- be first-time homebuyer eligible;
- be graduates of a pre-assistance and housing counseling program administered by the

PHA or its designee;

- ⌂ meet minimum income requirements:
  1. 2,000 hours of annual full-time work (30 hours per week) at the federal minimum wage. The income of all adult family members who will own the home upon receipt of homeownership assistance, as well as any welfare assistance, will be counted towards a family's adjusted annual income.
  2. at least one adult family member must be continuously employed full-time for the year before receiving homeownership assistance. The employment requirement does not apply to elderly or disabled families.

Participating households may not have:

- ⌂ present ownership interest in a residence;
- ⌂ a previous mortgage default using homeownership assistance.

Unit eligibility requirements are:

- ⌂ The property can be a single unit, or be a condo or co-op in a multifamily building. A manufactured home may also be purchased either on a lease space or together with the real property on which it is sited.
- ⌂ Each unit must be inspected, and pass, an initial housing quality standards review set forth by HUD.

The term of assistance is 10 years. If the mortgage has a term of 20 years or longer, the family's maximum term for assistance can be 15 years.

Appendix F: Roles Involved in the Process of Forming HOME Consortia

Role of Consortium Members

⌂ Carefully identify prospective partners. Consortium members must be on the same program year for any HUD housing program they participate in.

⌂ Mobilize at the local level (public housing tenant organizations, PHAs, CHDOs, local and county governments and private developers).

⌂ Assess and prioritize common low-income housing challenges.

⌂ Seek out assistance from state HOME allocation for underwriting of regional Consolidated Plan process.

⌂ Use Consolidated Plan process to develop strategies and regional action plans to address low-income housing needs.

⌂ Form a legally binding cooperation agreement among border sharing local governments that:
- o states their agreement to participate in housing activities for HOME;
- o authorizes one unit of government to serve as a "lead entity" for all members of the "general local government" (the participating jurisdiction that will use the HOME funds to alleviate low-income housing problems);
- o acknowledges the lead entity's responsibility for ensuring that the consortium's housing program is carried out in compliance with HOME rules (NOTE: must not contain a provision that allows any member of the consortium to veto or obstruct the implementation of the Consolidated Plan in any way);
- o contains authorizing resolutions from the governing body of each participating unit of government;
- o has the signature of the chief executive officer of each member unit of local government;
- o contains legal opinions from respective members' counsels concluding that the terms of the cooperation agreement are sully authorized under state and local law;
- o contains a provision for each consortium member to affirmatively further fair housing;
- o specifies the three-year qualification period of the consortium;
- o identifies program year start date;
- o authorizes the lead entity to amend the consortium agreement on behalf of the entire consortium to add new members to the program.

⌂ Provide written notification to HUD Field office of intent to participate as a consortium in the HOME program by March 1 for the following fiscal year.

⌂ Eligible consortia must have pledged allocations equal to or greater then $750,000 ***or***

- o identify a local PHA or other experienced entity that can carry out the work of the consortium and provide a portion of the required match;
- o obtain a promise from the state to make available its resources to make up the difference for the consortium.

Role of HUD

⌂ Document that notice of intent and documentation are submitted and that consortium has sufficient authority and capacity to carry out its Consolidated Plan.

⌂ Recommend approval of consortia to HUD Central Office.

Role of State

Certify that consortium will direct its activities to the alleviation of housing problems within the state (as per Consolidated Plan).

ISBN 1-58064-118-0