

# The Answer

SHELTERFORCE

**Q: Didn't the housing crisis prove low-income people can't be successful homeowners?**

**A: NO**

The facts consistently show that with **responsible loans**, modest-income working families can be perfectly successful at homeownership. In the two programs below, low-income owners had delinquency and foreclosure rates at or below that for higher income homeowners.

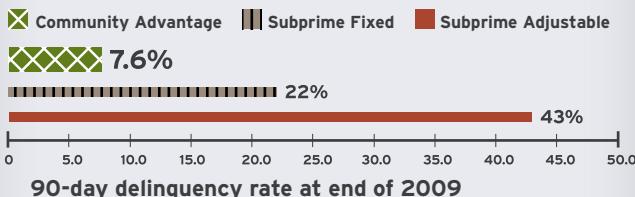
What the housing crisis did show is that without the right kind of strong consumer protections and financial

regulations, unscrupulous banks and mortgage companies will set borrowers up to fail. If families are given unfair loans with hidden terms that are not affordable unless they refinance out in a few years, and then housing values fall, those borrowers will be in trouble. This is not the same as those borrowers being categorically unable to be homeowners.

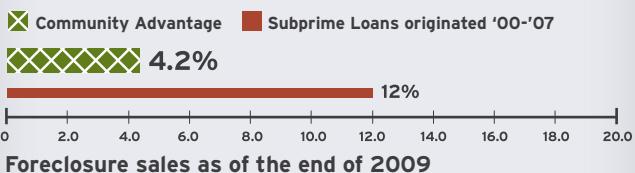
## 46,000 LOANS: COMMUNITY ADVANTAGE PROGRAM

*Run by Self-Help.  
Lending began in 1998.  
Loans made in 48 states.*

### Delinquency Rates



### Foreclosure Rates



#### Borrowers

- Median income **\$30,792**.
- 90 percent had at least one of: loan-to-value ratio over 90 percent, debt-to-income ratio over 38 percent, or credit score below 640, and did not qualify for a prime loan.

#### Loans

- 30-year fixed-rate, fair terms.
- 70 percent had downpayments less than 5 percent.
- Underwritten by local lenders and credit enhanced by Self-Help before sale to secondary market.

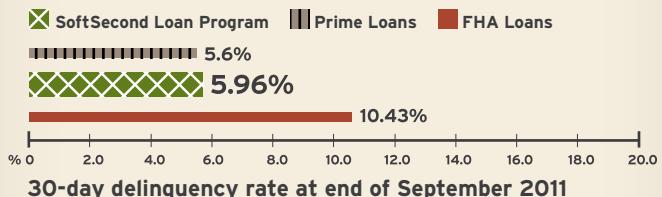
#### Support

- Substantive pre- and post-purchase counseling.
- Proactive servicing that reached out to distressed borrowers early.

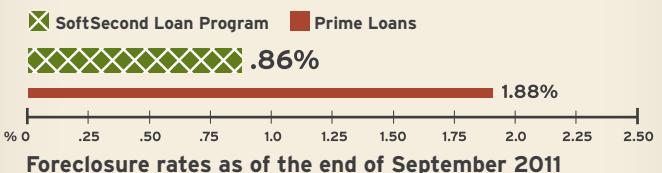
## 14,000 LOANS: SOFTSECOND LOAN PROGRAM

*Run by Massachusetts Housing Partnership.  
Lending began in 1991.  
Loans made in Massachusetts.*

### Delinquency Rates



### Foreclosure Rates



#### Borrowers

- 57 percent at or below 60 percent AMI.
- 68 percent nonwhite.

#### Loans

- Two 30-year fixed rate loans; Second loan is interest-only for first 10 years and has subsidy on interest rate. Some borrowers also qualify for subsidy on interest payments.
- 3 percent downpayment.
- No points, no PMI.
- Lenders retain 20 percent credit risk.

#### Support

- Substantive pre- and post-purchase counseling.

Source: University of North Carolina's Center for Community Capital and Massachusetts Housing Partnership.

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# The Answer

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Q: Does shared-equity homeownership build assets?

A: Yes. And keeps them safer than traditional homeownership does.

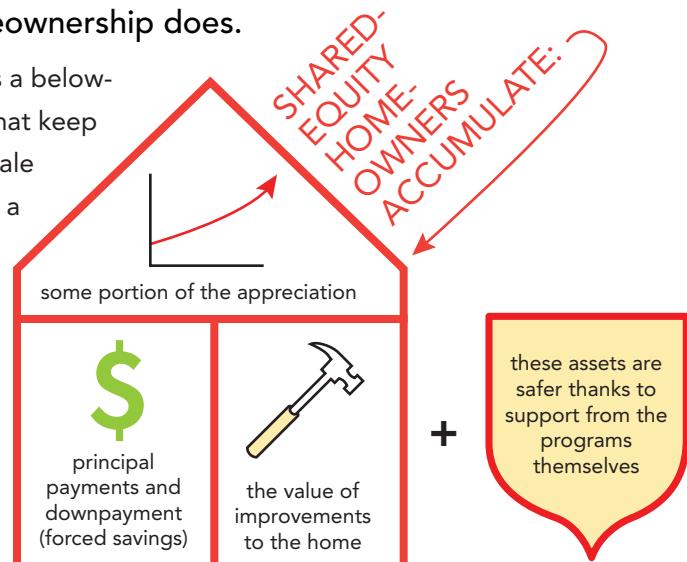
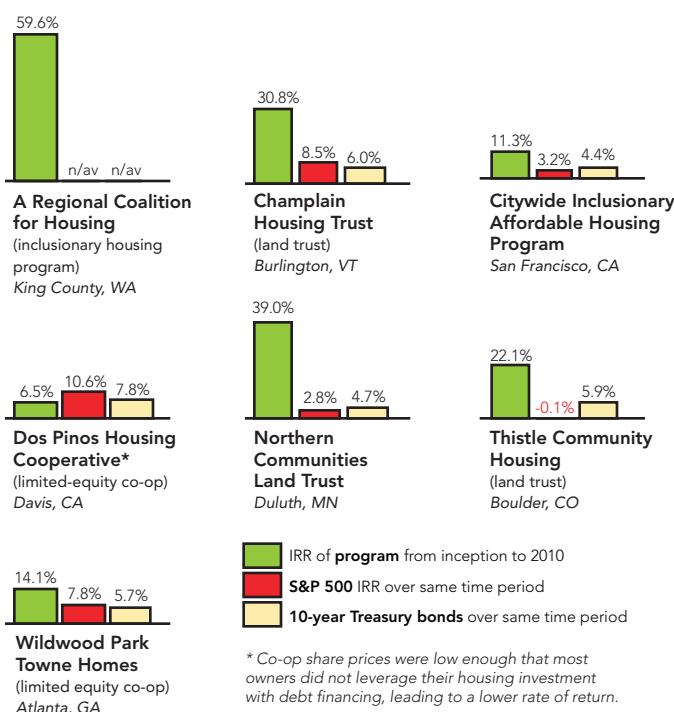
In shared-equity homeownership, an incoming homeowner gets a below-market price and in return agrees to certain resale restrictions that keep the unit affordable for all future owners of that home. These resale restrictions prevent a lucky few from making a windfall profit on a publicly-subsidized home, but they are structured to also allow for substantial asset-building.

## BUILDING ASSETS . . .

Every shared-equity program has its own formula for balancing affordability, security, and asset-building in ways that make sense in its local context. However, even within this variety, participants consistently build assets—frequently more than they would have built by investing their downpayments in either Treasury bonds or the S&P 500. And unlike with those financial instruments, they also get a home.

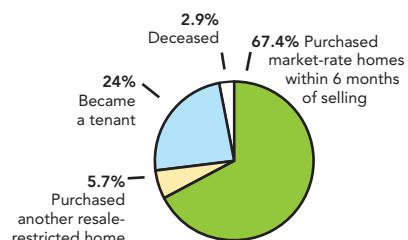
## SUBSTANTIAL RETURNS, OFTEN OUTPERFORMING STANDARD INVESTMENTS

Average internal rates of return (IRRs) for seven shared-equity homeownership programs, representing the three main forms (inclusionary housing, limited-equity co-op, and community land trust). Rates were calculated from all resales from program inception through 2010, and compared to the respective rates of return for S&P 500 and 10-year Treasury bonds for the same time periods. Source: Urban Institute, 2010, [www.nhi.org/go/HTT](http://www.nhi.org/go/HTT)



## . . . AND KEEPING THEM

### A BRIDGE TO MARKET-RATE HOMEOWNERSHIP



More than two-thirds of owners selling resale-price-restricted homes in the Champlain Housing Trust between 1998 and 2008 had accumulated enough assets to purchase a market-rate home without any additional subsidy.

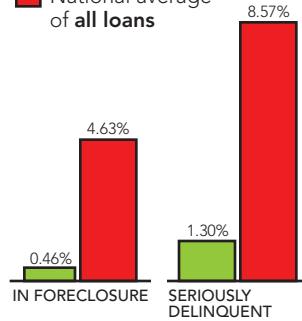
Source: Davis and Stokes, Champlain Housing Trust, 2009, [www.nhi.org/go/CHTresale](http://www.nhi.org/go/CHTresale)

### ONE TENTH THE FORECLOSURE RATE, DESPITE LOWER INCOMES

Thanks to a combination of better and more affordable loans and extensive post-purchase support and stewardship, far fewer community land trust homeowners lost the assets they had been building to foreclosure during the housing crisis.

Community land trusts

National average of all loans



Foreclosure and serious delinquency rates as of the end of 2010 for community land trusts (one form of shared-equity homeownership), compared with the rates for all loans, as tracked by the Mortgage Bankers Association.

Source: Thaden, National Community Land Trust Network, 2011, [www.nhi.org/go/Thaden](http://www.nhi.org/go/Thaden).

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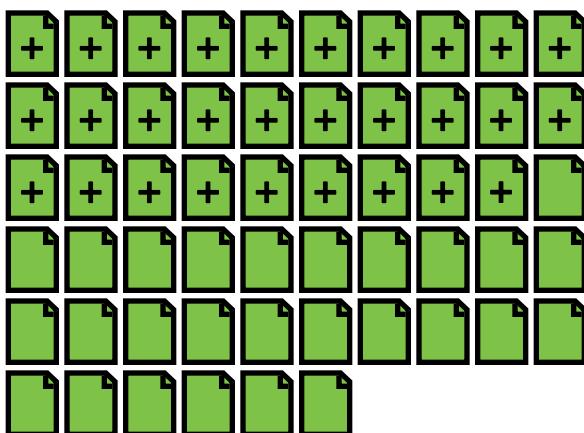
# The Answer

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## Q: Does affordable housing development lower nearby property values?

**A: No.** This perennial fear of neighbors has been the subject of repeated academic study by a wide range of research teams under a wide range of conditions, and the consensus is overwhelmingly that well-designed, well-maintained affordable housing does not lower property values—and in some cases it might raise them!

**A Research Consensus** We combed through seven bibliographies and literature reviews and found 62 studies on the effects of affordable housing on property values. They were widely varied in strength and scope, but the trend is unmistakable.



### Positive or Neutral Effects (56)

The vast majority of studies suggest that affordable housing has either a neutral or a positive impact on property values. Of these, the majority (29!) suggest that it actually has a net positive impact on housing value.



### Mixed Effects (5)



### Negative Effects (1)



### Where They Looked

This has been studied all across the country. Our list of studies was drawn from the following bibliographies and literature reviews, with duplicates removed. It is by no means an exhaustive list.

“What Is the Impact on Property Values?,” 2010 and “Property Value Studies,” undated, NonProfit Housing Association of Northern California.

George Galster, *A Review of Existing Research on the Effects of Federally Assisted Housing Programs on Neighboring Residential Property Values*, National Association of Realtors, 2002.

Mai T. Nguyen, “Does Affordable Housing Detrimentally Affect Property Values? A Review of the Literature,” *Journal of Planning Literature*, 2005, 20(1): 15–26.

*Overcoming the Challenges of NIMBYism*, North Carolina Housing Coalition, 2002, pp 25–31.

Michael Dear and Robert Wilton, *The Question of Property Values*, UCLA, 1996.

*Building Inclusive Community: Tools to Create Support for Affordable Housing*, HomeBase/The Center for Common Concerns, San Francisco, 1996.

For lessons about what kinds of developments are most likely to have positive or neutral effects, see Center for Housing Policy’s Insights Policy Brief “*Don’t Put It Here!": Does Affordable Housing Cause Nearby Property Values to Decline?* [www.nhi.org/go/75754](http://www.nhi.org/go/75754).

For examples of affordable housing developments where neighbors had unfounded fears of negative effects, see “*Fear of Affordable Housing: Perception vs Reality*,” *Shelterforce*, Fall 2011, [www.nhi.org/go/Bratt40B](http://www.nhi.org/go/Bratt40B) and “*Learning from Mount Laurel*,” *Shelterforce*, Fall 2011, [www.nhi.org/go/ELH](http://www.nhi.org/go/ELH).

# The Answer

SHELTERFORCE

## Q: What's the point of shared-equity homeownership in weak market areas?

A

In an appreciating or expensive neighborhood, the value of creating permanently affordable housing through shared-equity homeownership\* is easy to grasp: it preserves ongoing access to opportunity for those of modest means. But why would such programs make sense in disinvested neighborhoods or weak markets where housing costs aren't soaring?

### Weak markets aren't weak forever.

It may be hard to imagine while standing in a suffering neighborhood, but real estate does cycle, and when a neighborhood does improve you want the lower-income families who have been there for the long haul to continue to benefit.

*"The neighborhood where we work included the poorest census tracts in the state when we first started doing our development. There are three neighborhoods around us that are gentrifying and the only place left to go is into our neighborhoods. People are being displaced."* —Nora Lictash, director of Women's Community Revitalization Project, which is starting a land trust in East North Philadelphia



### You can offer more people a chance of sustainable homeownership.

When values are low, the same amount of initial subsidy can reach people who otherwise wouldn't be able to afford homeownership.

*"We required a minimum mortgage of \$100,000 when our Homebuyer Initiated Program started in 2005 because that was necessary for a buyer to find a livable home. More recently, we have been able to serve homebuyers qualifying for \$50,000 or \$60,000 mortgages."* —Staci Horwitz, program director of City of Lakes Community Land Trust, Minneapolis, Minnesota

### It provides a safety net for families.

Good shared-equity programs not only ensure their homeowners are in sound mortgages, but stay involved, preventing predatory refinancing, helping homeowners handle financial and maintenance crises, and even sometimes curing defaults. This cushions low-income homeowners from some of the ravages of marketplace ups and downs while still allowing them to build assets—even more important in a weak market area.

*"Conventional homeowners were 10 times more likely to be in foreclosure proceedings than CLT homeowners at the end of 2010, while [CLTs served] a much lower income population."* —National Community Land Trust Network 2011 comprehensive survey

### Communities should control their land.

Much of what goes on in disinvested communities is controlled by outside interests. With a board structure that keeps decisionmaking local, community land trusts and co-ops are more than just housing providers—they are building assets that are under community control for the long haul.

*"Instead of someone else buying the land and building what they want, why don't we do it? That way we can control what goes there."*  
—Patricia Jones, director of Lower 9th Ward Neighborhood Empowerment Network Association in New Orleans, which has incorporated a land trust in its recovery strategy.

### It generates stability for communities.

The same stewardship measures that protect homeowners also protect the neighborhood by stabilizing owners, making sure properties aren't abandoned or turned into absentee rentals, requiring a basic standard of maintenance, and replacing vacant buildings or lots with functional homes.

*"Our land trust provides an important alternative to the absentee investors who are buying properties in Albany for speculative purposes and draining cash and equity from Albany's neighborhoods."*  
—Roger Markovics, board member of the Albany Community Land Trust, which works in the most disinvested neighborhoods of Albany, N.Y.

\*Shared-equity homeownership programs make owner-occupied homes permanently affordable through resale price restrictions in exchange for a below-market purchase price. Community land trusts, limited-equity co-operatives, and deed-restricted inclusionary housing are all forms of shared-equity homeownership. For more, see: [www.nhi.org/go/SEH](http://www.nhi.org/go/SEH).