HOMEOWNERSHIP AND TBA FINANCING MODEL

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Oregon Housing and and Community Services
HOMEOWNERSHIP OVERVIEW

Review current Homeownership tools, what’s working well, and where opportunities exist

Agency Homeownership objective:

OHCS will provide more low- and moderate-income Oregonians with the tools to successfully achieve and maintain homeownership, particularly in communities of color.

2019 – 2023 GOAL FOR HOMEOWNERSHIP
OHCS will assist at least 6,500 households in becoming successful homeowners through mortgage lending products while sustaining efforts to help existing homeowners retain their homes.* OHCS will double the number of homeowners of color in our homeownership programs as part of a concerted effort to bridge the homeownership gap for communities of color while building pathways to prosperity.
Current Homeownership Resources

Homeownership & Foreclosure Prevention Funding (in millions)

- Oregon Bond Residential Loan Program: $492
- Down Payment Assistance Lending Program: $131
- Neighborhood Stabilization Program: $54
- Homeowner Assistance Program: $12
- LIFT Bonds: $26
- Individual Development Accounts Initiative: $15

Legend:
- State Funds
- Private Activity Bonds
- Market-Based
- Federal Funds
- Unbudgeted
## Impact of Current Homeownership Programs

### 2017 Total Mortgage Loans
(Calendar Year 2017)

- **Total Loan Assistance Amount**: $133,846,270
- **Average Loan Amount**: $209,135
- **Total Mortgage Loans**: 640

### 2017 Home Ownership Assistance Program (HOAP)
(Fiscal Year)

<table>
<thead>
<tr>
<th></th>
<th>Total HOAP Funds</th>
<th>Number of Pre-Purchase Counseling Sessions</th>
<th>Number of Households Receiving Down Payment Assistance</th>
<th>Number of Homebuyer Education Workshops</th>
<th>Total Number of Homes Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,616,162</td>
<td>3,656</td>
<td>94</td>
<td>970</td>
<td>725</td>
</tr>
</tbody>
</table>

### 2017 Home Ownership Stabilization Initiative (OHSI)*
(Foreclosure Prevention Programs)

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Funds</th>
<th>Homeowners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Preservation Assistance (LPA)</td>
<td>$8,331,040.64</td>
<td>569</td>
</tr>
<tr>
<td>Mortgage Payment Assistance (MPAT)</td>
<td>$8,695,601.54</td>
<td>1,068</td>
</tr>
<tr>
<td>Mortgage Payment Assistance + Reinstatement (MPATR)</td>
<td>$4,343,287.35</td>
<td>828</td>
</tr>
</tbody>
</table>

* These figures are as of 12/31/2017 and represent 88% of the goal metric of 2,800 new participants.
Racial Justice

EQUITY MODEL WE’VE SEEN BEFORE
CONTEXT ON TBA FINANCING MODEL

What’s the need and how the TBA financing model can build wealth
Current State

CURRENT STATE OF OREGON HOUSING
Programs focused on Incomes Served

LOW-INCOME

HOMEOWNERS

HOAP
OBRLP
IDA
LIFT
TBA
MPA
LPA
PRLE
Homeownership Gap

Homeownership Rates, 2005 and 2016

- African American: 34% (2005), 30% (2016)
- Hispanic: 37% (2005), 42% (2016)
- Native American: 46% (2005), 42% (2016)
- Other: 43% (2005), 48% (2016)
- Asian: 61% (2005), 58% (2016)
- White: 66% (2005), 63% (2016)

Source: Breaking New Ground – Oregon’s Statewide Housing Plan 2019-2023
Down Payment Assistance is a Barrier to Homeownership

Percentage of Renters identifying the down payment as a barrier to becoming a homeowner

2/3

How difficult is it to solve for a down payment?

Years Required to Save for a Market Rate Down Payment

White Household
2 years

Hispanic Household
7 years

Black Household
10 years

Source: Zillow, National Association of REALTORS, Urban Institute

TBA PRESENTATION
### Wealth Gained through TBA

<table>
<thead>
<tr>
<th></th>
<th>Bond</th>
<th>TBA</th>
<th>Market</th>
</tr>
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<tbody>
<tr>
<td>5 years</td>
<td>$45k</td>
<td>$40k</td>
<td>$48k</td>
</tr>
<tr>
<td>10 years</td>
<td>$113k</td>
<td>$108k</td>
<td>$117k</td>
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</table>

Additional Years Required to Save for a Market Rate Down Payment (compared to TBA purchase)

- **White Household**
  - 2 years
- **Hispanic Household**
  - 5 years
- **Black Household**
  - 5 years

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Equity Potential for Home Buyer of $280k home in January 2019

Assumptions - Home value at $280,000; Market and Bond Product Lending rate 4.88% and TBA at 5.63%; annual home market appreciation of 2.50%; transaction cost of 6% upon home sale; property tax rate at 1.28%, homeowner insurance $600/annual; 0.00% renter savings rate; Equity net of DPA repayment for TBA

**Equity Gain through TBA Versus Waiting for Market Rate Down Payment (net of DPA repayment)**

- White Household: $14,200
- Hispanic Household: $51,300
- Black Household: $51,300

Source: Zillow, National Association of Realtors, Urban Institute
TBA FINANCING MODEL

Policy Considerations to Guide All Future Programs

• Homeownership lending programs providing the greatest benefits will be offered to borrowers with the greatest need

• OHCS intends to diversify homeownership lending programs and generate program income

• The TBA financing model will enable OHCS to implement strategies that promote racial equity in homeownership
Policy Consideration: Greatest Need Aligned with Greatest Benefits

Currently the Oregon Bond Loan Provides the Greatest Borrower Benefit

- Additional Cash to Close versus TBA is recouped in:
  - Less than 2 years for Cash Advantage
  - Less than 4 years for Rate Advantage

- $8,400 in assistance is a grant rather than $11,200 in TBA as a loan
The Market for TBA

Market for Home Purchase First Mortgages in Oregon

- Loans $225k - $485k: 68%
- Loans < $225k: 17%
- Loans > $485k: 14%
- PAB Cap / Oregon Bond: 1%

Source: 2017 HMDA Data
Policy Consideration: Diversification and Creation of Program Income

Total HFA Income by Type, All HFAs, 2009-2017

Source: NCSHA Presentation Jan, 2019
Potential economic impact of TBA program with 0% deferred 2nd mortgages increases significantly with volume – Earnings will provide program income not pay administrative costs.
Policy Consideration: Racial Equity in Homeownership

Intent for REALD and SOGI data collection in TBA programs

Work holistically with people at the center — create economic opportunity and stability for Oregonians using housing as a platform for stability and success.

New partnerships with culturally specific organizations

Respond to the housing inequities and disproportionate impacts of housing instability on people of color, protected classes and underserved communities.

Maximize and leverage resources to advance the agency’s mission.

Opportunity to reinvest earnings to increase homeowners of color

Strengthen partnerships among public, private and nonprofit organizations and between state agencies to create more affordable housing and community services.

Ability for loan forgiveness in specific geographic regions

Oregon Housing & Community Services
Achieving Homeownership

NOT READY

READY AND TBA CAN HELP

GOAL!

HOMEOWNERS
Approve OHCS to implement a homeownership financing model for qualified single family home buyers that relies upon the secondary market for mortgage backed securities for financing, otherwise referred to as a Mortgage Backed Securities (MBS), To Be Announced (TBA) lending platform.