

Workforce Housing: Solutions for Homes and Financing

Course Objectives

At the End of This Course, You Will Be Able to:

- Define workforce housing
- Describe how workforce housing can improve the current shortage of workers
- Describe how workforce housing can improve housing supply issues
- Identify different roles employers can take in providing workforce housing
- Describe features of current workforce housing programs initiated by employers

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Course Objectives

At the End of This Course, You Will Be Able to:

- Explain the components and benefits of a comprehensive employer-assisted housing program
- Describe the role of a real estate salesperson in aiding consumers in a home-buying decision tied to employment
- Identify the roles and benefits of different entities participating in a workforce housing project
- Describe features of current workforce housing programs initiated through stakeholder partnerships

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Course Objectives

At the End of This Course, You Will Be Able to:

- Recall resources for locating area workforce or affordable housing units and determining area median income
- Identify sources of income generally acceptable by lenders in determining household income
- Recall basic features and qualifications for Fannie Mae and Freddie Mac mortgages that may meet the financing needs of low- and middle-income homebuyers

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Course Objectives

At the End of This Course, You Will Be Able to:

- Describe loan and subsidy programs that may be able to help buyers finance their home purchase that are offered through the US Department of Housing and Urban Development and the Federal Housing Administration
- Describe the loan program that may be able to help buyers finance the purchase of homes in designated rural areas offered directly through the US Department of Agriculture
- Describe the loan program that may be able to help eligible veterans finance the purchase of their home through the US Department of Veteran Affairs

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The Need for Workforce Housing

Chapter Overview

Introduction

- Learn key information about the current shortage of available workers and affordable housing
- Gain insight into how workforce housing may help attract needed workers and improve the imbalance between housing supply and demand

Chapter Objectives

- Define workforce housing
- Describe how workforce housing can improve the current shortage of workers
- Describe how workforce housing can improve housing supply issues

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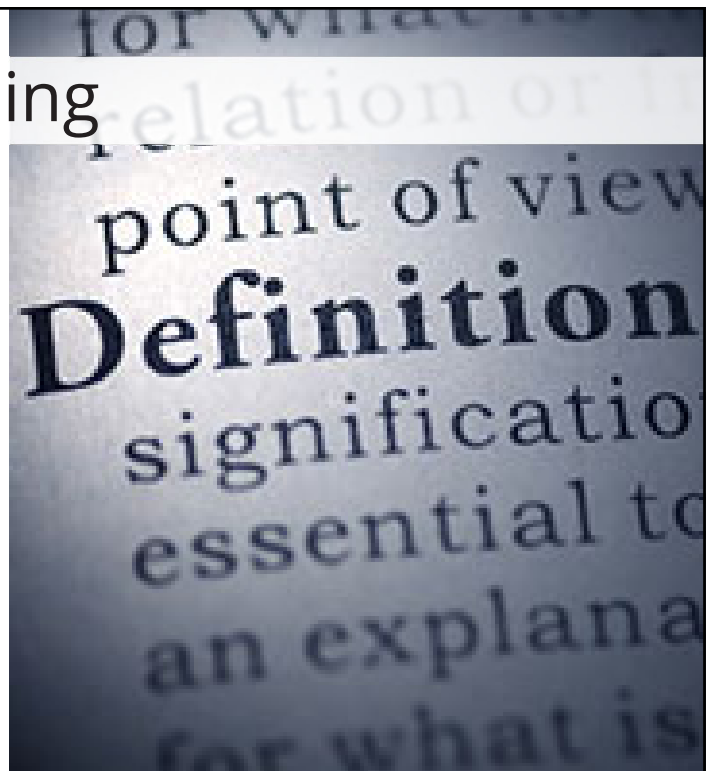
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Workforce Housing *Defined*

“Workforce housing”

- Generally used to designate housing programs that are aimed at middle-income tenants or buyers who earn **too much to qualify for standard affordable housing subsidies**

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Workforce Housing *Defined*

Entities **use different descriptions** for **workforce housing programs**

US Department of Housing and Urban Development → residential option that is **attainable** for working families, typically households earning between **80% and 120%** of area median income (<https://www.hud.gov/>)

Urban Land Institute → housing **affordable** to households earning between **60% and 120%** of area median household income (<https://uli.org/>)

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Workforce Housing *Defined*

NOTE



Area median income (AMI) is the income amount that divides a population into two equal groups—half having an income above that amount and half having an income below it

Affordable housing programs often use AMI to identify the target market for housing units

Lenders will use AMI to determine borrower eligibility for low-cost loan programs

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② Mandatory Poll Question

Workforce housing is ALWAYS defined as a residential housing option that is attainable for working families, typically households earning between 80% and 120% of area median income.

- A. True
- B. False

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② Mandatory Poll Question

Workforce housing is ALWAYS defined as a residential housing option that is attainable for working families, typically households earning between 80% and 120% of area median income.

- A. True
- B. False

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Workforce Housing *Why Is There a Need?*



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Current Data on Worker Shortage

Per the America Data Center report:

- "Right now, there are too many jobs without people to fill them. As a result, businesses can't grow, compete, and thrive."
- Reports **1.95 million fewer people in the labor force when** compared to February 2020
- Attributed to "Boosted unemployment benefits, stimulus payments, and child tax credits have padded the finances of some previously employed workers, and they no longer need to work or in some cases have adjusted to a single-income household lifestyle. Plus, early retirements and less immigration has left the nation in a worker deficit."

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☰ Current Data on Worker Shortage



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America Works Data Center reports:

- 10.1 million open jobs in the US
- Only 6 million unemployed workers in the US
- "If every unemployed person in the country found a job, we would still have nearly 4 million open jobs."
- At the height of the pandemic, 120,000+ businesses temporarily closed, and more than 30 million U.S. workers were unemployed
- Job openings have continued to climb, while unemployment has slowly declined

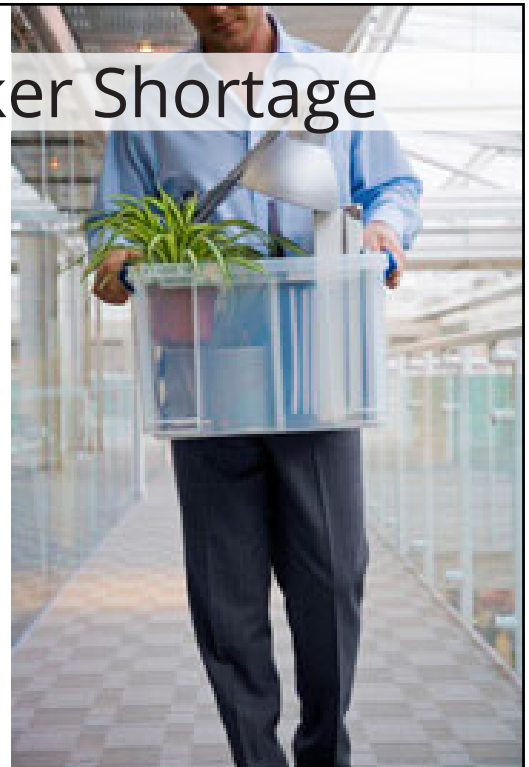
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☰ Current Data on Worker Shortage *The Great Reshuffle*

The data
supporting
this
includes:

- 3.7% national quit rate
- 3.9% national hiring rate
- 4.6% quit rate for leisure and hospitality industry
- 1.6% quit rate for the financial activities industry

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☰ Strategies to Attract & Retain Workers



- Offering or paying for training and education
- Paying higher wages, signing bonuses, and performance bonuses
- Offering work-at-home opportunities
- Including insurance benefits and more paid time off as part of the hiring package

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② Mandatory Poll Question

Based on the America Data Center report, there are currently more jobs than people to fill them.

- A. True
- B. False

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② Mandatory Poll Question

Based on the America Data Center report, there are currently more jobs than people to fill them.

- A. True
- B. False

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📋 Workforce Housing *Strategy to Improve Affordable Housing Supply*

**Resolving current
housing supply and
demand**

Supply and
demand

Economic
factors



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Real Estate Cycles

Impact of Supply and Demand



- When supply exceeds demand, prices will fall
- When demand exceeds supply, prices will rise

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Real Estate Cycles

Factors That Impact Supply and Demand



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Real Estate Cycles

Seller's Market and Buyer's Market



A seller's market may result from:

- People moving into a particular area
- Lack of new construction
- High construction costs for labor or materials
- Good economic conditions that make it attractive for consumers to buy or buy bigger and better

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Real Estate Cycles

Seller's Market and Buyer's Market

A buyer's market may result from:

- Population or demographic shifts away from an area
- Overbuilding by the construction industry
- Bad economic conditions that hinder the buying potential of consumers



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☰ Supply and Demand Influencers

Economic Base



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Economic base

- **The main business or industry that a community uses to support and sustain itself**

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☰ Supply and Demand Influencers

Inflation

Inflation

- General **increase in prices** and a **decline in the purchasing value** of money

Inflation increases

- **Price of new homes increases**
- **Price of existing homes will increase**



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Supply and Demand Influencers

Interest Rates



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The country's central bank can **increase the interest rate**

- Typically slows or stops the growth of the money supply

Interest rate is the **cost of money**

- Low interest rates **increase** demand for property
- High interest rates **decrease** demand for property

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Mandatory Poll Question

The theory of supply and demand states that when supply exceeds demand, prices will rise.

- A. True
- B. False

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② Mandatory Poll Question

The theory of supply and demand states that when supply exceeds demand, prices will rise.

- A. True
- B. False

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② Mandatory Poll Question

A large influx of people into a community is likely to result in what type of real estate market?

- A. Buyer's market
- B. Impossible to predict
- C. Seller's market
- D. Should not affect the market

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② Mandatory Poll Question

A large influx of people into a community is likely to result in what type of real estate market?

- A. Buyer's market
- B. Impossible to predict
- C. Seller's market
- D. Should not affect the market

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📖 State of Current Housing Market *Demand Higher Than Supply*

June 2023 Housing
Affordability and Supply
Report published:

Inventory of housing is slowly improving since record lows in 2022

More consumers are finding it **increasingly difficult to afford to buy a home**

Most homes for sale are receiving **multiple offers**

Receipt of multiple offers as a continuing trend is a key indicator that **housing demand is still outpacing housing supply**

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☰ State of Current Housing Market *Demand Higher Than Supply*

Middle-income buyers are facing the largest shortage of affordable homes



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☰ State of Current Housing Market *Demand Higher Than Supply*

According to the report:

Middle-income homebuyer is someone earning **\$75,000** a year ~ Nearly 51% of households earn \$75,000 or less

At the end of April 2023, approximately 1.1 million homes were listed for sale

Persons making \$75,000 or less could afford to buy only **23%** of them (262,580 of the 1.1 million)

For the supply of affordable homes **to meet the demand** of households earning \$75,000 or less a year, **51%** (not 23%) of the 1.1 million homes available for sale need to be affordable

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☰ State of Current Housing Market *Demand Higher Than Supply*

NOTE



Generally, a household is said to be able to afford a home (including utilities) if they are paying **no more than 30% of their annual income**

This report indicates that persons earning \$75,000 annually can afford to purchase a home valued up to \$256,000

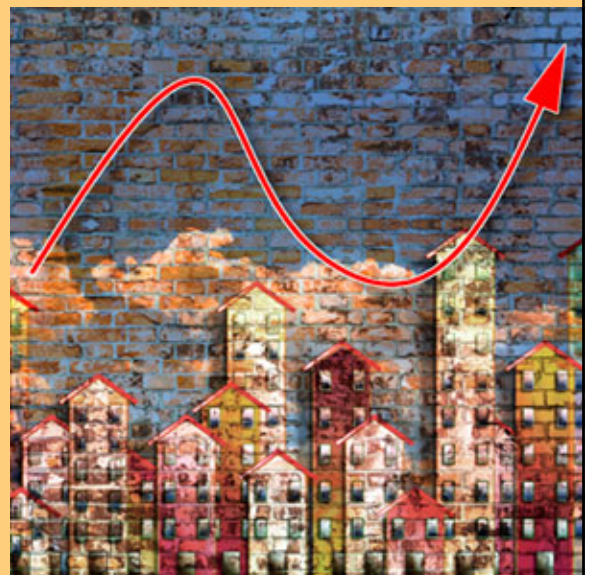
As of April 2023, **77%** of the homes were listed for more than \$256,000

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☰ State of Current Housing Market *Demand Higher Than Supply*

The number of affordable homes needed to meet the demand of middle-income buyers **differs by area**



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② Mandatory Poll Question

When compared to all other income groups, middle-income buyers are facing the largest shortage of affordable homes.

- A. True
- B. False

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② Mandatory Poll Question

When compared to all other income groups, middle-income buyers are facing the largest shortage of affordable homes.

- A. True
- B. False

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☰ Workforce Housing

A Solution to Worker and Middle-Income Housing Shortage?



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Offer home rental or purchase opportunities that **attract** new middle-income workers to an area **where jobs need to be filled**

Those homes are **affordable** for the middle-income workers who will fill the available jobs

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☰ The Workforce Housing Solution

Your Role

You can be part of the solution by:

Communicating to state and local employers, governing bodies, and other community stakeholders the need for and benefits of providing workforce housing opportunities

Advocating for state and local policies and programs that support workforce housing development

Bringing together different organizations that working together can develop and implement comprehensive workforce housing plans

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Key Terms

Chapter 1

**Buyer's
Market**

**Economic
Base**

Inflation

Interest Rate

Scarcity

**Seller's
Market**

**Supply and
Demand**

**Workforce
Housing
Program**

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Summary

Chapter 1

Workforce Housing Defined & Reasons

Data Reports on Worker Shortage

Strategies to Attract & Retain Workers

Real Estate Cycles

Supply & Demand Influencers

State of Current Housing Market

Workforce Housing Solutions

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Employer-Initiated Housing Programs

Chapter Overview

Introduction

- Learn about a variety of successful affordable housing solutions initiated by employers
- Discuss the features and benefits of comprehensive employer-assisted housing programs and your role

Chapter Objectives

- Identify different roles employers can take in providing workforce housing
- Describe features of current workforce housing programs initiated by employers
- Explain the components and benefits of a comprehensive employer-assisted housing program
- Describe the role of a real estate salesperson in aiding consumers in a home-buying decision tied to employment

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Workforce Housing *Not a New Concept*

For example:

Late 1870's Pullman Community

Aimed to **attract and retain skilled individuals to work**

Provided workers and their families with **rented** brick row houses, access to retail businesses, schools, parks, and theaters

Pullman Company **maintained ownership** of the housing unit rentals and **acted as the property manager**

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② Mandatory Poll Question

The Pullman Company was both the employer and landlord of Pullman Community residents.

- A. True
- B. False

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② Mandatory Poll Question

The Pullman Company was both the employer and landlord of Pullman Community residents.

- A. True
- B. False

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☰ Workforce Housing *Employee-Offered and Managed*



- Residents paid rent to the Pullman Company to live in Pullman Community housing
- Pullman Company became both the **employer and landlord** of Pullman Community residents

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☰ National Parks *Affordable Housing Supply Issue*

National Parks are **struggling to attract and retain the employees** that they need to open and run park-related services

Many of these parks are located in areas growing in population and rising housing prices



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Yellowstone National Park *Concession Employee Housing*

Hires **more than 3,000 seasonal workers every year** to work in concession (subsidiary) businesses

Concession employment is available with:

Yellowstone National Park Lodges

Delaware North Parks & Resorts

STG International

Yellowstone Park Service Stations

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Yellowstone National Park *YPSS Concession Employee Housing Example*

(YPSS) **subsidizes housing** for its employees

Housed in dorms and subsidized as follows:

A resident pays \$3.25 per day for housing, and utilities are included in this amount

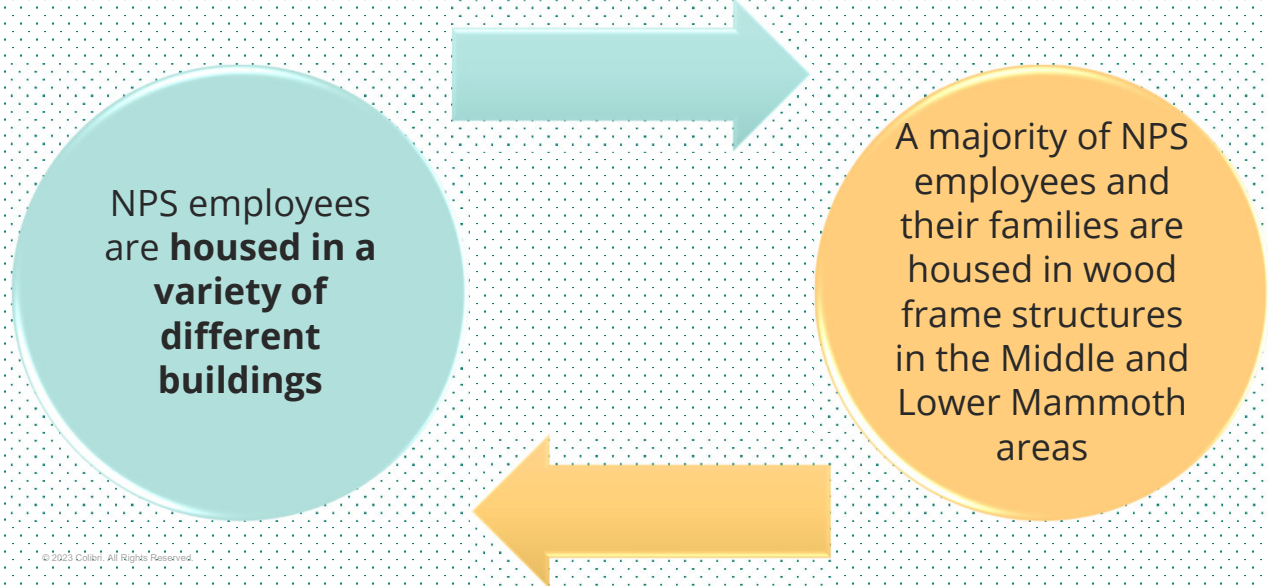
A resident pays \$11.50 per day to eat three meals a day at the employee cafeteria

Payment for housing and meals is handled as a payroll deduction

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Yellowstone National Park *NPS Employee Housing Example*



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Yellowstone National Park *NPS Employee Housing Example*

Per Superintendent Cam Sholly:

*"Our ability to attract and retain talent in Yellowstone is strongly tied to the **availability and affordability** of housing options in and around the park. Thanks to the support of Secretary of the Interior David Bernhardt and the National Park Service, we now **have the funding and support** needed to help us begin addressing one of the biggest issues facing Yellowstone's workforce. The goals we have outlined in Yellowstone's housing improvement strategy work not only to replace trailers from the 1960s and 70s but also to improve the condition of historic and other housing assets, while also looking for better ways to **respond to the changing real estate markets** in our gateway communities, which have limited private housing options for our employees."*

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Yellowstone National Park *NPS Employee Housing Example*

The NPS upgrade initiative focuses on achieving these four goals by the end of 2023:

↓
Replace 64 outdated trailers with high-quality modular cabins

↓
Improve the condition of 150 nontrailer and nonhistoric housing units

↓
Rehabilitate deteriorating historic homes

↓
Add new housing capacity

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Grand Teton National Park *Employee Housing Options*



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Employees at the **Grand Teton National Park** have **four housing options**:

1. **Dorm Room**
2. **Cabin**
3. **Recreational Vehicle Hookup**
4. **Shared Apartment-Style Unit**

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Grand Teton National Park *Employee Housing Options*

RV-site living is
also available at
JHGT for \$12.50
per day

NOTE



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Grand Teton National Park *Employee Housing Options*

Free employee amenities and services:



- Employee shuttle services to other properties and the town of Jackson
- Wi-Fi
- Laundry facilities
- Employee gym
- Recreational halls and common areas that have TVs with cable and movie and game libraries
- Employee-only kayaks, canoes, and paddleboards
- Camping and sporting equipment
- Facilitated employee recreation activities

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Grand Teton National Park *Employee Housing Options*

Guest activities are also free to employees including:

- Horseback riding
- Canoe and kayak rentals
- Motorboat rentals (except for the cost of fuel)
- River raft trips
- Lake cruises



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Mandatory Poll Question

The workforce housing opportunities offered by Yellowstone and Grand Teton provide employees the opportunity to _____ affordable housing units.

- A. buy
- B. rent

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② Mandatory Poll Question

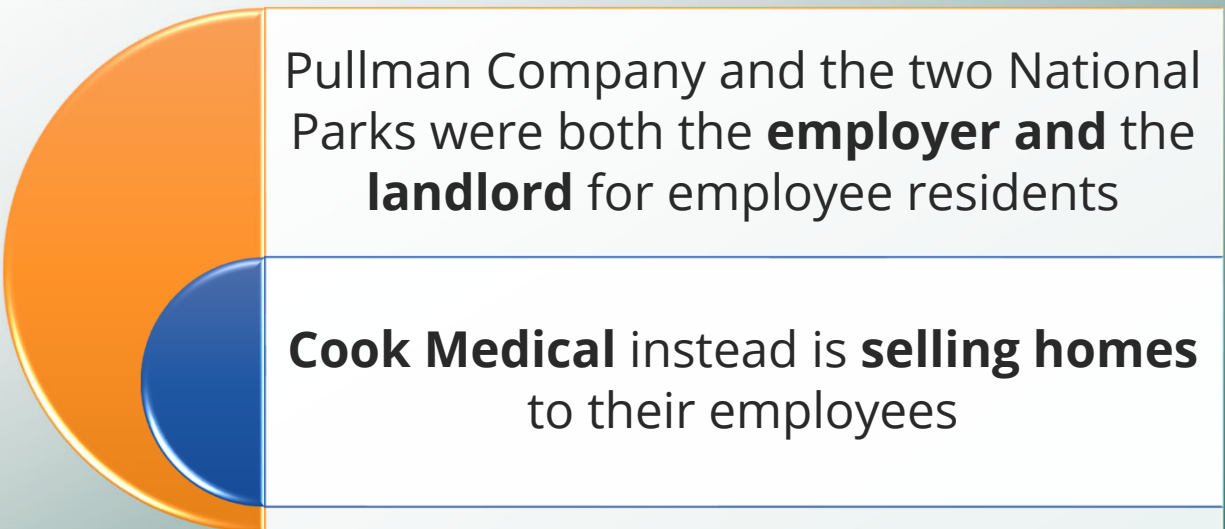
The workforce housing opportunities offered by Yellowstone and Grand Teton provide employees the opportunity to _____ affordable housing units.

- A. buy
- B. rent

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📄 Employee-Offered Workforce Housing *Landlord or Seller*



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Cook Medical *Offering Employee-Purchased Housing*

In 2022, Cook Medical announced plans to **build hundreds of homes** in the former wheat fields of Spence, Indiana **to sell to employees at below-market value**

Steve Ferguson, chairman of the board of Cook Group, the parent company of Cook Medical stated:

- *"You don't build communities with apartments and rentals...and people don't build wealth living in apartments. Instead, Cook Medical wants to build houses where people can raise their kids and live there their entire life."*

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Cook Medical *Offering Employee-Purchased Housing*



Pike Place, has been started with 14 ranch-style single-dwelling homes

Prices low at between \$188,000 and \$212,000

1,300 to 1,500 square feet

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Cook Medical *Offering Employee-Purchased Housing cont.*

Builders are provided resources to produce many homes quickly and are guaranteed buyers without paying any commissions to real estate agents

Also **connects employees interested in buying** one of the homes with **local lenders** that can provide **mortgage financing**

Plans on funding and coordinating the building of 99 houses in Pike Place and 200 more homes

The company's goal is to sell at cost and break even financially

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Cook Medical *Offering Employee-Purchased Housing cont.*

Builders are provided resources to produce many homes quickly and are guaranteed buyers without paying any commissions to real estate agents

Also **connects employees interested in buying** one of the homes with **local lenders** that can provide **mortgage financing**

Plans on funding and coordinating the building of 99 houses in Pike Place and 200 more homes

The company's goal is to sell at cost and break even financially

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② Mandatory Poll Question

Cook Medical chose to build and sell workforce housing because the earning potential from the proceeds of sold homes was more profitable than monthly rental collections.

- A. True
- B. False

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② Mandatory Poll Question

Cook Medical chose to build and sell workforce housing because the earning potential from the proceeds of sold homes was more profitable than monthly rental collections.

- A. True
- B. False

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Cook Medical *Offering Employee-Purchased Housing cont.*

Several major employers in the United States are currently **working with a variety of real estate development and community organizations** to provide housing that will draw workers to the areas



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Amazon *Commitment to Affordable Housing for Workers*

*"Amazon is guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. Amazon strives to be Earth's most customer-centric company, Earth's **best employer**, and Earth's safest place to work. Customer reviews, 1-Click shopping, personalized recommendations, Prime, Fulfillment by Amazon, AWS, Kindle Direct Publishing, Kindle, Career Choice, Fire tablets, Fire TV, Amazon Echo, Alexa, Just Walk Out technology, Amazon Studios, and The Climate Pledge are some of the things pioneered by Amazon."*

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Amazon **Commitment to Affordable Housing for Workers**

*"All people should have access to housing they can afford; the private and public sectors can work together to address this challenge...We will use our position as a large employer to **support innovative housing affordability initiatives**. And, in locations where we have a sizeable presence, we will **invest directly** in efforts where we believe our financial support will make a difference."*

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Amazon **Housing Equity Fund Purpose**

Amazon created the **Housing Equity Fund** to develop residential housing for households earning **between 30% and 80% AMI**

These households:

Typically do **not** qualify for government assistance

Can be **employed by Amazon or other local employers**

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Amazon *Housing Equity Fund Allocation*



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Focused on **three geographical areas** where Amazon is a **major employer** and **housing affordability** is a **significant issue**:

- The Puget Sound region of the state of Washington
- The Arlington Virginia-Washington DC area
- Nashville, Tennessee

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Grand Teton National Park *Employee Housing Options*

Learn more about the **types of businesses and number of employers hired by Amazon** in the Puget Sound area, the Arlington Virginia-Washington DC area, and Nashville, Tennessee at:

<https://www.aboutamazon.com/workplace/corporate-offices#:~:text=We%20currently%20employ%20more%20than%2075%2C000%20people%20across,than%2015%20Amazon%20and%20Whole%20Foods%20physical%20stores>

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NOTE



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Amazon *Virginia-Washington DC Example Programs*

1. Holmead Place Apartments

- Offers 100 converted units and underground parking
- Is within walking distance from multiple shopping venues and restaurants
- Is located **one block from the Washington Metro transit system** that runs between Virginia and Washington, DC

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Amazon *Virginia-Washington DC Example Programs*

2. Mount Pleasant Preservation Project

- Preserve Richman Towers, Sarbin Towers, and Park Marconi in the Mount Pleasant community
- Offer 165 affordable homes for households earning between **40% and 80% AMI**
- Provide easy access to onsite and nearby services and programs

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Amazon *Virginia-Washington DC Example Programs*

3. 325 Vine

- Construction of over 100 affordable units for households earning between **60% and 80% AMI**
- Restoration of two Victorian house-apartment-hostels

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Amazon *Virginia-Washington DC Example Programs*

4. 4111 Kansas Ave NW

- High-end modern finishes and appliances, and custom cabinetry in each unit
- Secured access to a building with an elevator
- Nearby **public transportation**, shopping, and dining

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Amazon

Virginia-Washington DC Example Programs

5. Parcel 42 in Shaw Neighborhood

- 90 residential units focused on larger units for families
- Approximately 8,000 square feet allocated to community retail services
- An outdoor park
- A vibrant streetscape that encourages pedestrian activity
- Environmental features
- Significant opportunities for local businesses and for **members of the community to find employment**

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Amazon

Puget Sound Area Example Program



- Since creation, Amazon invested \$344 million in loans and grants
- **2,870 affordable homes** have been created or preserved
- All located near public transportation
- Specifically in Bellevue, affordable multifamily units have increased by 20%
- Households renting units have experienced up to a **30% reduction** in their **rent-to-income ratio**

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Amazon *Puget Sound Area Future Programs*



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Amazon *Puget Sound Area Future Programs*



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Amazon *Puget Sound Area Future Programs*

**Hampton Greens
in Bellevue**

**Pinewood Village
in Bellevue**

**Illahee
Apartments in
Bellevue**

**Sandpiper East
Apartments in
Bellevue**

**The Carrington
Apartment
Homes in
Bellevue**

**Surrey Downs
Apartments in
Bellevue**

**The Argyle
Apartments in
Federal Way**

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Mandatory Poll Question

Through the Housing Equity Fund, Amazon funds workforce housing programs that are affordable for households earning between 30% and 80% AMI. These households must have at least one person employed with Amazon

- A. True
- B. False

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② Mandatory Poll Question

Through the Housing Equity Fund, Amazon funds workforce housing programs that are affordable for households earning between 30% and 80% AMI. These households must have at least one person employed with Amazon

- A. True
- B. False

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Apple *Commitment to Affordable Housing for Workers*

Apple Inc. (Apple) is another major employer committed to **funding the development of affordable housing** for their **employees** and **other low- to middle-income wage earners**

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Apple Commitment to Affordable Housing for Workers

News Headlines

Apple Commits \$2.5 Billion to Combat Housing Crisis in California



Affordable housing investment fund

First-time homebuyer mortgage assistance fund

Apple-owned land will be available for affordable housing

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Apple Commitment to Affordable Housing for Workers

News Headlines

Apple Allocates More Than \$400 Million toward its \$2.5 Billion Commitment to Combat California's Housing Crisis

Provide **hundreds** of first-time homebuyers with **real estate down payment and mortgage financing assistance** with **additional benefits for veterans, teachers, and firefighters**

Increase the availability of funding to **develop and build new, very low- to moderate-income housing** for the next five years

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Apple Commitment to Affordable Housing for Workers

News Headlines

Apple Deploys \$1 Billion in Affordable Housing Support Across California

Support new housing development and construction

Assist first-time homebuyers

Support programs to reduce homelessness

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Apple Commitment to Affordable Housing for Workers

News Headlines

Apple Partnerships are Helping Build New Homes and New Starts in Communities across California

Has now supplied \$1.3 billion in funding to provide affordable housing opportunities to low- to moderate-income households.



Has provided funding to support 10 affordable housing projects across the Bay Area, including the Veterans Square building

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📄 Apple Commitment to Affordable Housing for Workers

News Headlines

Apple's Racial Equity and Justice Initiative Surpasses \$200 Million in Investments, Doubling Initial 2020 Commitment

Investing an additional \$25 million in its Racial Equity and Justice Initiative (REJI)

In partnership with CNote, will fund banks and credit unions that have a goal to serve the financial needs of **low- to moderate-income** people and Black and Brown communities

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❓ Mandatory Poll Question

Apple is supporting workforce housing programs in California by donating land and providing funds to build affordable housing, and providing financial assistance to low- and middle-income households so they can receive mortgage financing at a lower cost.

- A. True
- B. False

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② Mandatory Poll Question

Apple is supporting workforce housing programs in California by donating land and providing funds to build affordable housing, and providing financial assistance to low- and middle-income households so they can receive mortgage financing at a lower cost.

- A. True
- B. False

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☰ Universal *Commitment to Affordable Housing for Workers*

Due to an **ongoing issue with attracting and retaining employees** and the **availability of affordable housing**, Universal has initiated a plan to provide their **employees and other community workers** with more **affordable housing options**



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Grand Teton National Park *Employee Housing Options*

NOTE



The following information
was sourced from:

<https://housingfortomorrow.com/>

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52

Universal *Housing of Tomorrow Project*

Its mission is:

"Providing and preserving housing for low- and moderate-income people that is safe, secure, and affordable in perpetuity."

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Universal *Housing of Tomorrow Project*



54

Mandatory Poll Question

Universal's Housing for Tomorrow nonprofit company is working with Wendover Housing Partners to create a mixed-used community called Catchlight Crossings that will have at least 25% of the community's apartments dedicated to affordable housing for Central Florida households.

- A. True
- B. False

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55

② Mandatory Poll Question

Universal's Housing for Tomorrow nonprofit company is working with Wendover Housing Partners to create a mixed-used community called Catchlight Crossings that will have at least 25% of the community's apartments dedicated to affordable housing for Central Florida households.

- A. True
- B. False

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📄 Substantiating Workforce Housing Needs

One resource is the **Paycheck to Paycheck database**

Uses 3 data sources:

- **Bureau of Labor Statistics (BLS) Metropolitan Area Occupational Employment and Wage Estimates**
- **Zillow Home Value**
- **Department of Housing and Urban Development's (HUD) Fair Market Rent**



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☰ Substantiating Workforce Housing Needs

Allows users to generate graphs that:

- Compare wages and housing costs
- Provide area median incomes
- Compare area median home prices and the income needed to afford them
- Compare fair market rents and the income needed to afford them



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58

② Mandatory Poll Question

The Paycheck to Paycheck database developed by the National Housing Conference and the Center for Housing Policy can be used to identify and present a factual case for the need for workforce housing.

- A. True
- B. False

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59

② Mandatory Poll Question

The Paycheck to Paycheck database developed by the National Housing Conference and the Center for Housing Policy can be used to identify and present a factual case for the need for workforce housing.

- A. True
- B. False

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60

☰ Comprehensive Employer-Assisted Housing Programs

Homeownership education

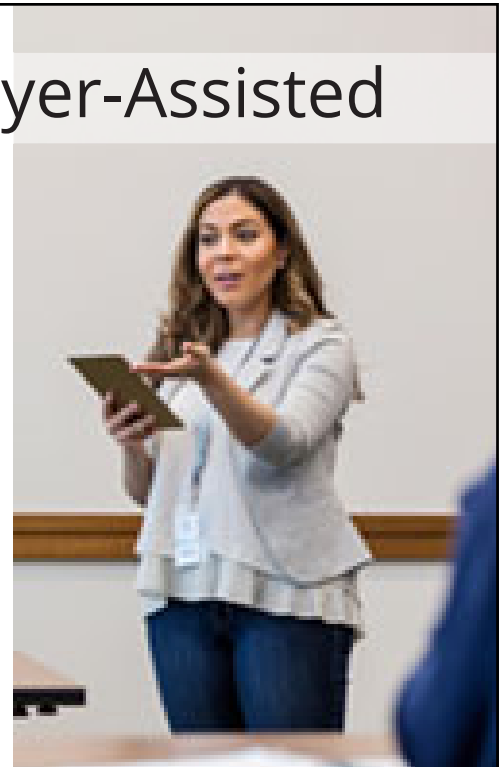
Homeownership counseling

Housing expense subsidies

Housing purchase subsidies

Financing assistance

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☰ Employer-Assisted Housing Mortgage Product



Fannie Mae Selling Guide identifies the following **allowed forms of employer assistance:**

A grant

A direct, fully
repayable second
mortgage or
unsecured loan

A forgivable
second mortgage
or unsecured loan

A deferred-
payment second
mortgage or
unsecured loan

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☰ Employer-Assisted Housing Mortgage Product

NOTE



Housing assistance funds must come directly from the employer, which includes an employer-affiliated credit union

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63

☰ Employer-Assisted Housing Mortgage Product

The lender submitting the buyer's mortgage application must submit **documentation** verifying:

- Not just an accommodation developed for an individual employee
- Dollar amount of the employer's assistance
- Unsecured loan from an employer with an award letter or legal agreement from the note holder that discloses the terms and conditions of the loan
- Terms of any other employee assistance being offered to the borrower
- That the borrower received the employer-assistance funds directly from the employer (or through the employer-affiliated credit union)

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☰ Employer-Assisted Housing Mortgage Product

For a mortgage lender or underwriter to accept any form of employer-assistance in their analysis of a borrower's assets, the employer will need to **provide documentation that verifies** that their EAH program is an established company program

CAUTION



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② Mandatory Poll Question

Local real estate professionals can support EAH programs by conducting educational workshops that guide employees through the process of finding and renting/purchasing a home that meets their financial and social needs.

- A. True
- B. False

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66

② Mandatory Poll Question

Local real estate professionals can support EAH programs by conducting educational workshops that guide employees through the process of finding and renting/purchasing a home that meets their financial and social needs.

- A. True
- B. False

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Your Role

Support Educated Buyer Decision-Making

What are the salary or income requirements for the housing unit and do they meet the requirements? Can they still live in the unit if future income increases outside these requirements?

Where is the housing unit located? Is this a desirable location in terms of work commute, access to services, and preferred community feel?

68



Your Role

Support Educated Buyer Decision-Making

Who else will live in the surrounding housing units?

If you stop working at the company, can you continue to live in the housing unit or will you need to move?

69



Your Role

Support Educated Buyer Decision-Making

Does committing to the housing agreement commit you to anything else with your employer, such as a requirement to work for the employer for a certain length of time or have an amount deducted from your paycheck?

Does the employer provide any other type of housing assistance besides the offer to rent or purchase a housing unit that is tied to your employment with them?

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Key Terms

Chapter 2

Area Median Income (AMI)



Federal National Mortgage Association (FNMA)



Market Value

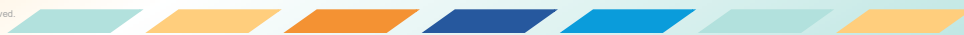


Underwriter



Underwriting

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Summary

Chapter 2

Workforce
Housing History

Pullman
Community
Example

Employee
Offered &
Managed
Housing Defined

National Parks
Examples

Employee-
Purchased
Housing Defined

Cook Medical
Example

Employee
Partnership
Housing
Examples

Substantiating
Workforce
Housing Needs
Resources

Comprehensive
Employer-
Assisted Housing
Programs

Employer-Assisted
Housing Mortgage
Product Provisions

Educated Buyer
Decision-Making
Assistance

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Workforce Housing Partnership Programs

Chapter Overview

Introduction

- Learn about affordable housing communities that are attracting workers and are initiated, funded, developed, and managed through the partnerships

Chapter Objectives

- Identify the roles and benefits of different entities participating in a workforce housing project
- Describe features of current workforce housing programs initiated through stakeholder partnerships
- Recall resources for locating area workforce or affordable housing units and determining area median income

2

Workforce Housing *Benefits to Cities and Communities*

Other types of **communities** can benefit financially

- More residents paying higher property taxes
- More consumers with disposable income to spend
- More companies that generate additional tax revenue opening area businesses

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3

☰ Workforce Housing

Benefits to Real Estate Developers and Investors



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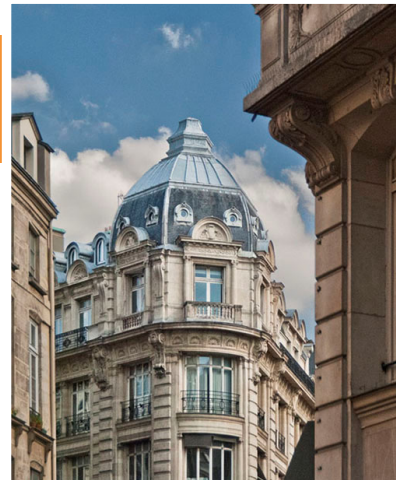
- Allows companies to pay off development loans and turn a profit quickly
- **Steady income sources** reduce the number of evictions and defaulted loans
- **Local governments and nonprofits** often **offer incentives**

4

☰ Workforce Housing

Benefits to Real Estate Developers and Investors

Acquisition opportunities provide an opportunity to create multiple affordable housing units



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5

② Mandatory Poll Question

Local governments may modify zoning ordinances and reduce property taxes to incent a real estate developer to build affordable workforce housing that benefits a community.

- A. True
- B. False

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6

② Mandatory Poll Question

Local governments may modify zoning ordinances and reduce property taxes to incent a real estate developer to build affordable workforce housing that benefits a community.

- A. True
- B. False

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7

Occupational Workforce Housing Programs



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Community **education professionals** and **first-responders** are common occupation target markets



In some communities, individuals are required to live in the communities they serve

8

RBH Group *Teacher Villages*

"RBH Group, LLC ("RBH") offers its investors access to risk-managed, tax-advantaged real estate returns through social impact investing. The firm's investments focus on a triple bottom line: financial returns, social impact, and environmental impact. RBH Group, LLC and its sister companies, RBH Project and RBH Management, offer full-service real estate financing, development and property management services focused on urban redevelopment multi-family, mixed-use projects in the United States."

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RBH Group *Teacher Villages*

*"The 400,000 square foot mixed-use Teachers Village project in downtown Newark involved **working with federal, state, and local leadership** and securing over **20 separate board decisions to finance** and entitle the project. As one component of this process, the Teacher Village project received one of the largest residential **Urban Transit Hub Tax Credit** allocations in the State of New Jersey."*

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10

RBH Group *Teacher Village Newark*

Transformed parking lots into a **planned mix-used community** of six buildings that include:

- Housing
- Retail businesses
- Daycare center
- Three charter schools
- Received LEED Silver for Schools and LEED-Neighborhood Development certifications

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RBH Group *Teacher Village Newark*

NOTE



Leadership in Energy Efficiency and Design (LEED) is a rating system for energy efficiency conferred by the United States Green Building Council (USGBC)

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12

RBH Group *Teacher Village Newark*

Includes **203 residential housing units** with:

25 to 30 Square foot

10-Foot ceiling heights

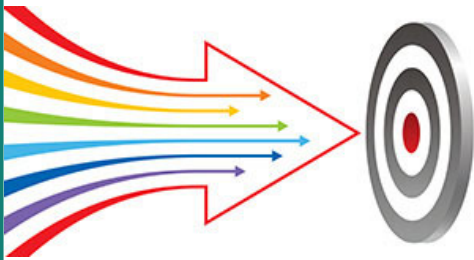
Quality interior finishes

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RBH Group *Target Market of Teacher Villages*

Teacher Village Hartford



- Marketed to local teachers
- Also offered to education professionals and others wishing to work and reside in a central urban location
- Seventy percent of units are priced at market rate at rents affordable to teachers
- Thirty percent of units are affordable for households with incomes ranging from 25% to 50% area median income (AMI)

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14

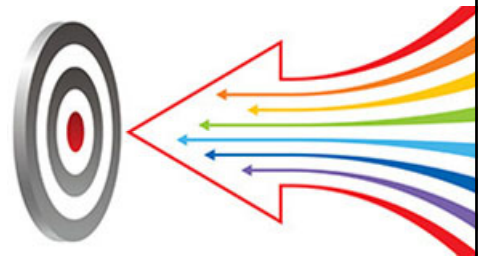
RBH Group *Target Market of Teacher Villages cont.*

Teacher Village Chicago

- Marketed to teachers and education administrators
- Fifty percent of the units are affordable for households with incomes ranging from 30% to 80% AMI.

Teacher Village Atlanta

- Marketed to teachers who live and work in the Atlanta area



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② Mandatory Poll Question

Only teachers can live in the Teacher Villages developed by RBH.

- A. True
- B. False

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16

② Mandatory Poll Question

Only teachers can live in the Teacher Villages developed by RBH.

- A. True
- B. False

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☰ Terwilliger Place *For Military Veterans*



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Targeted to US military veterans

Initiated through the partnership of two nonprofits: American Legion Post 139 and the Arlington Partnership for Affordable Housing

Reflects the relative youth of the state's veterans

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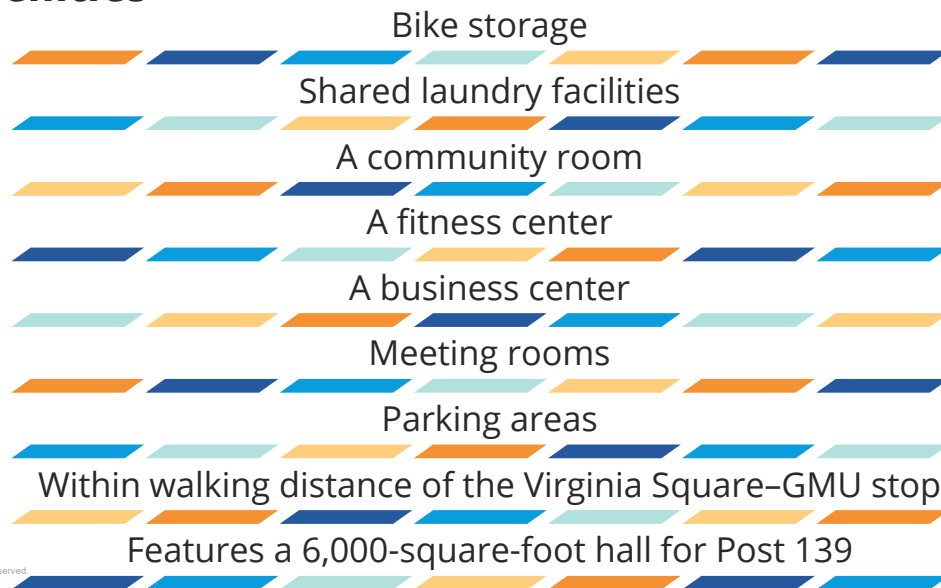
☰ Terwilliger Place *Housing*

- 160 units
- Half of units set aside for military veterans
- Eighteen units reserved for households earning no more than 80% AMI
- Seventy-two units limited to households earning up to 60% AMI
- Fifty-two units reserved for households earning 50% AMI
- Eighteen units reserved for tenants earning no more than 30% AMI
- Fifteen units attached to **HUD-Veterans Affairs Supportive Housing vouchers**



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Terwilliger Place *Amenities*



20

Terwilliger Place *Amenities*

NOTE



The source of the Terwilliger Place content is the HUD User website:

<https://www.huduser.gov/portal/home.html>

21

② Mandatory Poll Question

One feature of Terwilliger Place that can aid residents with finding employment opportunities is that it is located within walking distance of public transportation.

- A. True
- B. False

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② Mandatory Poll Question

One feature of Terwilliger Place that can aid residents with finding employment opportunities is that it is located within walking distance of public transportation.

- A. True
- B. False

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Urban Land Institute *Workforce Housing Awards*

Kemp Award:

- Established in 2008 in memory of Jack Kemp
- Recognizes developments that use **innovative financing sources** to provide attainable mixed-income housing, primarily focusing on households earning **60% through 120% AMI**
- Units within the development may be set aside for households earning below 60% AMI, but these units must be 50% or less of the total units within the development

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Urban Land Institute *Workforce Housing Awards*

When more than 50% of the units within a development are set aside for households below 60% AMI, the development will be eligible for the ULI Terwilliger Center Award for Innovation in Attainable Housing.

NOTE



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Kemp Award Winner *The Cottages on Vaughan*



- Neighborhood of small homes in downtown Clarkston, Georgia
- **500-square-foot cottages**
- **250-square-foot tiny homes**
- Generally **less expensive than nearby market-rate homes**

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The Cottages on Vaughan *The Development Process*

MicroLife Institute worked with the city for more than a year to **eliminate ordinances regulating**

Minimum sizes for cottages

Maximum number of units required in a development

Number of parking spaces required per unit



In 2017, the city council **passed an updated ordinance**



The city also allowed cottages to be **classified as single-family homes with fee simple ownership**

27

The Cottages on Vaughan *The Cottages*

Designed to foster community and combat the “loneliness epidemic”

Layouts encourages social interaction among residents

Homes range from approximately \$100,000 to \$200,000

Residents also pay a monthly \$100 homeowners association fee for maintenance and landscaping

Within a mile of two major highway exits, is on a bus route, and nearby hiking and biking trails

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The Cottages on Vaughan *A National Model*

- Was built as a **demonstration project**
- Hosts outreach events several times a year
- Workshops **demonstrate how stakeholders can advocate for local zoning changes** that allow such developments



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The Cottages on Vaughan *A National Model*

NOTE




The source of the Cottages on Vaughan content is the HUD User website. HUD User is managed by the US. Department of Housing and Urban Development's Office of Policy Development and Research (PD&R), HUD User hosts research, publications, and datasets in housing, community development, and more

<https://www.huduser.gov/portal/home.htm>

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30

Kemp Award Winner *Courthouse Lofts*

 MassHousing provided \$35.8 million to help Trinity Financial **redevelop the courthouse building** in Worcester, Massachusetts

 Total of 118 units with a mixture of rental rates **affordable to households below AMI**

 **Features** a fitness center, clubhouse lounge, gallery space, bike and resident storage, landscaping restoration, and outdoor resident spaces

 Home to the Major Taylor Museum

 Has nearby **access to public bus services** and is **less than a mile from the Commuter Rail**

31

Kemp Award Winner *Courthouse Lofts*

The main source of the Courthouse Lot content is the MassHousing website. MassHousing is an independent, quasi-public agency created in 1966 and charged with providing financing for affordable housing in Massachusetts. Read about other Massachusetts workforce housing projects at:

<https://admin.masshousing.com/en/developers/multifamily-articles>

<https://admin.masshousing.com/developers/multifamily-articles/courthouse-lofts>

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NOTE



32

Kemp Award Winner *Orenda*



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Weber Thompson, a privately owned architecture firm, oversaw the master plan development in Seattle, Washington

Advertised as the opportunity to live in "one of the most diverse zip codes in the county"

33

Orenda *Housing*

176
apartments
with high
ceilings,
quality
finishes, and
LEED Gold
certified
design
features

72 units have
a 20-year
commitment
to be
affordable for
households
earning
between 65%
and 80% AMI

All 72 units are
**income-
qualified**

First floor is
the site of the
Odessa Brown
Children's
Clinic and a
Tiny Tots
Development
Center

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34

Orenda *Amenities*

A fitness center

Nearby **light rail
station and
Othello Square
community**

A bike room
storage area with
a repair station
and rinse area

Underground
parking

Secure package
lockers

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35

Orenda *Amenities*

The primary source of the Orenda content is:

<https://orendaothello.com/>
and
<https://www.weberthompson.com/project/orenda/>

NOTE



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36

Mandatory Poll Question

Within the Orenda building, 176 housing units are affordable to households earning between 65% and 80% AMI and have a 20-year affordability commitment.

- A. True
- B. False

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37

② Mandatory Poll Question

Within the Orenda building, 176 housing units are affordable to households earning between 65% and 80% AMI and have a 20-year affordability commitment.

- A. True
- B. False

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Kemp Award Finalist *Caton Flats*



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Canton Flats *Housing*



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- 255 **apartment rentals**
- All units have been built with high-end materials and have spacious bedrooms and living areas
- Some units have private outdoor space
- Rent amount is capped for ***all*** units to ensure rates are affordable to a mixture of households earning between **40% and 130% AMI**

40

Canton Flats *Amenities*

Flatbush Central Caribbean Marketplace occupies the lower level

Includes 5,000 square feet of supplemental **community space**

Conveniently located to supermarkets, fitness centers, park, and subway line

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Canton Flats *Amenities*

The primary source of the Canton Flats content is the New York City Department of Housing Preservation and Development (NYC HPD) website : The mission of NYC HPD is to promote quality and affordability in the city's housing, and diversity and strength in the city's neighborhoods.

<https://www.nyc.gov/site/hpd/index.page>

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NOTE



42

Kemp Award Finalist *J-centrel*

Harrowgate
neighborhood of
Philadelphia,
Pennsylvania

Multiuse community providing **quality living and work spaces** for **residents and businesses** who are committed to doing work that benefits the community

Mixes modern, restored, affordable workspaces, residences, and retail space

Welcomes working professionals and families

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J-centrel *Housing*



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- **116 apartments**
- Through the J-centrel Good Neighbor Program, residents who **work for or volunteer with neighborhood partner organizations** are eligible for a **\$100 monthly rent discount**

44

J-centrel *Amenities*

- Attractive outdoor common areas
- A variety of local food and entertainment venues
- A furnished tenant lounge on the second floor
- An on-site fitness center
- Bike storage
- Off-site parking
- A one block walk to the rapid transit Tioga station
- **Low-cost workspace offices and studios**



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J-centrel *Amenities*

NOTE



The primary source
of the J-centrel
content is
<https://www.jcentrel.com/>

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Mandatory Poll Question

One of the unique features of the J-centrel building is that it includes low-cost workspace offices and studios for established and startup companies.

- A. True
- B. False

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🔗 Mandatory Poll Question

One of the unique features of the J-centrel building is that it includes low-cost workspace offices and studios for established and startup companies.

- A. True
- B. False

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📋 Workforce Housing Partnerships *Nonprofit Driven*

The result of **multiple entities partnering** to create a housing or community plan and joining resources to make the plan a reality

Arlington Partnership
for Affordable
Housing (APAH)



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Workforce Housing Partnerships

Nonprofit Driven

APAH vision:

“Rising property prices, spurred by high employment and rapid growth, have been reducing the number of affordable homes across our D.C. metro region. To meet this need, APAH owns, develops and preserves quality rental communities for individuals and families earning approximately \$20,000-\$60,000 per year, and APAH promises to keep them affordable. APAH’s bilingual resident services program helps residents to increase their personal and financial stability”

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Workforce Housing Partnerships

Nonprofit Driven

Currently, APAH:

Partners with 20+ organizations

Owens 2,000+ affordable apartments across 18 multifamily properties

Is continuing to work with partnering organizations to provide affordable housing

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Workforce Housing Partnerships *State Government Funding*



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State government programs

- ✓ Teacher Village Newark
- ✓ Urban Transit Hub Tax Credit Act
- ✓ Urban Transit Hub Tax Credit Program (HUB)

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Workforce Housing Partnerships *State Government Funding*

Orenda

- **Multi-Family Tax Exemption (MFTE) Program**
- Several changes were made to the MFTE Program in 2021 to achieve multiple goals



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Workforce Housing Partnerships *State Government Funding*

Encourages development of multifamily housing by **exempting** the value of new housing construction, conversion, or rehabilitation from **property taxes**

12-year
program
exemption

20-year
program
exemption

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Workforce Housing Partnerships *Multiple State Entities*

Caton Flats project:



“represents the culmination of a years-long visioning process with New York City Economic Development Corporation (NYCEDC), New York City Department of Housing Preservation and Development (HPD), and New York City Housing Development Corporation (HDC)—in partnership with former New York City Councilmember Dr. Una Clarke, Caribbean American Chamber of Commerce and Industry founder Dr. Roy Hastick, local elected officials, and community members—to deliver affordable housing, good-paying jobs, and support for local small businesses.”

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Workforce Housing Partnerships *Multiple State Entities*

Caton Flats project partnership:

- New York City Economic Development Corporation
- New York City Department of Housing Preservation and Development
- New York City Housing Development Corporation

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Workforce Housing Development Initiatives *Federal HUD Funding*

- Largest sources of funding is **US Department of Housing and Urban Development (HUD)**
- Notice of Funding Opportunities (NOFO) published yearly



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HUD Grants



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Closing the Homeownership Gap and Preserving Homeownership During Economic Decline research project:

- **Factors contributing to gaps in homeownership rates**
- **Homeownership preservation during economic decline**

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HUD Grants

Increasing the Supply of Affordable Housing through Off-Site Construction and Pro-Housing Reforms Research Grant Program Pre and Full Application program studies:

- **Innovative solutions that increase the production and supply of quality, affordable housing**



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HUD Grants



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Choice Neighborhoods program leverages **public and private dollars** to support **locally driven strategies** addressing struggling neighborhoods. It focuses on:

- **Housing**
- **People**
- **Neighborhood**

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HUD Grants

HOPE VI Main Street program provides grants to communities **smaller than 50,000** in population to renovate obsolete building space with **affordable housing units**



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② Mandatory Poll Question

HUD's Choice Neighborhoods program provides grants to communities smaller than 50,000 in population to assist in the renovation of a historic, traditional central business district by replacing unused, obsolete, commercial space in buildings with affordable housing units.

- A. True
- B. False

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② Mandatory Poll Question

HUD's Choice Neighborhoods program provides grants to communities smaller than 50,000 in population to assist in the renovation of a historic, traditional central business district by replacing unused, obsolete, commercial space in buildings with affordable housing units.

- A. True
- B. False

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☰ Location of Workforce or Affordable Housing



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- ☐ Most **states** have website resources via an **Internet search**
- ☐ HUD offers options to enter a city or address to locate nearby affordable housing opportunities

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☰ Identification of Median Income

Opportunities available based on **area median income (AMI)** and where a **household's income** falls compared to AMI

Programs may use different sources or standards to identify AMI and household income

Household income calculation

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Identification of Median Income

HUD

- **HUD-sponsored assisted housing programs**
- Develops income limits based on **median family income** estimates and fair market rent
- Provides annual median family incomes and a state's 30%, 50%, and 80% income limits based on AMI at <https://www.huduser.gov/portal/datasets/il.html#documents> **2023**



HUD refers to AMI as median family income

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Identification of Median Income

Federal National Mortgage Association (Fannie Mae)

Some loan programs have borrower income eligibility limits based on AMI

You, lenders, and other housing professionals can use the Area Median Income Lookup Tool to view AMI by address or zip code at: <https://ami-lookup-tool.fanniemae.com/amilookuptool/>



The next chapter covers information about Fannie Mae loan programs and borrower eligibility requirements

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② Mandatory Poll Question

Workforce housing opportunities are typically available to households based on where they work and average hourly wage paid to nonexempt employees.

- A. True
- B. False

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68

② Mandatory Poll Question

Workforce housing opportunities are typically available to households based on where they work and average hourly wage paid to nonexempt employees.

- A. True
- B. False

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Key Terms

Chapter 3

**Area Median
Income (AMI)**

**Leadership in
Energy
Efficiency
and Design
(LEED)**

**Urban Land
Institute
(ULI)**

**US
Department
of Housing
and Urban
Development
(HUD)**

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Summary

Chapter 3

Workforce Housing Benefits

Workforce Housing Programs & Example Developments

Workforce Housing Partnerships Defined & Project References

State Government Funding Partnerships Examples

Multiple State Entities Partnerships Examples

Workforce Housing Development Initiative via HUD Provisions

Area Media Income (AMI) Defined

Research Methods for AMI

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Conventional Financing Options

Chapter Overview

Introduction

- Learn about acceptable sources of income lenders include when identifying household income
- Cover conventional mortgage loan programs that may meet the financing needs of middle-income buyers

Chapter Objectives

- Identify sources of income generally acceptable by lenders in determining household income
- Recall basic features and qualifications for Fannie Mae and Freddie Mac mortgages that may meet the financing needs of low- and middle-income homebuyers

2

Income Sources

A potential buyer's **household income** is an important factor that a lender considers to identify the loan program that will best meet the buyer's needs and the loan amount that will be financed

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3

Income Sources *Stability Requirement*

Lenders
consider:

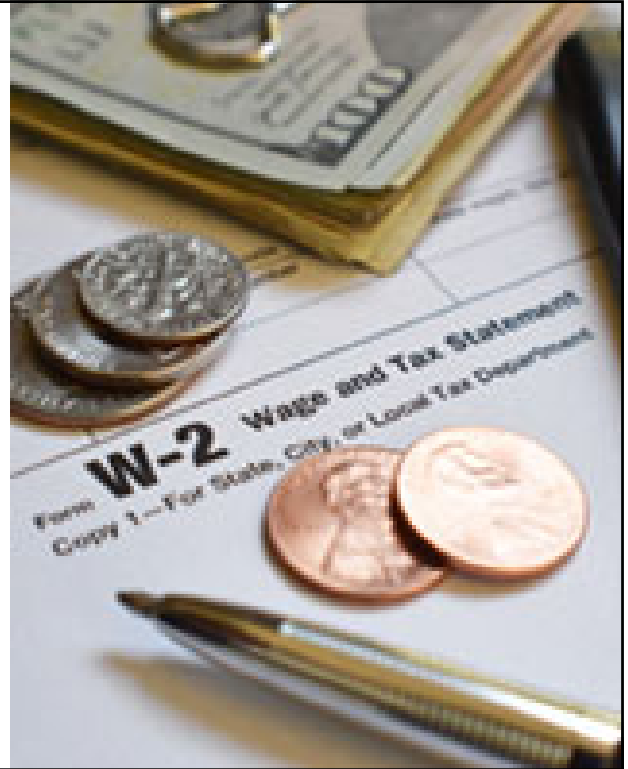
Quantity or
income amount

Past stability of
the income source

Future stability
of the income
source

**Stable monthly
income**

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Income Sources *ECOA Prohibition*



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Equal Credit Opportunity Act (ECOA)
protects:

- **Public assistance income**
- **Sex or marital status**
- **Part-time employment or pension, annuity, or retirement benefits programs**
- **Regular alimony, child support, or separate maintenance payments**
- **Accepting someone other than a spouse as a cosigner**

5

Income Sources

ECOA Prohibition

A lender **must consider** reliable alimony, child support, or separate maintenance payments as income; however, a mortgage loan applicant is **not required to disclose** such income

A lender may **not** discriminate against applicants who exercise their good faith rights of nondisclosure of those sources of income

NOTE



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6

Income Sources

Consideration of Employment History



- History of **steady, full-time employment** given more favorable consideration
- Potential borrower should have continuous employment for at least **two years** in the same field

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Income Sources

Consideration of Employment History

To verify employment income, most lenders will request **W-2 forms** for the previous **two years**, and **payroll stubs** for the previous **30-day** period

NOTE



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Income Sources

Accepted Secondary Sources

Predictable earnings from **acceptable secondary sources** are considered if **substantiated** and determined to be **stable**

To be considered **stable**, earnings must have been consistent for **2-3 years** depending on source

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② Mandatory Poll Question

A lender may refuse to consider a buyer's income if the source is public assistance.

- A. True
- B. False

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② Mandatory Poll Question

A lender may refuse to consider a buyer's income if the source is public assistance.

- A. True
- B. False

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11

Loan Programs *The Role of Key Players*

Federal Housing Finance Agency (FHFA)

Secondary mortgage markets

- Federal National Mortgage Association (FNMA/Fannie Mae)
- Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac)

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Loan Programs *The Role of Key Players*

- ❖ Homebuyer **lenders want to sell** their portfolio of mortgage loans to generate more funds
- ❖ **Fannie & Freddie only purchase** loan portfolios that adhere to the **standardized underwriting criteria**



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Income Sources

Consideration of Employment History

NOTE



A mortgage loan made by a bank or institutional lender that is not insured or guaranteed by a government entity or agency is referred to as a **conventional loan**

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Mandatory Poll Question

What organizations are responsible for the vast majority of the secondary mortgage market buying and selling activity?
Select all correct responses.

- A. Department of Housing and Urban Development
- B. Federal National Mortgage Association
- C. Federal Home Loan Mortgage Corporation
- D. Federal Housing Administration

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② Mandatory Poll Question

What organizations are responsible for the vast majority of the secondary mortgage market buying and selling activity?
Select all correct responses.

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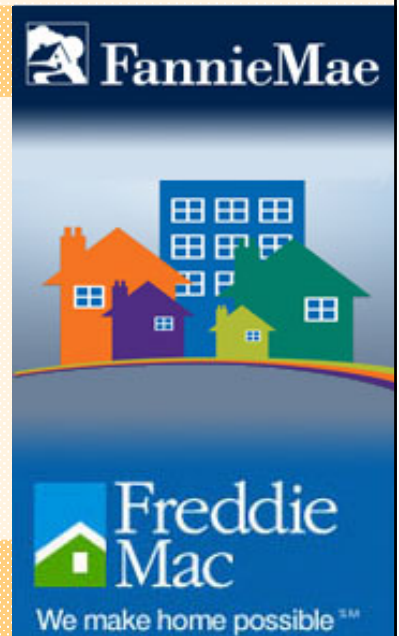
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Freddie Mac and Fannie Mae *Affordable Loan Programs*

Structured to provide affordable home financing options to creditworthy homebuyers who have **low or moderate income**

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☰ Freddie Mac Home Possible Mortgage



Offers low- and middle-income borrowers a lower-than-standard **down payment** and flexible sources for loan funding

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☰ Freddie Mac Home Possible Mortgage

Key
features
include:

Qualifying income limit based on AMI

No geographic limits on loan amounts

Lenders have **flexibility in the loan terms** offered

Down payment can be as low as 3% and down payment funds can come from a **variety of sources**

No minimum **down payment contribution** from **personal funds** required for one-unit properties

Applicable **credit fees apply and are capped**

Mortgage insurance coverage requirements are **reduced for LTV ratios above 90%**

Homebuyer education is required

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Freddie Mac Home Possible Mortgage

NOTE



Loan Amount /
Lesser of Sale Price
or Appraised Value
= Loan-to-Value
(LTV)%

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Freddie Mac Home Possible Mortgage

To **apply**:

- Do **not** need to be first-time homebuyers
- Single-family homes of one- to four-units, condominiums, townhomes, and planned unit developments **allowed**
- Manufactured housing allowed with restrictions
- **Ownership of other property** allowed **without** restrictions
- Qualifying income is limited to **80% AMI**

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☰ Freddie Mac Home Possible Mortgage

Additional criteria considered to determine approval:

- Total monthly debts must be **less than 45%** of gross monthly income and **only the income of the borrower** is considered
- Employment and income must be verified for at least **two years**
- **Minimum credit score** required is **660**



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☰ Freddie Mac HomeOne Mortgage



Only available to first-time homebuyers who want to purchase a single-family home, including a townhouse and condominium

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Freddie Mac HomeOne Mortgage

Key features:

- **No borrower income limitations**
- **No geographic limits** on loan amounts
- **Fixed rate** loan only
- **Down payment** can be as low as **3%** of the purchase price, and no minimum contribution requirement from personal funds
- Standard **35% mortgage insurance** coverage is required for **LTV ratios above 95%**
- **Homebuyer education is required**

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Freddie Mac HomeOne Mortgage

To **apply** for a HomeOne mortgage:

- At least **one borrower must be a first-time homebuyer**
- **One-unit properties only**, including fee simple homes, condominiums, and planned unit developments **allowed**
- Manufactured housing units **not** eligible
- Property must be **all borrowers' primary residence**
- If **more than one borrower**, ownership of another property may be permitted under certain conditions, but **cannot** be the borrower claiming to be a first-time homebuyer

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☰ Freddie Mac HomeOne Mortgage

Additional criteria considered for approval:

- Total monthly debts must be **less than 45%** of gross monthly income
- Employment and income must be verified for at least **two years**
- **Maximum LTV ratio** allowed is **97%**
- No defined minimum credit score required, but most lenders require a **credit score of 620 or higher**



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☰ Freddie Mac HomeOne Mortgage

NOTE



Freddie Mac offers a **webinar** to explore the benefits and differences between the Home Possible and HomeOne mortgage products at:

<https://sf.freddiemac.com/tools-learning/freddie-mac-learning/origination-underwriting/affordable-lending-training>

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② Mandatory Poll Question

To apply for a Freddie Mac HomeOne mortgage, borrowers do not need to be first-time homebuyers.

- A. True
- B. False

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② Mandatory Poll Question

To apply for a Freddie Mac HomeOne mortgage, borrowers do not need to be first-time homebuyers.

- A. True
- B. False

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Fannie Mae HomeReady Mortgage



The **Freddie Mac Home Possible mortgage** and the **Fannie Mae HomeReady®** mortgage include many of the same features and qualifications

See if you can identify the differences

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Fannie Mae HomeReady Mortgage

Key features:

- **Qualifying income limit** based on AMI
- **No geographic limits** on loan amounts
- **Flexibility in the loan terms** offered
- **Down payment can be as low as 3%** and down payment funds can come from a variety of sources
- **No minimum down payment contribution requirement**
- Standard **risk-based pricing is waived** with an LTV of less than 80% and a credit score of 680 or greater
- Mortgage insurance coverage requirements are **reduced for LTV ratios above 90%**
- **Homebuyer education is required**

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Fannie Mae HomeReady Mortgage

To **apply**:

- Do **not** need to be first-time homebuyers
- Single-family homes of one- to four-units, condominiums, townhomes, and planned unit developments **allowed**
- Manufactured housing is allowed with restrictions
- **Ownership of other property is restricted** to single-unit, owner-occupied primary residences
- Borrowers' qualifying income is limited to **80% AMI**

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Fannie Mae HomeReady Mortgage

Additional criteria considered for approval:

- Total monthly debts must be **less than 45%** of gross monthly income
- Acceptable income sources permitted **include rental income** from a one-unit property with an accessory dwelling unit (such as a basement apartment) **and boarder income**
- Employment and income must be verified for at least **two years**
- **Minimum credit score** required is **620**

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Fannie Mae HomeReady Mortgage

NOTE



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Underwriting flexibilities are given to **public servants, military personnel, and persons with disabilities**

For example, public servants and military personnel may be able to use overtime and part-time income to qualify; persons with disabilities may be able to use a nonresident co-borrower

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Fannie Mae Standard 97% LTV Mortgage

Includes these features:

- **No borrower income limitations**
- **No geographic limits** on loan amounts
- **Fixed rate** loan
- **Down payment** can be as low as **3%** of the property purchase price with the same contribution allowances and requirements as the HomeReady mortgage
- Standard **35% mortgage insurance** coverage is required for **LTV ratios above 95%**
- **Homebuyer education is required**



FannieMae

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Fannie Mae Standard 97% LTV Mortgage

To **apply**:

- **One borrower must be a first-time homebuyer**
- Single-family homes of one- to four-units, condominiums, and planned unit developments **allowed**
- Manufactured housing is **not** eligible
- Must be **all borrowers' primary residence**
- If **more than one borrower**, ownership of another property may be permitted under certain conditions, but it **cannot** be the borrower claiming to be a first-time homebuyer

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Fannie Mae Standard 97% LTV Mortgage

Additional criteria considered for approval:

- Total monthly debts must be **less than 43%** of gross monthly income
- Employment and income must be verified for at least **two years**
- **Maximum LTV ratio** allowed is **97%** or up to 105% with a subordinate lien
- Minimum **credit score** required is **620**

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Fannie Mae HomeReady Mortgage

NOTE



The Fannie Mae website offers many resources and tools to help a buyer through each step of the home buying process, including a “mortgage affordability calculator” and a “down payment assistance tool.”

https://yourhome.fanniemae.com/buy?_ga=2.65023531.404600732.1687991871-1344876138.1683820667

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② Mandatory Poll Question

Match the loan program and the minimum credit score requirement.

620	Freddie Mac Home Possible
660	Fannie Mae HomeReady

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② Mandatory Poll Question

Match the loan program and the minimum credit score requirement.

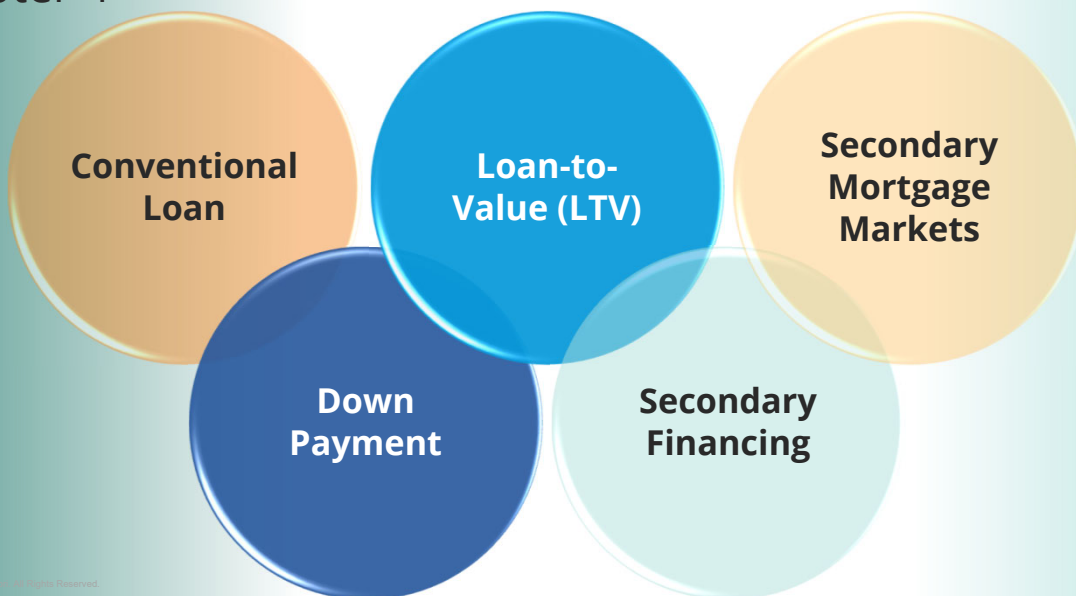
660	Freddie Mac Home Possible
620	Fannie Mae HomeReady

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Key Terms

Chapter 4



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Summary

Chapter 4

**Income Sources
Requirements**

**Secondary
Mortgage
Market Entities**

**Freddie Mac &
Fannie Mae
Roles**

**Freddie Mac
Affordable Loan
Programs
Provisions**

**Fannie Mae
Affordable Loan
Programs
Provisions**

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Government-Sponsored Financing and Subsidy Solutions

Chapter Overview

Introduction

- Learn key features of programs offered through federal agencies, including the US Department of Housing and Urban Development, the US Department of Agriculture, and the US Department of Veteran Affairs

Chapter Objectives

- Describe loan and subsidy programs offered through the US Department of Housing and Urban Development and the Federal Housing Administration
- Describe the loan program offered directly through the US Department of Agriculture
- Describe the loan program to help eligible veterans finance the purchase of their home through the US Department of Veteran Affairs

2

HUD and the FHA

Department of Housing and Urban Development (HUD) offers programs that may help make the home-buying process affordable to those with incomes that do not meet the requirements for conventional lending

Federal Housing Administration (FHA) was created to stimulate homeownership at a time when mortgage lending was extremely limited



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About the FHA



FHA **insures** mortgage loans for single-family and multifamily homes made by approved lenders

FHA-insured loans help to subsidize buyer financing with:

- Lower-income requirements
- Lower down payment requirements
- More liberal allowances for current debts and/or credit issues

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4

About the FHA

NOTE



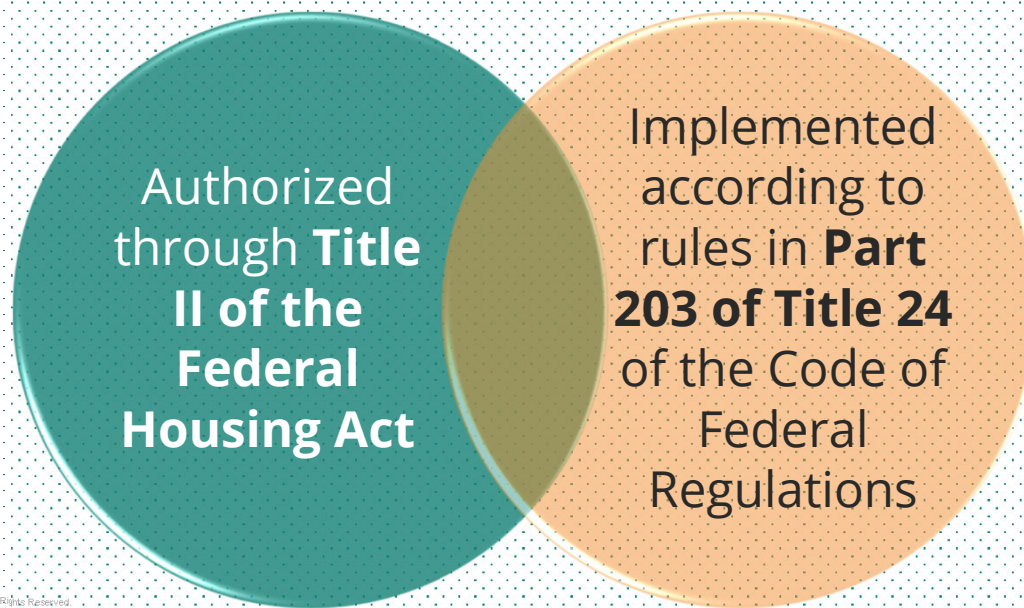
A common misconception about FHA-insured loans is that they are only available to lower-income borrowers

While they may be a preferred option for homebuyers with limited income or credit issues, there are **no** minimum income requirements or asset limitations

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FHA-Insured Mortgage Products



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FHA-Insured Mortgage Products

See https://www.hud.gov/program_offices/housing/sfh/ins for the source of FHA-insured product content covered in this chapter and more information on mortgage products and programs offered through the FHA

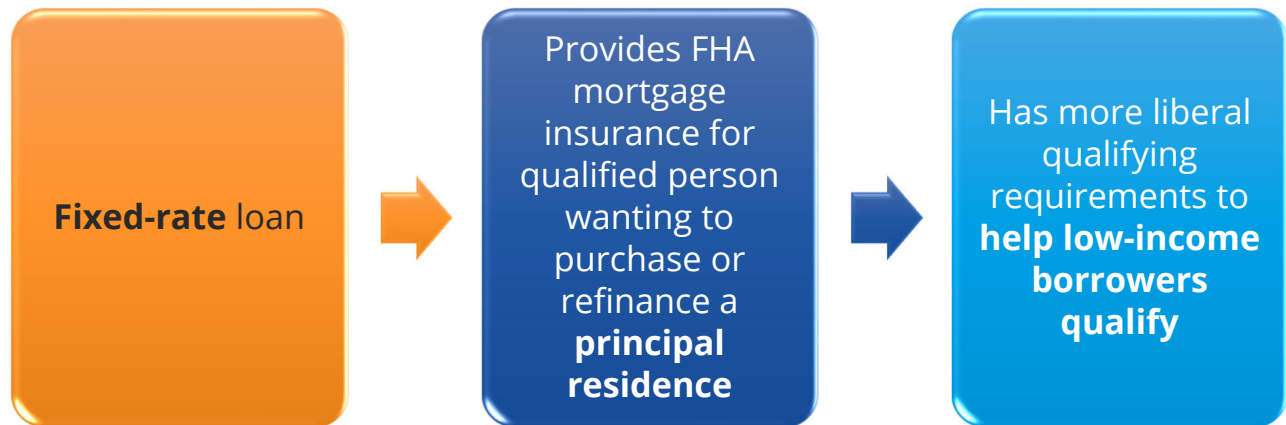
NOTE



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FHA-Insured Basic Home Mortgage



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FHA-Insured Basic Home Mortgage

580 Credit score or higher needs a down payment of only **3.5%** of the home's purchase price or appraised value, **whichever is less**

Standard qualifying ratios for FHA-insured loans are a **31% housing expense ratio** and a **43% total recurring debt ratio**

May approve borrowers with FICO credit scores **as low as 500**

Even if borrowers have no credit score, allows for the use of nontraditional credit sources

One hundred percent of the closing costs can be a **gift**

Seller and/or interested third party may **contribute up to 6%**

Maximum allowable mortgage loan amount for an FHA-insured loan **varies by the county or region the home is in**

9

FHA-Insured Basic Home Mortgage



Stringent requirements for an approved property:

Property Eligibility

Occupancy

Property Conditions

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FHA-Insured Adjustable-Rate and Condominium Mortgage

Unique features:

- **ARM's interest rate can increase or decrease** over the loan term
- **Condominium Mortgage** specifically geared to borrowers who want to purchase a **one-family condominium unit** in a **condominium project**

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FHA-Insured GEM and GEP

- Both **Growing Equity Mortgage (GEM)** and **Graduated Payment Mortgage (GPM)** enable those with a **limited income but expect their monthly earnings to increase** to finance the purchase of a home
- Both offer buyers a **lower initial interest rate**
- Both are **fixed-rate loans** but offer **unique payment features**



12

FHA-Insured GEM and GEP

GEM is targeted at single-family homebuyers who want to **pay off a mortgage faster** and **save on the amount paid toward interest**

With a GEM:

Monthly payments increase between 1% and 5% per year

Additional amount is applied toward the principal

Never negative amortization

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FHA-Insured GEM and GEP

GPM is for single-family homebuyers with **low to moderate incomes** but expect their incomes to increase **substantially**

With a GPM:

Monthly payment amount **increases annually** until a maximum payment **ceiling is reached** and the maximum payment amount continues until the mortgage is **paid off**

Approved borrowers pay an initial smaller monthly amount that may or may not result in **negative amortization**

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FHA-Insured GEM and GEP

I/we certify that I/we fully understand the obligation I/we are undertaking, that my/our mortgage payment to principal and interest will start at \$_____ and will increase by _____% each year for _____ years to a maximum payment of \$_____ and the mortgage balance will increase to no more than \$_____ at the end of the _____ year. The maximum total amount by which the deferred interest shall increase the principal is \$_____. Monthly installments shall be due according to the following schedule:

Principal & Interest Mortgage Insurance Premium

\$_____ during the 1st note year	\$_____ during the 1st note year
_____ during the 2nd note year	_____ during the 2nd note year
_____ during the 3rd note year	_____ during the 3rd note year
_____ during the 4th note year	_____ during the 4th note year
_____ during the 5th note year	_____ during the 5th note year
_____ during the 6th note year	_____ during the 6th note year
and thereafter	and will continue to decline thereafter

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FHA-Insured Rehabilitation Mortgage



- ✓ Offers a solution that helps both borrowers and lenders
- ✓ Covers **both the acquisition and rehabilitation** of a property
- ✓ Portion of **loan proceeds is used to pay the seller** or, for a refinance, to **pay off the existing mortgage**
- ✓ Remaining funds are placed in an escrow account for the rehabilitation

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FHA-Insured Rehabilitation Mortgage

For approval:

Must be at least **one** year old

Rehabilitation must be at least **\$5,000**

Total **value** of the property must fall within the FHA mortgage limit for the area

Determining value:

Property value **before** rehab **plus** cost of rehab, or

110% Of appraised value after rehab

Required to meet basic **energy efficiency** and **structural standards**

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FHA-Insured Rehabilitation Mortgage

Structural alterations and reconstruction

Modernization and improvements to the home's function

Elimination of health and safety hazards

Changes that improve appearance and eliminate obsolescence

Reconditioning or replacing plumbing

Installing a well and/or septic system

Adding or replacing roofing, gutters, and downspouts

Adding or replacing floors and/or floor treatments

Major landscape work and site improvements

Enhancing accessibility for a disabled person

Making energy conservation improvements

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Additional FHA-Insured Loan Programs

- **Disaster Victim Mortgage Loans**
- **Hawaiian Home Lands Loans**
- **Indian Reservation and Other Restricted Lands Loans**

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② Mandatory Poll Question

What statement about an FHA-insured Basic Home Mortgage is TRUE? *Select all correct responses.*

- A. The FHA may approve borrowers with FICO credit scores as low as 500
- B. The maximum housing expense ratio for an FHA-insured loan is generally 31%
- C. The seller and/or interested third party may contribute toward closing costs
- D. There are no debt-to-income ratio requirements

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② Mandatory Poll Question

What statement about an FHA-insured Basic Home Mortgage is TRUE? *Select all correct responses.*

- A. The FHA may approve borrowers with FICO credit scores as low as 500
- B. The maximum housing expense ratio for an FHA-insured loan is generally 31%
- C. The seller and/or interested third party may contribute toward closing costs
- D. There are no debt-to-income ratio requirements

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② Mandatory Poll Question

With an FHA-insured Growing Equity Mortgage, as the mortgage payments grow, the additional payment is applied toward the principal on the loan, thus reducing the mortgage term without ever experiencing negative amortization.

- A. True
- B. False

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② Mandatory Poll Question

With an FHA-insured Growing Equity Mortgage, as the mortgage payments grow, the additional payment is applied toward the principal on the loan, thus reducing the mortgage term without ever experiencing negative amortization.

- A. True
- B. False

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☰ HUD-Sponsored Programs

HVC Program



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Housing Choice Voucher (HVC) Program (aka Section 8)

- Assist **very low-income families**, the elderly, and the disabled
- Assistance is provided on behalf of the family or individual
- Participants can find their own housing

24

☰ HUD-Sponsored Programs

HVC Program

Eligibility determined by HUD's **Public Housing Agency (PHA)**

- Family's income **may not exceed 50% of the median income** for the county or metropolitan area
- By law, PHA must provide **75% of issued vouchers** to applicants whose

Family responsible to find suitable housing where the **owner agrees to rent under the program**

Housing subsidy is paid to the property owner directly by the PHA

Family pays the difference

If authorized by the PHA, **a family may use its voucher to purchase a modest home**

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☰ HUD-Sponsored Programs

HVC Program

Recall, median income levels are published by HUD and vary by location

NOTE



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☰ HUD-Sponsored Programs

HVC Homeownership Program



Housing Choice Voucher (HCV) Homeownership Program allows families to use their **voucher to:**

- **Buy a home**
- **Receive monthly assistance** in meeting homeownership expenses

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HUD-Sponsored Programs *HVC Homeownership Program*

The buyer is not required to work with a specific real estate agent or any specific lender when finding, buying, or financing a home subsidized through the HCV Homeownership Program

NOTE



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HUD-Sponsored Programs *HVC Homeownership Program*

The buyer must:

Have been
admitted

Be a first-
time buyer,
as defined by
HUD

Meet a
minimum
income
requirement

Have at least
one adult
working full-
time for at
least one
year

Complete
homeowner-
ship and
housing
counseling
program



PHAs have discretion to offer program

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☰ HUD-Sponsored Programs

HUD Homes



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- HUD takes ownership upon default of FHA-insured loan
- **HUD Homes** or **HUD Real Estate Owned (REO) property**
- Ability to **buy a HUD Home** factors
- **Can** use an FHA-insured mortgage to buy
- **HUDHomestore** for listings

30

☰ HUD-Sponsored Programs

ONAP Home Loan Program

Office of Native American Programs (ONAP) offers **Section 184 Indian Home Loan Guarantee Program**

Facilitates homeownership and increase access to capital in Native American communities

Eligible borrowers

Participating lender evaluates and submits loan for approval to HUD's **Office of Loan Guarantee**

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☰ HUD-Sponsored Programs

ONAP Home Loan Program

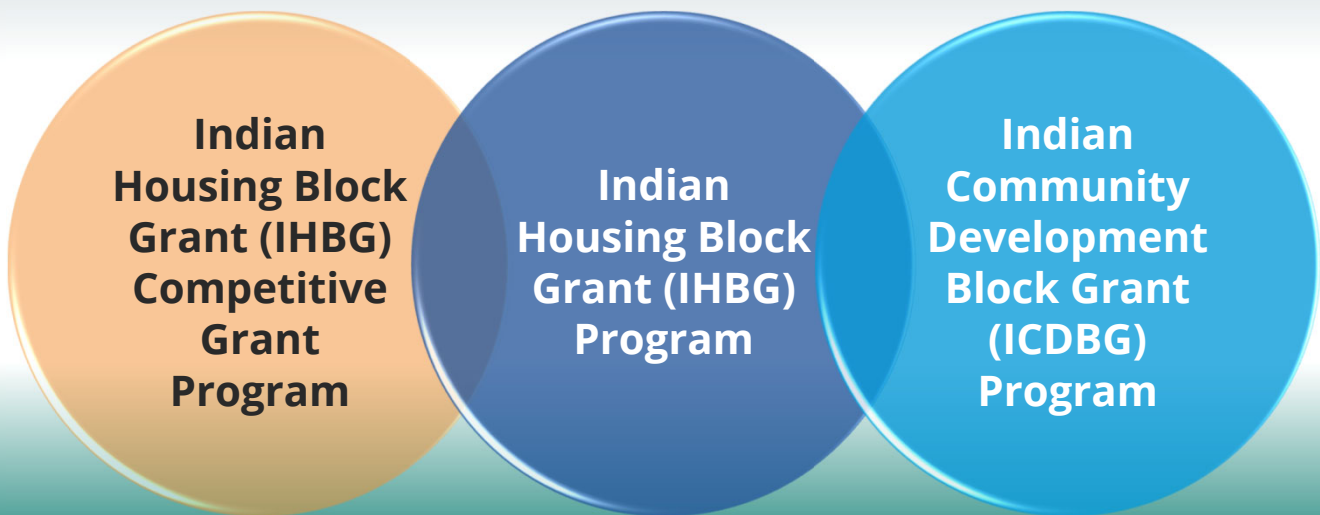
- **Low down payment and flexible underwriting**
- Limited to single-family housing (one to four units) and fixed-rate loans for 30 years or less
- Cannot be ARM
- Cannot be used to finance commercial buildings
- Maximum loan limit
- Must be made in eligible area



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☰ HUD-Sponsored Programs

ONAP Housing Grants



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☰ HUD-Sponsored State Programs



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- HUD funds specific **state programs** that provide financial assistance to homebuyers
- Agents can refer buyers to the **state housing finance agencies** or state **HUD offices** for information

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② Mandatory Poll Question

By law, a public housing agency must provide 50% of issued vouchers to applicants whose incomes do not exceed 40% of the area median income.

- A. True
- B. False

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② Mandatory Poll Question

By law, a public housing agency must provide 50% of issued vouchers to applicants whose incomes do not exceed 40% of the area median income.

- A. True
- B. False

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📖 RHS Single-Family Housing Programs

US
Department of
Agriculture's
(USDA) Rural
Housing
Service (RHS)

Includes small
towns of up to
35,000
inhabitants

Allows families
and individuals
to buy, build,
or repair
affordable
homes located
in rural
America

Eligibility
factors

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RHS Section 502 Guaranteed Loan



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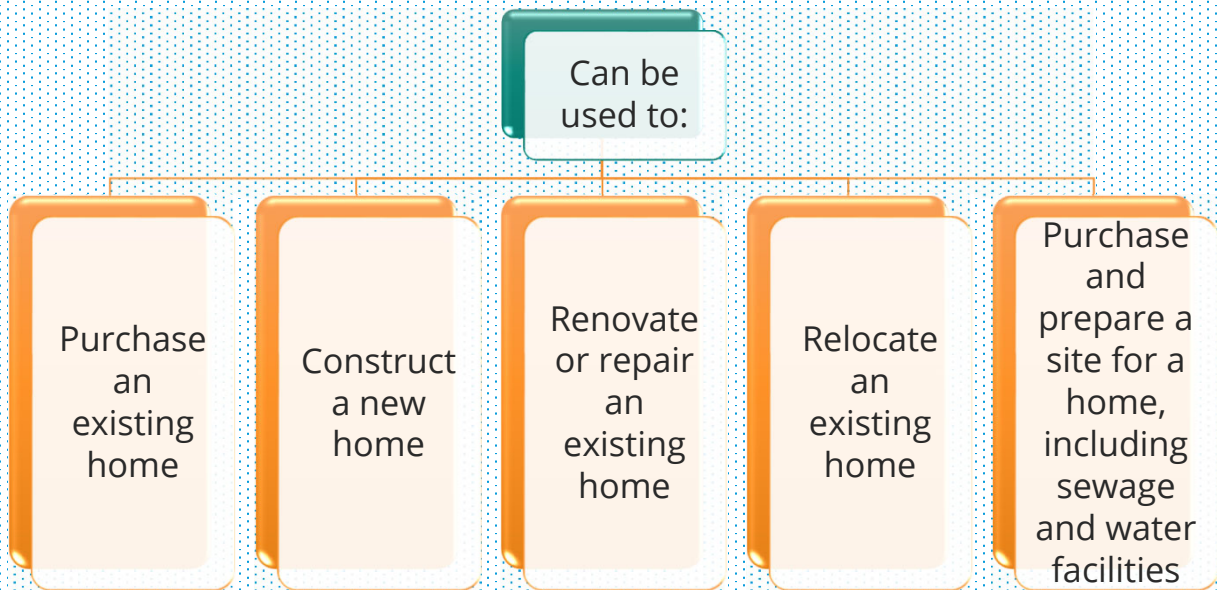
Designed to serve rural residents who **have a steady, low, or modest income**

Applicants must:

- Have household income **not exceeding 115%** of the median household income of the area
- Be **unable** to get conventional financing with no private mortgage insurance

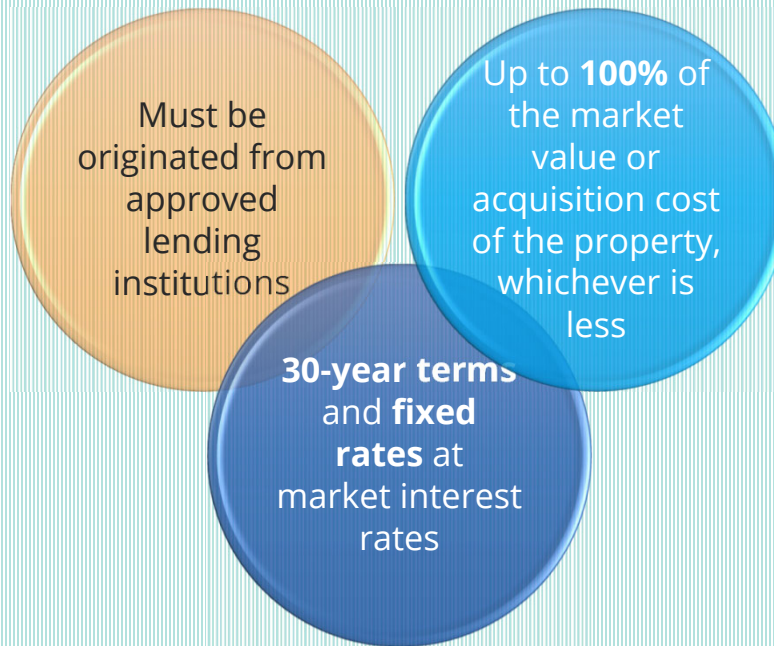
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RHS Section 502 Guaranteed Loan



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RHS Section 502 Guaranteed Loan



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HUD-Sponsored Programs *HVC Homeownership Program*

USDA Rural Development does not endorse any specific private sector lenders

Buyers are encouraged to comparison shop between lenders to find the best service and financial options available

The approved lender selected will handle the entire loan application process, working with Rural Development staff to ensure the loan is guaranteed through the agency

NOTE



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☰ RHS Section 502 Guaranteed Loan



Qualifying:

- **Income**
- **Assets**
- **Credit**
- **Monthly Housing Payment**
- **Debt Ratio**
- **Contributions and Gifts**

See <https://www.rd.usda.gov/programs-services/single-family-housing-programs> for more information

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❓ Mandatory Poll Question

A Section 502 Guaranteed Loan may be for up to 100% of the market value or acquisition cost of the property, whichever is less.

- A. True
- B. False

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② Mandatory Poll Question

A Section 502 Guaranteed Loan may be for up to 100% of the market value or acquisition cost of the property, whichever is less.

- A. True
- B. False

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📖 VA-Guaranteed Loan Programs



Mortgage loans guaranteed by the federal government through the Veterans Benefits Administration, which is part of the **Department of Veterans Affairs (VA)**

Main purpose is to help meet the housing needs of eligible **veterans** (and spouses) **who have served** or are **currently serving** in the US Armed Forces

Purchase of owner-occupied single-family homes and multifamily dwellings of up to four units if the veteran intends to **occupy one of the units** as the primary residence

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☰ VA-Guaranteed Loan Programs

- Lenders consider a borrower's **total DTI ratio**, which generally cannot exceed **41%** of gross monthly income
- **No housing expense ratio**
- **Residual income**
 - **Net effective income**
 - **Family size**
 - **Regional guidelines**
- **Generally do not need a down payment**



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☰ VA-Guaranteed Loan Programs



NOTE

See <https://www.va.gov/housing-assistance/> for the source of the VA-Guaranteed Loan Programs content and more information on VA loans

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② Mandatory Poll Question

Because VA mortgage loans can be for the full reasonable value of the property, generally, no down payment is required by the VA.

- A. True
- B. False

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② Mandatory Poll Question

Because VA mortgage loans can be for the full reasonable value of the property, generally, no down payment is required by the VA.

- A. True
- B. False

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Key Terms

Chapter 5

Debt-to-Income Ratio

FHA-Insured Loan

Graduated Payment Mortgage (GPM)

Growing-Equity Mortgage (GEM)

Housing Expense Ratio

Negative Amortization

Residual Income

VA-Guaranteed Loan

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Summary

Chapter 5

Department of Housing and Urban Development (HUD) Defined

Federal Housing Administration (FHA) Defined

FHA-Insured Mortgage Products Offered & Provisions

HUD-Sponsored Programs Offered & Provisions

HUD-Sponsored State Programs Defined

US Department of Agriculture's (USDA) Rural Housing Service (RHS) Programs Offered & Provisions

VA-Guaranteed Loan Programs Offered & Provisions

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