Self-Help Leveraging Guide

NCALL Research, Inc.

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Introduction

The following Self-Help Leveraging Guide has been created by the NCALL Self-Help Team as a resource for Self-Help Grantees who may be looking for additional funds to complement their 523 Technical Assistance Grant, land development, or to help increase affordability with 502 mortgages. Multi-funding can be an effective method of "competitive posturing" for your organization. Numerous sources may be available including federal, state, local and private organizations.

The first section of the Leveraging Guide highlights capacity building (multi-funding).

The second section highlights numerous leveraging sources for Self-Help Grantees, i.e. CHDOs, Council of Governments / Regional Planning Commissions; State Housing Finance Agencies; State Housing Trust Funds; HUD Home Funds; CDBG; HAC; NeighborWorks; Rural LISC; local communities; and foundation grants, partnerships & affiliations, other web links. The organizations included are allowing NCALL to feature their agencies and programs. Perhaps you will read about a program that results in a contact with organizations in your state providing similar programs.

The third section discusses a few alternative land options and funding sources, if site purchase and development becomes one of your goals.

Lastly, leveraging sources for self-help homeowners are highlighted, including an overview, FHLB, Housing Choice Voucher Program (Section 8 Homeownership), local communities and foundation grants, plus partnerships & affiliations.

We hope this guide will benefit you as you continue to grow with the mutual self-help housing program.

NOTE: This guide is a living document and will continue to change over the years ahead.

Table of Contents

Capacity Building

Organizational Financial Capacity

NOTE: It is hard to look at leveraging 523 and not look at the larger picture – Building Organizational Financial Capacity.

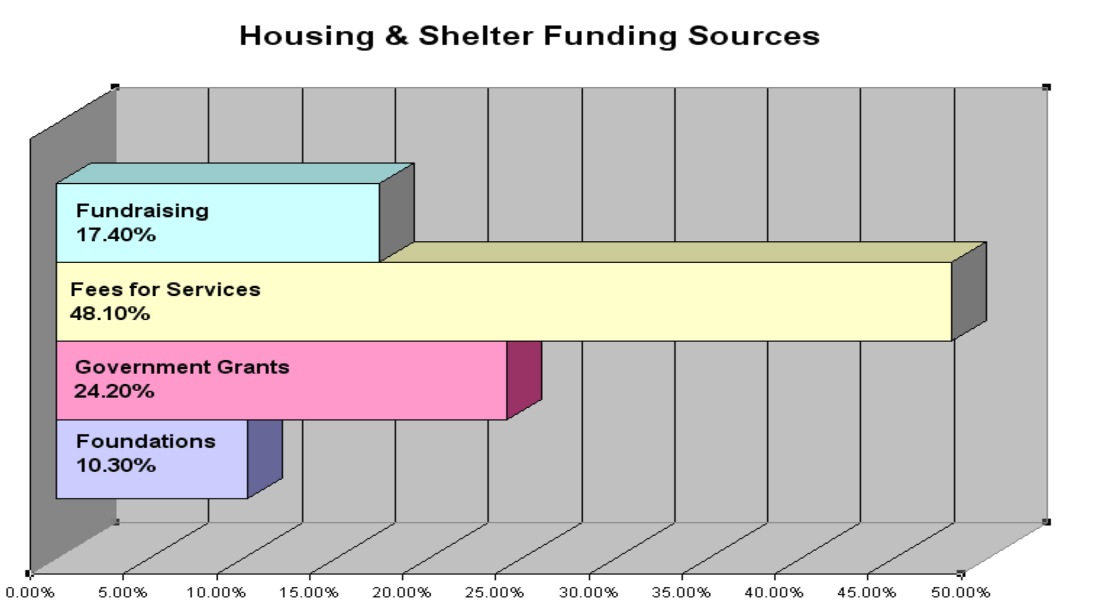
To set the stage, here is a little background information:

1. National stats and a couple of funding models
2. Building financial capacity
3. Four areas to examine as it relates to financial capacity

Non-Profit Statistics

- Most nonprofits are small to midsize
- 93.6% have budgets under $1 million
- Housing & shelter nonprofits average revenue $1.07 million

Housing & Shelter Funding Model



Decreased resources

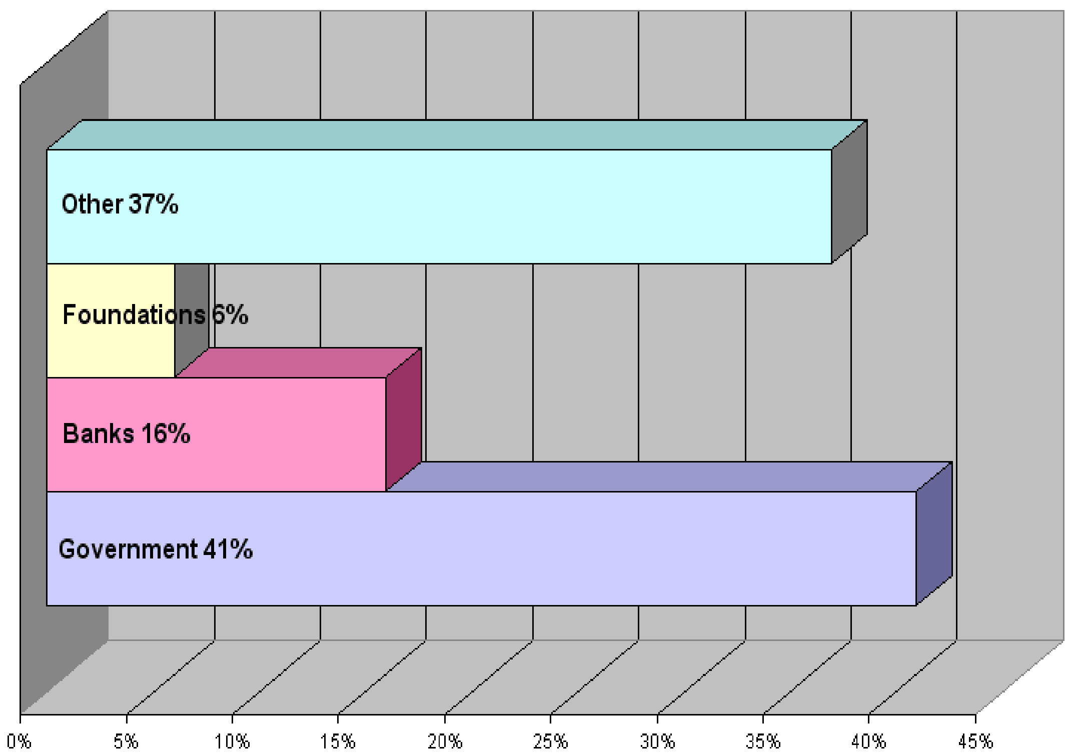
- ➢ Reported by 35% of nonprofits (Compared to 19% in 2007)

Increased demand

- ➢ Reported by 64% of nonprofits

Funding Model – NCALL

Sources of Funding Received FY 2008



Government Funding – 41%

- ➢ 4 State / 0 County / 7 Federal from 2 Federal agencies

Other Funding 37%

- ➢ Donations (individual & corporate), fees for service, HC registration fees, interest, Loan Fund fees, rental income

Private Funding – 22%

- ➢ 22 Banks & 7 Foundations

Hey! What Happened to Our Funding?

(11 funding streams disappeared last year)

On the Upside

- 3 new government funding sources offset the 4 sources that no longer exist;
- 9 new bank and foundation sources offset the 5 lost as a result of mergers and downturns;
- 3 new sources of revenue replaced the 2 lost

Why do we share this with you?

Not because we hold this as a model or standard to be copied. The reason we share this with you is to demonstrate the fact that funding is shifting.

The point is - Keeping organizational funding stable takes a lot of effort and work as one funding stream falls off the grid we need another one to take its place.

Money is moving and the search for new streams of revenue is an ongoing process.

Building Financial Capacity

- Building financial capacity must be an ongoing, hands on, managed process within your agency
  - Review your revenue tracking plan monthly.
  - Noticing small changes early helps you to adapt to the bigger changes that are to come *(monitor program expenses monthly to determine if spending is on target or will there will be gaps)*
  - Don't waste organizational resources holding on to old funding models that no longer work.

- Diversification in funding sources is critical
  - If you do not change, you can become extinct
  - Old beliefs do not lead to new revenue

- A Resource Development Plan is a must
  - Movement in a new direction helps find new funds
  - Move with the funding and enjoy it
  - It is better to search for revenue than to remain stationary

Think about what is possible…..

Going out and looking for new revenue also gives us a chance to find opportunities, to look at situations differently and to think things through differently.

As you look at leveraging 523 and your funding model, step back and think about where you want your self-help program and your organization to be in the next 3 to 5 years. What funding streams will be needed to support the organization and the self-help program?

Think in realistic terms, but think differently.

Funding Model

- Single Funded vs. Multi-Funded
- Diversity of Funding Sources
- Goal – a sustainable revenue model
- Follow your mission – Do not chase the money

NOTE: When looking at new programs remember there is more success and program longevity when you follow your mission and don't just chase money. Finding other programs that can fulfill your mission and meet the need in your community helps provide a good balance of mission and money.

Tracking Income & Revenue

Other		
HC Registration Fee	________	________
Fees Income	________	________
Loan Application Fees	________	________
Interest Income	________	________
Loan Fund Interest	________	________
Loan Fund Servicing Fees	________	________
Loan Fund Late Charge Fee	________	________
Loan Fund Extension Fee	________	________
Rental Income	________	________
Individual Donations	________	________
Technical Assistance Services	________	________
Corporate Donations	________	________
Miscellaneous	________	________
Total	**$**	**$**
Total Funds Received	**$**	**$**

Updating and reviewing this form monthly allows you to monitor revenue as a percentage received compared to a percentage of the FY expended; compare sources from last year; reminds you of upcoming foundation deadlines; and provides valuable information as strategic planning and budgets are prepared for the upcoming year.

Fundraising

- Develop a Resource Development Plan annually
- Plan used to reach the organizational / program goals identified during strategic planning
- Identify a variety of funding sources for each goal
- Have a fundraising calendar with projected due dates for proposals
- Review deadlines monthly
- Record all funds on “Sources of Funding Received“
- Review monthly fundraising progress
- Follow-up

McKinsey Capacity Assessment Grid

Fundraising helps with financial sustainability of the organization and of specific programs.

Generating Revenue

- Income-generating activities integrated into the organization's activities.
  - Cost recovery – a means to recuperate all or a % of costs to deliver a service. (fee for service, conference fees, paid training etc)
  - Earned income – provides unrestricted revenue to the organization. Activities can be both related or unrelated to mission. (consulting services, sale of publications or products, membership dues)

- Earned income activity becomes a social enterprise when it is operated as a business.
  - Established to create social or economic value
  - Long term vision and managed as a going concern
  - Growth and revenue targets are set in a business plan
  - Qualified staff manage the activity

McKinsey Capacity Assessment Grid

Growing competition and fewer dollars is motivating many to look beyond long-standing practices and toward a new revenue model. Deliver mission and generate income.

Partnerships & Alliances

- Know the potential of partnerships
- Consider for-profits as well as nonprofits
- Consortiums of nonprofits with like missions

McKinsey Capacity Assessment Grid

Focusing on the Future

- Mission
- Vision
- Building Capacity
- Competitive Posturing
- Adaptability
- Partners

During a meeting of NCALL's self-help team discussing the future of the self-help program and the changing climate, our team identified six crucial words and phrases:

> Mission, vision, building capacity, competitive posturing, adaptability, and partners.

The development of this Leveraging Guide was an outcome. As a tool it can be used by grantees to leverage for the self-help program and build capacity.

Leveraging Sources

for

Self-Help Grantees

Becoming a Community Housing Development Organization (CHDO)

Self-Help Housing Grantees often ask if they should become a CHDO. NCALL's answer….only if it is beneficial for your organization. So what is a CHDO? It stands for a Community Housing Development Organization and is a designation under the HUD HOME program*****. Within the HOME program, there is a mandated set aside of funds for CHDOs.

What is a Community Housing Development Organization (CHDO)?

A Community Housing Development Organization (CHDO) is defined as a nonprofit organization which:

- Is organized under state or local laws
- Has no part of its earnings benefiting any member, founder, contributor, or individual
- Has a tax exemption ruling from IRS under 501(c) of the Internal Revenue Code of 1986
- Has among its purposes, the provision of decent housing that is affordable to low- and moderate-income people
- Conforms to the financial accountability standards regulated by the federal government
- Has a demonstrated ability to carry out activities assisted with HOME funds
- Has a minimum of a one year history of serving the community where housing financed by HOME funds will be located
- Has at least one-third of its Board membership who are low-income, or are residents of low-income neighborhoods, or are elected as representatives of low-income neighborhood organizations

What are the benefits of being a CHDO?

- May have access to CHDO operating funds from the local Participating Jurisdiction (PJ). PJs have the option of awarding up to 5% of HOME allocation to CHDOs for operating purposes.
- Access to HOME funds can be very competitive and PJs must award a minimum of 15% of their annual HOME allocation to CHDOs for housing development activities.

In many areas there are technical assistance providers that provide CHDO TA when involved in a HOME funded housing project.

***See more information on HUD's HOME Program later in this Guide.**

Partnerships with a Council of Government (COG); Regional Planning Commission; or Regional Development Corporation

NOTE: These organizations can be a great partner with you in accessing: State Housing Trust Funds; State Housing Finance Agency funds; Site development, infrastructure and environmental assistance; Marketing assistance; Tax Abatement possibilities; YouthBuild programs; Special projects i.e. signs and celebrations; Local community funds to leverage your 523 funds.

Their Mission

These organizations believe that communities, which include cities, towns and counties, have common problems and potentials which transcend their individual boundaries and jurisdictions. They realize that individual destinies rest with the interdependent actions of all the communities which comprise their region.

Their Goal

Their goal is to encourage and strengthen local home rule, while combining resources for regional challenges. Cooperation must be fostered to strengthen the abilities of local communities in meeting their individual needs.

Their History

These organizations are recognized as 28H organizations for the general purpose of promoting intergovernmental cooperation and strengthening local governmental units, and facilitating regional development issues like planning, economic development, housing and transportation.

SEIRPC - Southeast Iowa Regional Planning Commission

NOTE: Here are a few of their **Commonly Referred Housing Programs:**

Community Development Block Grant
The primary goal of this program, funded by the Iowa Department of Economic Development, is to develop viable communities by providing decent housing and suitable living environments and expanding economic opportunities principally for persons with low and moderate incomes. The competitive program funds a variety of projects such as streets, sanitary sewers, water facilities, storm sewers, bridges and facilities for persons with disabilities.

Emergency Shelter Grants Program (ESGP)
Homeless Shelter Operations Grants Program (HSOGP)
These two grant programs are administered by the Iowa Finance Authority and provide assistance to organizations that provide services to the homeless.

Housing Assistance in Rural America
The goal of the Housing Assistance Council is the increase the availability of decent and affordable housing for low-income people in rural areas throughout the United States. The Council provides many services for local, state, and national organizations including loans, publications, technical assistance, training, and special projects.

Iowa Housing Fund
The State of Iowa has combined Community Development Block Grant (CDBG) funds and HOME funds to assist local communities to expand the supply of quality affordable housing. Iowa Housing Fund monies can go to support a variety of projects, including rental and owner-occupied rehabilitation, new construction of rental housing, and assistance to home buyers and tenants. Housing Fund assistance is restricted to low and very low-income families.

Iowa Finance Authority Programs

The Iowa Finance Authority has a variety of programs available to assist the provision of affordable housing. Most of their programs provide assistance to individuals or developers.

Main Street Mortgage Loan Program

A statewide effort to promote the Main Street Iowa program revealed the need for revitalization of upper floor housing in mixed use buildings. Loans are made for the rehabilitation of upper floor housing or commercial properties or for new construction on infill lots in downtown areas of communities that participate in the Main Street Iowa program.

NewHome Construction Program

The Iowa Finance Authority offers loan funds for qualified entities to construct new single-family homes in Iowa communities. Eligible applicants include non-profit 501(c)(3) organizations, cities or counties, community housing development organizations (CHDOs), economic development corporations, local housing trust funds and public school or community colleges with a trade class apprenticeship program. These groups may apply for and use the funds or they may loan them to local contractors and/or developers.

OurHome Rehabilitation Program

The Iowa Finance Authority (IFA) offers loan funds for use by qualifying entities to rehabilitate single-family homes in their communities. The goal of this initiative - the OurHome Rehabilitation Program - is to provide a source of funds to local entities for rehabilitation of single-family homes. Qualifying entities may apply for funds by demonstrating core competencies in three areas: (1) rehabilitation construction oversight, (2) management of loan funds, and (3) assistance for lower income households in attaining or maintaining home ownership.

State Housing Trust Fund (SHTF)

The SHTF helps ensure decent, safe and affordable housing for Iowans through two important programs. The Local Housing Trust Fund Program received 60 percent of the SHTF allocation to provide grants for communities, counties and organizations that wish to create a local housing trust fund. The remaining 40 percent goes to the Project-Based Housing Program that aids the development and rehabilitation of single-family and multifamily housing. The Iowa Finance Authority administers both programs and provides technical assistance to housing-related organizations.

Shelter Plus Care

Shelter Plus Care provides the homeless with rental assistance in connection with support services from other providers. The program allows for a variety of housing choices such as group homes or individual units, coupled with a range of supportive services (funded by other sources). **Grantees must match the rental assistance** with supportive services that are at least equal in value to the amount of HUD's rental assistance. States, local governments and public housing agencies may apply for Shelter Plus Care.

USDA Rural Development Housing Programs – Mutual Self-Help Housing

Loans and grants are available to provide rural residents with affordable, decent, save and sanitary single, multiple-family, and elderly housing. Housing programs provide financing, with no down payment, at favorable rates and terms.

YouthBuild

YouthBuild will fund projects that help young high-school dropouts obtain education, skills, and work experience in a construction trade. This program will pay for the costs of activities such as; ongoing training, wages, employment and leadership training and services, the acquisition, rehabilitation, or construction of the housing and related facilities used in the program, or staff training.

NIACOG - North Iowa Area Council of Governments

NOTE: Here are a few of their **Commonly Referred Programs, other than Housing** but may provide some ideas for partnering with your local COG:

I. Programs Originated by State and Federal Agencies

A. Economic Development

1. Programs available through the Iowa Department of Economic Development
   (1) Economic Development Set-Aside (EDSA)
   (2) Public Facilities Set-Aside (PFSA)
   (3) Community Economic Betterment Account (CEBA)
   (4) Iowa New Jobs and Income Program (NJIP)
   (5) Value-Added Agricultural Products and Processes Financial Assistance Program
   (6) Community Economic Preparedness Program (CEPP)
   (7) Small Towns and Rural Strategies (STARS)
   (8) Career Link
   (9) New Jobs and Income Program (NJIP)
2. Intermediate Relending Program (IRP) through USDA, Rural Development
3. Iowa New Jobs Training Program (HF 623 and Iowa Jobs) through Iowa's Community Colleges
4. Revitalize Iowa's Sound Economy (RISE) through the Iowa Department of Transportation
5. Rail Economic Development Program through the Iowa Department of Transportation
6. Tax Increment Financing (TIF)
7. Tax Abatement (TA)
8. Community Cultural Grant through the Iowa Department of Cultural Affairs
9. Economic Development Administration (EDA) Revolving Loan Fund
10. Enterprise Zones as established by the Iowa General Assembly
11. Small Business Administration LODOC Loan Guarantee Program
12. USDA-RD Loan Guarantee Program
13. USDA Loan Program to Electrical Cooperatives to Construct Industrial Buildings

B. Community Development

1. Programs available through the Iowa Department of Economic Development (IDED)
   a) Community Development Block Grant Program (CDBG)
      (1) Community Facilities Fund
      (2) Water and Sewer Fund
   b) Community Development Fund (CDF)
   c) Revitalization Assistance for Community Improvement (RACI)
   d) Volunteerism
   e) Main Street Iowa Program

2. Programs available through USDA, Rural Development
   a) Community Facilities Loans
   b) Water and Waste Systems for Rural Communities
   c) Community Program Guaranteed Loan

3. Programs available through the Iowa Department of Natural Resources (IDNR)
   a) State Revolving Fund (SRF)
      (1) Drinking Water State Revolving Fund (DWSRF)
      (2) Clean Water State Revolving Fund (CWSRF)

4. Programs available through the State Historical Society of Iowa
   a) Historic Resource Development Program (HRDP)
   b) National Register of Historic Places

C. Transportation

1. Programs available through the National Economic Crossroads Surface Transportation and Efficiency Act (NEXTEA)
   a) Surface Transportation Program
   b) Enhancement Funds
   c) State Enhancement Funds
   d) Iowa's Clean Air Attainment Program (CMAQ)

2. Programs available through the Iowa Department of Transportation (IDOT)
   a) Recreational Trails Program (DOT Trails)
   b) Public Transportation (Transit)

D. Environment

1. Programs available through the Iowa Department of Transportation (IDOT)
   a) Recreational Trails Program (DOT Trails)

2. Programs available through the Iowa Department of Natural Resources (IDNR)
   a) Landfill Alternatives Financial Assistance
   b) Resource Enhancement and Protection (REAP)
   c) Land and Water Conservation Fund (LAWCON)
   d) Tire Recycling Grant Program

State Housing Finance Agencies (HFAs) –

NOTE: State HFA's can be a great partner with you in accessing: CHDO funds for operating if you are a CHDO; State Housing Trust Funds; Local Housing Opportunity Grants; HFA funds for site development, infrastructure, engineering fees; Homebuyer Education and/or Foreclosure Counseling; and Low Income Housing Tax Credits.

State Housing Finance Agencies (HFAs) are state-chartered authorities established to help meet the affordable housing needs of the residents of their states. Although they vary widely in characteristics, such as their relationship to state government, most HFAs are independent entities that operate under the direction of a board of directors appointed by each state's governor. They administer a wide range of affordable housing and community development programs**.**

At the center of HFA activity within the states are three federally authorized programs:

- **Mortgage Revenue Bond (MRB)**,
- **Housing Credits**, and
- ***HOME Investment Partnerships (HOME)** programs

***See more information on HUD's HOME Program later in this Guide**

Using MRBs, the Housing Credit, HOME, and other federal and state resources, HFAs have crafted hundreds of housing programs, including homeownership, rental, and all types of special needs housing. Many HFAs also administer other federal housing programs, including Section 8 and homeless assistance.

Housing Bonds

State and local governments sell tax-exempt housing bonds, commonly known as Mortgage Revenue Bonds (MRBs) and Multifamily Housing Bonds, and use the proceeds to finance low-cost mortgages for lower income first-time homebuyers or the production of apartments at rents affordable to lower income families. MRBs have made first-time homeownership possible for over 2.6 million lower income families, approximately 100,000 every year.

Housing Credits

Congress created the Low Income Housing Tax Credit (Housing Credit) in 1986 to encourage the construction and rehabilitation of apartments affordable to low-income families. It does this by offering a credit or reduction in tax liability for 10 years for the owners or developers of such housing. Housing Credits are allocated by states under a plan each state develops to evaluate competing apartment developments against state and local housing needs. Each year the Housing Credit induces several billion dollars of private investment to produce nearly 130,000 apartments affordable to low income families, the elderly, and other special needs populations for a minimum of 30 years.

Ohio Housing Finance Agency

NOTE: The following are programs from OHFA, but may give you some ideas from your own State Housing Finance Agency:

A Brief Guide to Affordable Housing Development

This guide is designed for individuals or groups who have little or no experience with affordable housing. Not every issue and detail of the development process is covered in the guide. This information is intended to give one a general overview of the process and programs. It is strongly recommended that anyone wishing to use public monies for housing development to seek the advice of professionals familiar with government programs. New developers should consider partnering with an experienced organization and/or individuals in preparing for their first development.

A. Introduction

1. ***A great need does exist.*** Providing affordable housing is a challenging task. Many obstacles exist including, but not limited to, lack of financing, land/building availability, high construction costs, and limited number of knowledgeable developers and contractors.
2. ***Public resources are limited.*** A common misperception exists that there are large subsidy and grant programs for housing and these monies can be easily accessed at any time. In reality, public expenditures overall for affordable housing have been decreasing. There are programs available; however, most programs are oversubscribed, and their dollars are allocated through a complex review process. In many cases, a developer must combine various resources to make a project work. There are very few direct grant programs.
3. ***What programs are available?*** There are several incentive programs administered by local, state, and federal governments and other entities. These programs include low-interest or deferred

interest loans, tax benefits or credits, tenant rental subsidies, and in rare cases, grants.

B. Getting Started

1. ***Computer literacy and Internet access are necessary.*** A great amount of resources and information can be obtained from the worldwide web. Spreadsheet and word processing programs are necessary to create successful applications for funding. E-mail is an invaluable communication tool among all the various partners.
2. ***Assembling a good development team is an important first step for any deal.*** In order to find knowledgeable people and firms, talk to current property owners, attend conferences and trainings, and/or contact regional, state, or national trade organizations. Even if an individual or organization intends to handle most of the work alone, outside legal and accounting counsel, especially professionals familiar with affordable housing, are strongly recommended.
3. ***Site selection is critical.*** For most types of real estate transactions, including affordable housing, a good location is a key ingredient for success. All potential construction/renovation, infrastructure, environmental, and marketing issues should be fully analyzed before acquiring a site or building. An inexpensive lot or building may have hidden costs that will make it very expensive over the long run.
4. ***Developments should be market-driven rather than deal driven.*** It is very important to analyze the market a development will serve. Although overall there is a need statewide for more affordable housing, some areas do have soft markets. Early due diligence may help one avoid these locations.
5. ***Work with the local government early and often***. Before applying for any public resources, one should establish a good working relationship with the community. Local officials can help guide one through the zoning, plan approval, and building permit processes. In addition, open and honest rapport with local officials and the community can help minimize opposition to an affordable housing development. Having the support of the local government can help one's chance in obtaining funds from other entities.
6. ***Create a reasonable financing plan and line up several potential resources.*** As stated before, resources for affordable housing developments

are very limited and, in most cases, funding from one entity will not be sufficient. Affordable housing developments do not generate large amounts of cash flow and are sometimes difficult to finance; therefore, it is important to explore all potential funding sources and create alternative financing plans if some sources are not available.

7. ***Remember to plan for the future.*** Managing an affordable property is just as or even more difficult than developing a property. Experience is a must for your staff. Developers should be fully aware of all compliance requirements that come with the public funding. Depending on the source, significant financial penalties may be assessed for non-compliance.

C. Ohio Housing Finance Agency Programs

The Ohio Housing Finance Agency (OHFA) is a State agency. Within OHFA, the Office of Planning, Preservation, & Development administers the affordable housing incentive programs:

1. **Low-Income Housing Tax Credits.** This program has been the largest driver of the production of new affordable housing in the State, and Nation over the past 15 years. The credits, the amount of which is dependent on the project costs, are federal income tax credits that can be claimed over 10 years. Although the credits only affect federal income taxes, states allocate the credits. Developers use the credits by selling them to investors to raise cash for the construction/rehabilitation costs. In return for the credits, OHFA places rent and income restrictions on the properties that must be maintained for 30 years. Due to the demand for credits, OHFA typically funds only 30% to 50% of the applications submitted. Experienced tax and legal counsel are necessary to structure a viable project.

2. **Affordable Housing Loans (AHL).** These loans are used mainly in conjunction with housing credits. The loans help finance affordable housing projects by funding pre-development activities, reducing construction interest, and increasing investor prices for housing credits.

3. **Housing Development Assistance Program (HDAP). (See more detail about this program on following pages).** HDAP funds can be used as low-

interest, deferred payment loans or in some cases, grants. A portion of the funds are set-aside for tax credit projects. The remaining funds are set-aside for other projects, including both rental and homeownership projects. These funds are allocated through a funding round, but due to limited funding, OHFA cannot fund all applications. Program guidelines are released at the beginning of each year, and these guidelines describe the eligibility, application, and compliance requirements in detail. Knowledge of federal HOME program requirements is also necessary.

Ohio Housing Finance Agency's

Housing Development Assistance Program (HDAP)

The goal of the Housing Development Assistance Program (HDAP) is to provide financing for eligible affordable housing projects to expand, preserve, and/or improve the supply of decent, safe, affordable housing for very low- to moderate-income persons and households in the State of Ohio.

Who is Eligible

HDAP applicants can be not-for-profit 501(c)(3) and 501(c)(4) organizations, and public housing authorities proposing to develop affordable for-sale homes, provide new affordable rental housing opportunities, or preserve affordable at-risk housing.

Types of Funding Available

The HDAP will use the following resources in providing financial assistance to eligible projects. Funds may be awarded in the form of a loan or a grant:

HOME Investment Partnerships Funds: Federal regulations relating to environmental review, federal wage rates, federal accessibility, federal acquisition and relocation laws [URA and Section 104(d)], long-term affordability, etc., apply.

Ohio Housing Trust Fund (OHTF): The OHTF provides funding to HDAP projects predominantly serving low- to moderate-income households with incomes at or below 50% of the area's median income. The OHTF gives preference to those projects that benefit households with incomes at or below 35% of the area median income for the county in which the project is located, as established by the U.S. Department of Housing and Urban Development (HUD).

Eligible Uses for HDAP Funding

HDAP resources may only be applied in the development budget toward non-related third party acquisition, hard costs associated with new construction or rehabilitation, and developer fees associated with the proposed development. Development budget line items that can be paid for using HDAP funds include:

- Acquisition of land and/or building(s) (from unrelated parties only)
- Demolition (not applicable for preservation projects)
- On-site improvements
- Construction and/or renovation costs including construction fee items, construction contingency, and contractor overhead and profit (excluding costs associated with construction of commercial property)
- Architectural and engineering fees
- Developer fees and developer overhead
- Consultant fees
- Legal fees

Ohio Housing Finance Agency's

First-time Homebuyer Program

The Ohio Housing Finance Agency has helped thousands of low- and moderate-income Ohioans realize their dreams of owning a home through its First-Time Homebuyer Program. This program makes purchasing a home more affordable for qualifying homebuyers by offering 30-year, fixed-rate mortgage loans at a competitive interest rate.

How the program works

OHFA's current program offers a two-tiered interest rate structure providing borrowers the flexibility of choosing a mortgage rate that best fits their needs. Homebuyers not needing assistance with their down payment and closing costs can take advantage of OHFA's available mortgage rate. For homebuyers who have the need, down payment and closing cost assistance is available with a slightly higher mortgage rate.

OHFA's mortgage funds are available on a continuous basis year-round. Mortgages are originated through a network of participating lenders with more than 400 offices statewide.

What we offer

OHFA offers a variety of home loan options designed to meet the needs of Ohio's homebuyers. Products in the First-Time Homebuyer Program include the traditional FHA/VA/USDA Rural Development loans; and a Fannie Mae conventional loan product, My Ohio Mortgage, that offers special features and more flexible terms to help homebuyers purchase a home.

My Ohio mortgage highlights

- Minimum homebuyer out of pocket
- Fixed interest rate
- 1 percent origination; zero discount points
- Loan-to-value up to 100 percent
- Less than perfect credit histories and nontraditional credit accepted
- Section 8 homeownership vouchers accepted as income

- Community Solutions™ option with additional flexibility for teachers, police officers, firefighters and health care workers

Down payment assistance

In addition, OHFA also offers down payment and closing cost assistance to eligible borrowers, which can greatly reduce their out-of-pocket expense. Homebuyers can choose between a down payment assistance grant in an amount equal to 2% of the home's purchase price, or a second mortgage in an amount up to 4% of the purchase price of the home secured by the first mortgage single family bond loan.

The 4% down payment assistance program is a second mortgage with a 20-year term. The interest rate for the second mortgage will be up to 2% higher than the related OHFA first mortgage. For example, 5% first mortgage and 7% second mortgage. The 4% second mortgage down payment assistance may only be used with an OHFA First-Time Homebuyer Program first mortgage.

To get started, follow these steps:

Step #1 - Find out if you are eligible
Step #2 - Begin the application process
Step #3 - Prepare your financials and other necessary information

Additional resources

Your lender and real estate agent can guide you through the home-buying process and should be able to answer any questions you may have regarding the program.

You may also want to visit **Homepath,** a site sponsored by Fannie Mae that provides helpful information on the home-buying process. The site offers a number of useful tools including calculators to help you evaluate the components that factor into buying a home and getting a mortgage.

State Housing Trust Funds

Housing trust funds are distinct funds, usually established by state or local governments, that receive dedicated public revenues which can only be spent on affordable housing initiatives, including new construction, preservation of existing housing, emergency repairs, homeless shelters, housing-related services, and multifamily building for nonprofit organizations. The key characteristic of a housing trust fund is that it receives on-going revenues from dedicated sources of public funding such as taxes, fees or loan repayments. Housing trust funds are designed locally so they take advantage of unique opportunities and address specific needs that exist within a community. At least 257 housing trust funds operate in the U.S., spending over $500 million on housing opportunities each year.

Housing Trust Funds:

- Commit public sources of revenue;
- Create dedicated, ongoing funding for the support of affordable housing;
- Do not depend on interest or earnings from a fixed fund, or on contributions from corporations, financial institutions or foundations.

The housing trust fund model is an innovative departure from the way that dollars have historically been secured to support affordable housing.

Iowa's Housing Trust Fund

NOTE: Here is an example from the Iowa Housing Trust Fund:

State Housing Trust Fund (SHTF)

The SHTF helps ensure decent, safe and affordable housing for Iowans through two important programs. The Local Housing Trust Fund Program received 60% of the SHTF allocation to provide grants for communities, counties and organizations that wish to create a local housing trust fund. The remaining 40% goes to the project-based housing program that aids the development and rehabilitation of single-family and multifamily housing. The Iowa Finance Authority administers both programs and provides technical assistance to housing-related organizations.

Ohio's Housing Trust Fund

NOTE: Here is an example from the Ohio Housing Trust Fund:

Ohio Housing Trust Fund (OHTF)

The OHTF provides funding to HDAP projects predominantly serving low- to moderate-income households with incomes at or below 50% of the area's median income. The OHTF gives preference to those projects that benefit households with incomes at or below 35% of the area median income for the county in which the project is located, as established by the U.S. Department of Housing and Urban Development (HUD).

HUD HOME Funds

HOME funds are a resource that self-help housing grantees can utilize for homeownership activities such as acquisition of land, construction costs, and/or gap financing. Utilizing HOME funds involves a number of requirements that should be closely examined, such as the recapture or resale provisions. For instance, a resale provision is included in order to keep the home affordable to future low-income buyers. Many of the requirements mesh fairly well with the USDA Mutual Self-Help Housing program such as serving low-income homebuyers, but the nonprofit organization needs to be aware of all the requirements and ensure that the requirements can all be fulfilled.

First, examine the HOME plan of your local participating jurisdiction (city, county or state for rural areas) to see what has been designated as eligible activities. As a non-profit organization you can utilize HOME funds without being a CHDO. Being designated as a CHDO simply gives you potential access to the 15% each participating jurisdiction must set aside for community housing development organizations.

Purpose

HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. Each year it allocates approximately $1.7 billion among the states and hundreds of localities nationwide. The program was designed to reinforce several important values and principles of community development:

- HOME's flexibility empowers people and communities to design and implement strategies tailored to their own needs and priorities.
- HOME's emphasis on consolidated planning expands and strengthens partnerships among all levels of government and the private sector in the development of affordable housing.
- HOME's technical assistance activities and set-aside for qualified community-based nonprofit housing groups builds the capacity of these partners.

- HOME's requirement that participating jurisdictions (PJs) match 25 cents of every dollar in program funds mobilizes community resources in support of affordable housing.

Types of Assistance

HOME funds are awarded annually as formula grants to participating jurisdictions. HUD establishes HOME Investment Trust Funds for each grantee, providing a line of credit that the jurisdiction may draw upon as needed. The program's flexibility allows states and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancement, or rental assistance or security deposits.

Eligible Grantees

States are automatically eligible for HOME funds and receive either their formula allocation or $3 million, whichever is greater. Local jurisdictions eligible for at least $500,000 under the formula, also can receive an allocation. Communities that do not qualify for an individual allocation under the formula can join with one or more neighboring localities in a legally binding consortium whose members' combined allocation would meet the threshold for direct funding. Other localities may participate in HOME by applying for program funds made available by their state.

Eligible Customers

The incomes of households receiving HUD assistance must not exceed 80% of the area median. HOME income limits are published each year by HUD.

Eligible Activities

Participating jurisdictions may choose among a broad range of eligible activities, using HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; or for "other reasonable and necessary expenses related to the development of non-luxury housing," including site acquisition or improvement, demolition of dilapidated housing to make way for HOME-assisted development, and payment of relocation expenses. The program also establishes maximum purchase-price limits.

Some special conditions apply to the use of HOME funds. PJs must match every dollar of HOME funds used (except for administrative costs) with 25 cents from nonfederal sources, which may include donated materials or labor, the value of donated property, proceeds from bond financing, and other resources. The match requirement may be reduced if the PJ is distressed or has suffered a presidentially declared disaster. In addition, PJs must reserve at least 15% of their allocations to fund housing to be owned, developed, or sponsored by experienced, community-driven nonprofit groups designated as Community Housing Development Organizations (CHDOs). PJs must ensure that HOME-funded housing units remain affordable in the long term (5-15 years for construction of homeownership housing and housing rehabilitation, depending on the amount of HOME subsidy). PJs have two years to commit funds (including reserving funds for CHDOs) and five years to spend funds.

Application

Program funds are allocated to units of general local government on the basis of a formula that considers the relative inadequacy of each jurisdiction's housing supply, its incidence of poverty, its fiscal distress, and other factors. Shortly after HOME funds become available each year, HUD informs eligible jurisdictions of the amounts earmarked for them. Participating jurisdictions must have a current and approved Consolidated Plan, which will include an action plan that describes how the jurisdiction will use its HOME funds. A newly eligible jurisdiction also must formally notify HUD of its intent to participate in the program.

Community Development Block Grants (CDBG)

The Community Development Block Grant (CDBG) is one of the longest-running programs of the U.S. Department of Housing and Urban Development (HUD). It funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development. CDBG, like other block grant programs, differ from categorical grants, made for specific purposes, in that they are subject to less federal oversight and are largely used at the discretion of the state and local governments and their subgrantees.

CDBG funds are allocated to more than 1,100 local and state governments on a formula basis, at $4.7 billion in FY2005. Larger cities and urban counties, called "entitlement communities," are required to prepare and submit a "Consolidated Plan" that establishes goals for the use of CDBG funds. Grantees are also required to hold public meetings to solicit input from the community, ensuring that proposed projects are aligned with the community's most urgent needs.

Program Uses

Proposed CDBG projects must be consistent with broad national priorities for CDBG: activities that benefit low- and moderate-income people, the prevention or elimination of slums or blight, or other community development activities to address an urgent threat to health or safety. CDBG funds may be used for community development activities (such as real estate acquisition, relocation, demolition, rehabilitation of housing and commercial buildings), construction of public facilities and improvements (such as water, sewer, and other utilities, street paving, and sidewalks), construction and maintenance of neighborhood centers, and the conversion of school buildings, public services, and economic development and job creation/retention activities. CDBG funds can also be used for preservation and restoration of historic properties in low-income neighborhoods.

History

The **Community Development Block Grant** (CDBG) was enacted in 1974 by President Gerald Ford through the Housing and Community Development Act of 1974 and took effect in January 1975. It had bipartisan support, reportedly because liberal legislators shared its goal of extinguishing poverty and "urban blight" and conservative legislators appreciated the control it placed in the hands of private investors and the reduction it made in the role of the government. Cities automatically qualified for the grant if they met the requirements, but were required to submit allocation reports (showing to whom and where the money was spent) and quarterly reports to HUD. HUD's records were disputed, and there were complaints that Southern cities, in particular, spent grant money in affluent neighborhoods. CDBG funds were distributed in such a way as to generate a bias against older (declining) frostbelt cities, cities that were losing population to the sunbelt.

When Congress re-authorized CDBG in 1978, they instituted a dual formula to strengthen controls on how money was spent and to better serve communities with different types of problems. Formula A (based on poverty rate, population, and overcrowding) typically benefits rapidly growing cities with high poverty that lack affordable housing. Formula B (based on age of housing stock, poverty rate, and growth lag) tends to benefit older cities with large amounts of old and deteriorating housing. HUD calculates both formulas for all entitlement grantees and awards the larger amount, but Congressional appropriation has ultimate determination on program funding. The 1978 re-authorization also required HUD to award a "rural set-aside" of at least 30% of all CDBG funds to states for projects in rural areas.

Recent Congressional changes have created additional small CDBG set-asides that fund programs in minority-serving universities (Section 107), in US territories such as Guam, and for large-scale rehabilitation loans (Section 108).

In response to Hurricane Katrina, Congress authorized HUD an additional $4.2 billion in CDBG funds for recovery of the Gulf Coast Region in 2006.

For more information visit:
http://www.hud.gov/offices/cpd/communitydevelopment/programs/

Housing Assistance Council (HAC)

Building Rural Communities

What is HAC?

A nonprofit corporation headquartered in Washington, D.C., the Housing Assistance Council (HAC) has been helping local organizations build affordable homes in rural America since 1971. HAC emphasizes local solutions, empowerment of the poor, reduced dependence, and self-help strategies.

HAC assists in the development of both single- and multi-family homes and promotes homeownership for working low-income rural families through a self-help, "sweat equity" construction method. The Housing Assistance Council offers services to public, nonprofit, and private organizations throughout the rural United States. HAC also maintains a special focus on high-need groups and regions: Indian country, the Mississippi Delta, farmworkers, the Southwest border colonias, and Appalachia.

The mission of the Housing Assistance Council is to improve housing conditions for the rural poor, with an emphasis on the poorest of the poor in the most rural places.

For more information visit:

http://www.ruralhome.org

hac@ ruralhome.org

202-842-8600

NeighborWorks America

strengthening communities & transforming lives

NeighborWorks America is a national nonprofit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts.

NeighborWorks® America, local NeighborWorks organizations and Neighborhood Housing Services of America make up the NeighborWorks system, which has successfully built healthy communities since 1978. Together, with national and local partners, NeighborWorks creates new opportunities for residents while improving communities.

NeighborWorks Network

A national network of more than 240 community-based organizations in 50 states creating healthy communities through the work of thousands of residents, business people, government officials and other partners.

Neighborhood Housing Services of America

NHSA provides direct financial services to NeighborWorks network organizations by serving as a unique secondary market that brings assets to communities suffering from disinvestment and decline. NHSA's loan funds serve borrowers who do not meet conventional credit standards and who average less than two-thirds of the national median income. With grant support from NeighborWorks America, NHSA has brought more than $1 billion in social investments into underserved areas of the country.

National Partnerships

National partners, such as banks, insurance companies, retailers and foundations, play an important role in helping NeighborWorks America and NeighborWorks network organizations revitalize hundreds of communities.

For more information visit:

http://www.nw.org/network/home.asp

Local Initiatives Support Corporation

helping neighbors build communities

In 1995, LISC launched Rural LISC to expand its reach beyond urban areas to include rural communities. Rural LISC's mission is to build the capacity of resident-led rural CDCs, increase their production and impact, demonstrate the value of investing in and through rural CDCs and make the resource and policy environment more supportive of rural CDCs and their work.

Rural LISC recognizes that rural communities' needs are not focused on agriculture alone and provides a wide range of services to rural community developers. Currently, Rural LISC provides nearly 100 partner CDC's across the country with training, technical assistance, information and financial support to address the problems rural communities face.

LISC provides loans, lines of credit, grants and recoverable grants, and equity investments to help CDCs and other partners revitalize their neighborhoods. Community projects typically include:

- For-sale and rental housing
- Community facilities (child care centers, schools, health care facilities, playing fields),
- Economic development projects, including industrial, office and retail buildings.

For more information visit:

http://www.lisc.org/section/areas/sec6

Local Communities

NOTE: Local Communities can be a great partner with you. Here are a few ideas:

Key Community Leaders –

Donations

Support in the Community

Help with Marketing

Local Employers / Local Businesses – (Target, Walmart, Home Depot, Lowes, Menards, Office Supply stores)

Donate Office Supplies

Donate Office Equipment and Tools

Gas Cards for staff travel

Donations

Reduced Audit cost – local CPA

Reduced Attorney / Closing Agent fees

Local Government –

Reduced Real Estate Taxes

Reduced Utility rates

Support in the Community

Help with Marketing

Donations

Banks / Credit Unions –

Donations

Help with Marketing

Housing Counseling Volunteers / Speakers

Site Signage

Printing / Copying

Meeting Space

Posters in the lobby

Other Non-Profits and Peer Groups –

Help with Marketing

Donations

Service Organizations – Churches, Hospitals, Clinics, Schools –

Help with Marketing – printing flyers

Employee Meetings in the lunch room

Insurance Companies –

In-Kind office computer equipment

Grant / Foundation donations

Fund-Raising Events –

Halloween in the Park

Your Organization's Unrestricted Funds –

Sometimes these funds can be very helpful as a Leverage Source

Foundation Grants, Partnerships & Affiliations, Other Web Links

NOTE: Foundations, Partnerships & Affiliations, and Other Web Links can be great partners with you. Here are a few ideas:

National / Regional Foundations –

Pentair

Bill & Linda Gates Foundation

Employer Foundations –

Home Depot

Lowe's

Targets

Walmart

Menards

Partnerships & Affiliations –

COGs

NeighborWorks

HAC

HfHs

United Way

Rural LISC

Other Web Links –

The Grantsmanship Center **http://tgci.com/funding.shtml** - lists foundations, trusts and corporate possibilities. You can find opportunities by state.

Tech Soup

Grants.gov – you can sign up for email notification for grants

Alternative Land Options and Funding Sources

- Community Land Trusts (CLTs)
- Rural Housing Site Loans
    - 523 Self-Help Site Loans
    - 524 Site Loans

Community Land Trusts (CLTs)

The Community Land Trust (CLT) concept is a way to encourage affordable resident ownership of housing and local control of land and other resources. Every state and the District of Columbia now have CLTs. The number in the U.S. has grown from fewer than 30 CLTs in the late 1990's ago to nearly 200 today.

WHAT is a CLT?

A community land trust is a private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. In particular, CLTs attempt to meet the needs of residents least served by the prevailing market. CLTs help communities to:

- Gain control over local land use and reduce absentee ownership
- Provide affordable housing for lower income residents in the community
- Promote resident ownership and control of housing
- Keep housing affordable for future residents
- Capture the value of public investment for long-term community benefit
- Build a strong base for community action

WHY a CLT?

- Preserves affordability one generation after another
- Preserves public subsidies, lands and inclusionary units
- Preserves the condition and design of publicly-funded amenities
- Increases the choices that low-income people have to improve the type and tenure of their housing
- Allows homeownership for low-income families in smaller, affordable steps
- Provides support to first-time homeowners after they purchase a home
- Provides intervention to assist curing defaults and foreclosure avoidance

- Allows development without displacement, especially in “transitional” neighborhoods or “hot market” regions
- Ensures accountability of the developer to the community
- Eliminates “one size fits all” approach to community development
- Mixes uses of land and types of housing in scattered-site projects

A Distinctive Approach to Ownership...

- **Acquiring Land for the Community**

  Sometimes CLTs buy undeveloped land and arrange to have new homes built on it; sometimes they buy land and buildings together. In either case, the CLT treats land and buildings differently. CLT land is held permanently - never sold - so that it can always be used in the community's best interest. Buildings on CLT land, however, may be owned by the residents.

- **Access for Low-Income People**

  The CLT provides access to land and housing for people who are otherwise priced out of the housing market. Some CLT homes are rented, but, when possible, the CLT helps people to purchase homes on affordable terms. The land beneath the homes is then leased to the homeowners through a long-term (usually 99-year) renewable lease. Residents and their descendants can use the land for as long as they wish to live there.

- **Prices Stay Affordable**

  When CLT homeowners decide to move, they can sell their homes. The land lease agreement gives the CLT the right to buy each home back for an amount determined limited by the CLT's resale formula. Each CLT designs its own resale formula - to give homeowners a fair return for their investment, while keeping the price affordable for other lower income people.

• Owner-Occupancy Preserved

The land lease requires that owners live in their homes as their primary residences. When homes are resold, the lease ensures that the new owners will also be residents - not absentee owners.

• Helping New Homeowners

CLTs can provide a variety of training opportunities and other services to first-time homeowners, and can provide crucial support if homeowners face unexpected home repairs or financial problems. In these cases the CLT can often help residents to find a practical solution, and may help to make necessary financial arrangements.

• A Flexible Approach

CLTs have been established to serve inner-city neighborhoods, small cities, clusters of towns, and rural areas. A CLT working in a small city neighborhood may be the only local housing group, though it may collaborate with citywide and regional organizations. Other CLTs, serving larger geographical areas, may work closely with a variety of local organizations. CLTs may develop housing themselves or may hold land beneath housing produced by other non-profit (and sometimes for-profit) developers.

In addition to providing affordable housing, CLTs may make land available for community gardens, playgrounds, economic development activities, or open space, and may provide land and facilities for a variety of community services.

A Distinctive Approach to Governance...

Membership organization. CLTs are usually organized as "membership corporations," with boards of directors elected by the members. Usually there are two groups of voting members. One group is made up of all the people who live in CLT homes. The other group is made up of other people in the community who are interested in what the CLT is doing.

Board structure. Usually the CLT board includes three kinds of directors - those representing resident members, those representing members who are not CLT residents, and those representing the broader community interest. In this way, control of the organization is balanced to protect both the residents and the community as a whole.

WHO Controls a CLT?

A CLT is ultimately controlled by its members. All CLT residents are members, and other people in the community may also join. The members elect the CLT's Board of Directors.

HOW CLT Homeownership Works…

How does the CLT reduce the cost of housing in the first place?

In producing affordable housing, CLTs usually rely on the same resources as other affordable homeownership programs — including grants from government programs, contributions of property from both public and private sources, volunteer labor, and so on. At the same time, CLT projects do sometimes gain greater access to these resources because the CLT is able to extend their benefits for long-term owner-occupied housing. In some areas policies have been adopted that provide subsidies only for housing that is permanently affordable.

How does the CLT make sure that the home will be affordable—and available—for other lower income households?

CLT homeowners and their descendents have a right to occupy and use the leased land for as long as they wish, provided that they abide by the terms of the land lease. These terms place some limitations on the resale of the home—preventing resale to a household that does not qualify as low or moderate income, and limiting the sales price to keep it affordable. The lease has a "resale formula" that determines the maximum allowable price.

How do resale formulas work?

Each CLT — given its own goals and local circumstances — designs its own resale formula to set maximum prices that are as fair as possible to the seller while staying affordable for the next buyer. There are several types, but the majority of CLTs use what are called "appraisal-based" formulas. These formulas set the maximum price as the sum of what the seller paid for the home in the first place plus a certain percentage of any increase in market value (as measured by appraisals). Most local groups starting CLT programs spend a good deal of time examining the various possibilities before deciding on a formula.

How do CLTs insure continued owner-occupancy?

The ground lease requires that owners continue to live in the home as their primary residence. Subleasing is permitted only for limited periods with the consent of the CLT. If owners want or need to move away permanently, they must sell the home.

Can CLT homes be inherited?

Yes, the home is an asset that can be left to the owner’s children or to anyone else the owner chooses. When a home is inherited, most CLTs will allow the heirs to live in the home if they are (1) children of the deceased owner, or (2) have already lived in the home for a period of time, or (3) qualify as low or moderate income households. Heirs who do not meet any of these qualifications must sell the home, in accordance with the resale restrictions, and will receive the proceeds from the sale.

Is it really fair to restrict resale prices for lower income CLT homeowners when higher income conventional homeowners can sell for market-rate prices?

CLTs look at this question not in terms of what would be fair in an ideal world, but in terms of the real choices open to lower income tenants, most of whom are not able, on their own, to buy decent homes in their communities through conventional channels. Homeownership through a CLT can give them many advantages that they do not enjoy as tenants — long-term security, a chance to build substantial assets through affordable monthly payments, and the opportunity to leave these benefits to their children.

What other benefits do CLTs give their homeowners?

Some CLTs provide homeowner training and assistance. Some have developed home repair loan funds and have made special arrangements for leaseholders who face unexpected financial problems. Most CLTs help the owners sell their homes when the time comes, which means the owners get to keep more of the resale price. And, as members of the organization, all CLT residents share a set of connections with the community and each other that can bring tangible benefits, like the sharing of a lawn mower, as well as the sense of security that comes from belonging to a group.

How do property taxes work?

Residents pay property taxes on their homes if they own them. CLTs usually pay taxes on their landholdings, with the cost usually covered by lease fees from those using the land.
(CLTs and their residents can request reduced property tax assessments based on the resale value of the home as determined by the CLT’s resale formula rather than what would otherwise be the market value of the property.)

Can CLT homebuyers get mortgage loans even though they won’t own the land outright?

CLTs have been able to negotiate mortgage agreements that address the basic concerns of lenders while protecting the CLT’s long-term interest in the property. These agreements typically allow the CLT to take action, if necessary, to prevent foreclosure and the sale of the property on the open market. Such mortgages give the lender a claim on the borrower’s house and "leasehold interest." The CLT’s "fee interest" in the land is not mortgaged. These "leasehold mortgages" can be, and have been, insured by FHA, and have been purchased by Fannie Mae and a number of state housing finance agencies, as well as banks. CLT homebuyers have also received mortgage loans through USDA/Rural Development.

CLT Relationships with Governments and Other Organizations

Are CLTs supported by local governments?

It is common for CLTs to work in cooperation with local governments in meeting present and future community needs. A growing number of public officials recognize that CLTs can play an important role as stewards of community resources and that property and funds allocated to a CLT can benefit not only present community residents but future residents as well.

A number of states and municipalities have allocated Community Development Block Grant and HOME funds, as well as other available resources, to CLT programs. Some have allocated city-owned land.

Do federal housing programs provide for CLTs?

The 1992 Housing and Community Development Act makes specific provision for CLT funding under the federal HOME program (which provides block grants to municipalities and states to be used for affordable housing programs in their jurisdictions). The Act defines CLTs as "community housing development organizations" (CHDOs) under the HOME program, thus qualifying them for additional project funding, operating support, and technical assistance.

How do CLTs relate to other housing organizations?

Many CLTs are initiated through the sponsorship of other organizations, or emerge out of other organizations. Most CLTs, regardless of how they were created, cooperate with the efforts of other organizations in their community and work closely with a network of organizations that address the area’s housing and community development needs.

How do CLTs relate to limited equity housing co-ops?

Co-op housing is owned by a corporation that is controlled by the people who live in the housing. Thus co-op residents do not own their homes individually, but each household owns a share in the corporation and has a "proprietary lease" to their own apartment. When a household wants to move away, they can sell their share — and their rights as co-op residents — to another buyer. In the case of "limited-equity" co-ops, the price for which shares can be sold is limited by the corporate bylaws to keep the housing affordable. (In "market rate" co-ops, shares can be sold for whatever the market will bear.)

Some CLTs have developed limited equity co-ops on land leased from the CLT. These CLTs can provide important support services to the co-ops, and the land lease can help to ensure long-term affordability by requiring that restrictions on the sale of shares remain in place.

How are CLTs different from conservation land trusts?

Both CLTs and conservation land trusts control land use for the benefit of people in the future as well as the present, but they are primarily concerned with different types and uses of land. Conservation trusts are concerned with controlling rights to undeveloped land to preserve open space, ecologically fragile or unique environments, wilderness, or productive forest or agricultural land. CLTs, on the other hand, are mainly concerned with acquiring developed or developable land for specific community uses — particularly residential use. These concerns are not mutually exclusive, and some land trusts combine these purposes, preserving some land in a natural state while leasing other land for development.

Rural Housing Site Loans

(the following lists major points from Rural Development Instruction 444.8)

RD Instruction 444.8 sets forth the policies and procedures and delegates authority for making Rural Housing Site (RHS) loans under Sections 523 and 524 of the Housing Act of 1949. Section 523 loans are for the purchase and development of building sites for housing to be built by the self-help method. Section 524 loans are for the purchase and development of building sites with no limitation as to the method of construction.

Objective:

The basic objective of these RHS loans is to assist public or private nonprofit organizations interested in providing sites for housing, to acquire and develop land in rural communities or areas. This land will be subdivided into adequate building sites and sold on a nonprofit basis to families eligible for low and moderate income Section 502 rural housing loans, including self-help housing;

Definitions:

- **"Development cost"** is the cost of purchasing and developing the sites including engineering and legal fees, streets, roads, utilities, minimum essential administrative costs, necessary equipment and estimated interest which the borrower cannot pay from other sources.

- **"RHS Section 523 Loan"** is a loan to an organization which will provide sites for housing to be built by the self-help method.

- **"RHS Section 524 Loan"** is a loan to an organization which will provide sites for housing to be built with no limitation as to the method of construction that will be used.

Eligibility Requirements:

To be eligible for an RD loan, the applicant must be a private or public nonprofit organization, which is authorized to provide housing sites on a nonprofit basis.

1. If it is a private nonprofit organization, it should also:

   a. Have a membership as follows: If an established organization, the membership must include some local community leaders. If a new organization, it should have at least 10 local community leaders. In addition to the community leaders, the membership may, in either case, include persons eligible to buy and interested in buying the developed sites.

   b. Plan to adopt, if it is being newly organized, Articles of Incorporation and Bylaws that are appropriate to the purposes and powers of an eligible applicant under this Instruction. The proposed Articles and Bylaws should be reviewed by the Office of the General Counsel (OGC) and adapted for use in the respective States.

Loan Purposes:

Rural Development loans may be made to qualified applicants:

1. For the purchase and development of adequate sites, including the construction of essential access roads, streets, utility lines, and necessary equipment which will become a permanent part of the development. If public water and waste disposal facilities are not available and cannot reasonably be provided on a community basis with other financing, funds may be included for this purpose.
2. For the payment of necessary engineering fees, legal fees, and closing costs.
3. For the payment of actual cash cost of incidental administrative expenses such as postage, telephone, advertising, and temporary secretarial help, if funds to pay these expenses are not otherwise available.
4. To provide for needed landscaping, planting, seeding, or sodding, or other necessary facilities related to buildings such as walks, parking areas, and driveways.

5. When legally required by proper local, county, or state governmental bodies as a condition for subdivision approval, RHS loan funds may be used to provide common areas, playgrounds, and tot lots, provided such facilities are dedicated to a public body.

Limitations:

Loans will not be made for:

1. The purchase of land in excess of the immediate and identified needs.
2. The purchase of land from a member of an applicant-organization, or from another organization in which any member of the applicant-organization has an interest, without prior consent of the National Office.
3. Refinancing of debts.
4. Payment of any fee, charge, or commission to any broker, negotiator, or other person for the referral of a prospective applicant or solicitation of a loan.
5. Payment of any fee, salary, commission, profit, or compensation to an applicant, or to any officer, director, trustee, stockholder, member or agent of an applicant. No contract or agreement for services to be paid for with loan funds should be executed by the applicant without prior approval of the State Director.

Sale of Developed Sites:

The sites developed with a Section 524 loan must be for housing low- and moderate-income families and may be sold to families, nonprofit organizations, public agencies, and cooperatives eligible for assistance under any Section of Title V of the Housing Act of 1949, or under any other law which provides financial assistance. For example, this may include:

1. Individuals with low and moderate incomes eligible for HUD mortgages.
2. Individuals with low and moderate incomes eligible for Veterans Administration (VA) guaranteed loans.

3. Individuals with low or moderate incomes eligible for a loan from any private lender which is authorized by law to provide financial assistance for housing.
4. Nonprofit organizations funded by federal, state or local governments carrying out programs for low- and moderate-income families to obtain housing.
5. State or local public agencies such as a housing authority or a housing finance development agency carrying out programs for low- and moderate-income families.

Suitability of Sites:

Sites will meet the requirements of the planned use, for example, individual housing or multiple housing or any combination thereof. Building sites must be well located and designed to provide a desirable living environment. Generally a loan will not be made for the development of less than 10 units, but they need not be contiguous.

Special Conditions:

Evidence of Need - Loans will be made on the basis of the applicant providing firm information as to the number of sites to be developed and evidence of a need for the proposed building sites in the locality.

Rates, Terms, and Sources of Funds:

- Interest Rate. Upon request of the applicant, the interest rate charged by the agency will be the lower of the interest rates in effect at the time of loan approval or loan closing. If an applicant does not indicate a choice, the loan will be closed at the interest rate in effect at the time of loan approval. Interest rates are currently: 3.0% for 523 Site Loans and 5.625% for 524 Site Loans (call your local RD Office for current rates).

- Repayment Period. Final payment will be due two years after the date of the loan. When necessary to carry out the loan purposes, the National Office may authorize extension of maturity dates. As lots are sold before the final due date of the note, the proceeds of the sales will be applied on the account or any prior lien.

Processing Applications:

Application. The application will be in the form of a letter to the RD Area Office with the following information included in or attached to the letter:

1 Name and address of applicant.

2 A copy of, or an accurate citation to, the specific provisions of State law under which the applicant is organized; a copy of the applicant's Articles of Incorporation, Bylaws, and other authorizing documents, the names and addresses of the applicant's members, directors, and officers; and if another organization is a member of the applicant organization its name, address, and principal business.

3 A current, dated, and signed financial statement showing assets, and liabilities, together with the repayment schedule and status of each debt.

4 Evidence of inability to obtain credit from other sources.

5 General description of the project

   a. Location and size of tract or tracts to be bought and/or developed.

   b. Number and size of individual sites, with a detailed plot plan.

   c. Preliminary engineering plans, if available.

6 Estimate cost and amount of loan needed.

7 Explanation of applicant's financial contribution to the project.

8 A map showing the location of, and other supporting information on, neighborhood and existing facilities, such as distance to shopping area, neighborhood churches, available transportation, drainage, sanitation facilities, water supply available or planned, and access to essential services such as doctors, dentists, and hospitals.

9 If facilities such as water and sewage systems, paved streets, and utilities are not currently available, information on when and how they will be provided.

10 Evidence of the need for the proposed sites in the locality by low- and moderate-income families and other qualified applicants that are likely to be able to obtain financing for a home.

11 Written evidence of any state, county, or local planning, zoning or other ordinances imposing additional restrictions or requirements upon the proposed sites.

Leveraging Sources for Self-Help Homeowners

Leveraging RD Section 502 Single Family Housing Loans

Overview

A leveraged loan is a Rural Development loan that is supplemented by an affordable housing product from another funding source that is provided at the same time the RD loan is closed. Leveraging reduces the loan amount RD must provide to help an applicant obtain adequate housing. The additional funding source may be a private lender, a state or local government, or a nonprofit organization that provides subsidized loans or grants.

Sources of Leveraged Funds

Affordable Housing Products

Although there are many variations in the specifics, the subsidized funds that can supplement RD funds will generally come in one of the forms described below:

- **Grants without long-term restrictions** Some grants are provided with no restrictions, as long as the applicant is eligible and the funds will be used for an eligible purpose.

- **Forgivable loans** Some sources provide funds that require repayment only if the homebuyer fails to comply with program requirements or restrictions. For example, a funding source may provide funds for a down-payment that need not be repaid if the home buyer remains in the property for a specified period of time.

- **Deferred payment loans** Deferred payment loans may be used to provide funds that are repaid only upon transfer of the property or as a balloon payment at the end of a specified period.

- **Amortizing low interest loans** In many areas, low-interest loans are offered by State and local government agencies. These loans require repayment on a monthly basis and may include provisions for the funding source to share in any appreciation.

Grants, forgivable loans, deferred payment loans, and any other non-amortizing loans are not considered in calculating the monthly principal, interest, taxes, and insurance (PITI) or total debt (TD) ratios. RD’s ability to recapture subsidy funds may be affected by the provisions of these loans.

RD loans should be subordinated only in the case of an amortizing loan of 20-30% of the total transaction. While an applicant may obtain a loan from another source of less than 20% of the total transaction, such a loan **would not** receive benefits such as lien priority, or processing priority. Further, RD payment assistance is used to make the home affordable rather than to make the participating financing affordable.

Federal Home Loan Bank (FHLB)

(Funds are accessed through Member Banks. Check with your local bank to see if they are a member.)

Overview:

Federal Home Loan Banks (FHLB) offer its members options for funding affordable housing and economic development. Their Affordable Housing Program (AHP) offers grants and subsidized advances for affordable housing in two competitive rounds each year.

Program Income Limits:
Wherever mentioned in the program information, area median income means the area median income as defined by the U.S. Department of Housing and Urban Development (HUD). Consult HUD's Web site for the latest median income guidelines.

The Affordable Housing Program (AHP) allows the FHLB to address, in partnership with member institutions, affordable-housing needs in communities across the United States. A portion of the bank's net earnings funds the program, which awards grants and low-interest advances, or loans, through member institutions.

Affordable Housing Program and Community Investment Program:

The affordable housing and economic development programs of FHLB consist of grants and low-interest loans to member financial institutions to use to provide financing for economic development and housing activities.

FHLB grants and low-interest loans are catalysts for the construction and revitalization of housing targeted to people with low- and moderate-incomes. AHP-funded projects serve a wide range of neighborhood needs; many are designed for seniors, the disabled, homeless families, first-time homeowners and others with limited resources.

Affordable Housing Program (AHP):

AHP is a competitive program that provides grants twice a year through financial institutions for investment in low- or moderate-income housing initiatives. Member banks partner with developers and community organizations to finance the purchase, construction, or rehabilitation of owner-occupied or rental housing. Grants can also be used to lower the interest rate on loans or cover down payment and closing costs.

The program is flexible so that AHP funds can be used in combination with other programs and funding sources, ensuring a project's feasibility. To make certain that AHP-funded projects reflect local housing needs, each FHLB is advised by a 15-member Affordable Housing Advisory Council for guidance on regional housing and community development issues.

Program Uses:

AHP funds can subsidize--

- the construction, purchase and/or rehabilitation of owner-occupied housing for very low, low and moderate-income households; or
- the construction, purchase and/or rehabilitation of rental housing, at least 20% of the units of which will be occupied by and affordable for very low-income households for the remaining useful life of such housing or the mortgage term.

AHP funded subsidies can be used for—

- construction financing
- permanent financing
- principal reduction
- downpayment assistance
- interest rate buydown

AHP funds cannot be used for—

- funding the sponsor's operating budget
- non-housing related activities
- capitalizing reserve funds not directly related to the acquisition, rehabilitation or construction of housing
- refinancing, unless major rehabilitation is included

Project Evaluation:

The Affordable Housing Program operates as a series of 12 district-wide competitions. Each Federal Home Loan Bank evaluates applications on the basis of a number of criteria and objectives, using a 100-point scoring system.

Projects are first evaluated for--

1. compliance with fair housing laws and regulations,
2. feasibility of the project,
3. creditworthiness of the member, and
4. the ability to begin using the requested assistance within 12 months.

Proposed projects must meet all four of these requirements to be considered for funding.

Other objectives considered in evaluating each project include consistency, targeting, potential for long-term affordability, effectiveness of subsidy funds, community involvement and stability and innovation.

AHP-Assisted Projects:

A wide variety of projects have received AHP subsidies. About two-thirds of the total units assisted are affordable to very low-income households. The average per unit subsidy is $5,000. The housing must remain affordable 15 years for rental housing and 5 years for owner-occupied units. More than 96% of the projects have a nonprofit or government sponsor.

The FHLBank System is the largest corporate contributor to Habitat for Humanity International. One in four Habitat homes in the U.S has received AHP funds.

AHP Eligibility:

AHP grants can be used to fund housing for families or individuals with incomes at or below 80% of the area median. For AHP funded rental housing, 20% of the units must serve households with incomes at or below 50% of the area median. Funding is awarded only to financial institution members of the FHLB System working in partnership with a community sponsor organization.

System Highlights:

The AHP is one of the largest private sources of grant funds for affordable housing in the country. In 2005, a combined total of $280 million was made available for regional housing projects. Since the program's inception in 1991, over $2 billion dollars in AHP funds have been awarded.

Community Investment Program (CIP):

The CIP is a lending program that provides below-market-rate loans that enable banks to extend long-term financing for housing and economic development that benefits low-and moderate-income families and neighborhoods. This program is designed to be a catalyst for economic development because it supports projects that create and preserve jobs and help build infrastructure to support growth. Lenders have used CIP to fund owner-occupied and rental housing, construct roads, bridges, retail stores, sewage treatment plants and provide small business loans. The program is especially appreciated in rural areas where resources are limited.

CIP Eligibility:

CIP loans support housing projects that benefit households that earn up to 115% of the area median income, and for rental housing in which at least 51% of the units are occupied by families with incomes at or below 115% of area median.

CIP loans support business or commercial projects that benefit households earning up to 100% of the median income in urban areas and 115% in rural areas. Funding is available continuously through a noncompetitive application process.

System Highlights:

$40 billion in CIP-funded loans have financed nearly 600,000 housing units and thousands of economic development projects.

Housing Choice Voucher Program (Section 8 Homeownership)

Background:

HUD Section 8 Housing Choice Voucher Program (HCVP) is assigned to Public Housing Authorities (PHA) for administration and delivery. The PHA qualifies existing Section 8 Rental Voucher applicants for the HCVP.

A Great Rule Change:

On October 22, 2007, HUD issued a Final Rule revision to their regulations for the homeownership option authorized under the HCVP. Through the homeownership option, a PHA may provide voucher assistance for an eligible family that purchases a dwelling for residence by the family. This final rule authorizes the use of voucher homeownership assistance **for the purchase of units not yet under construction at the time the family contracts to purchase the home.**

How does Rural Development calculate income using the Section 8 Voucher?

Rural Development uses the Voucher in Loan Underwriting, but not for Eligibility in the 502 loan program:

The Section 8 Voucher is included in **repayment Income** calculations, but **not eligibility Income**. Rural Development will add the projected voucher amount to the applicant's gross monthly income (**repayment Income)**. This income calculation will then be used to calculate the underwriting ratios. The adjusted gross income (inclusive of the voucher amount) is **not** used to determine eligibility for the program (**eligibility income)** or to determine if the applicant is a low or very-low candidate.

What does this mean for your self-help program?

This is a great rule change that encourages self-help organizations to partner with public housing agencies (PHAs) who are providing Section 8 voucher assistance. Those receiving a Section 8 voucher, and that meet RD's eligibility requirements, can now convert the voucher to home-ownership, for homes not yet under construction, utilizing the mutual self-help housing program.

What about HUD's requirement for an HQS inspection?

Ask your local PHA to contact HUD. Is the mutual self-help housing program now exempt from the two inspections they normally require (the HQS and the independent professional home inspection, per Section 982.631, Home Inspections)? The following is what you can provide the PHA:

> *Within the mutual self-help guidelines, the applicant places an option on the land, then closes a construction loan using USDA, Rural Development funds. As a part of Rural Development's mutual self-help housing program, borrowers are fully supervised in the building of their homes under the supervision of a non-profit organization, they work together in groups of 4 to 10, all homes are inspected and must pass current building codes before occupancy, and environmental reviews are completed on each property prior to loan approval.*
>
> *After all the homes in the group are completed and a Certificate of Occupancy is issued, the borrower's construction loan is rolled to permanent financing and payments begin in 30 days. During the construction phase, the borrower is not required to make any payments on the USDA loan.*
>
> *Rural Development staff is required, at a minimum, to complete the three major construction inspections:*
>
> 1. *Footings while under construction,*
> 2. *After the dwelling is framed in,*

3. *A final inspection once all work is completed.*

They also complete the final punch list of items that must be finished before the borrowers can occupy their homes and follow-up to make sure all items are completed.

USDA, Rural Development direct loans are made to applicants whose incomes are at 80% of the area median income or below. The agency provides payment assistance, or subsidy, to those applicants because of their lower incomes in order to assist them in homeownership opportunities.

Processing the Section 8 Payment:

---1. Section 8 Voucher Payment can go directly to Rural Development's Centralized Servicing Center (CSC) each month to be applied to the borrower's account,

OR,

---2. Section 8 Voucher Payment goes to the borrower's checking account, the borrower signs an automatic payment withdrawal, and Rural Development's Centralized Servicing Center (CSC) sweeps the borrower's monthly payment 2-3 days after deposit.

Local Communities

NOTE: Local Communities can be a great leveraging source for Self-Help Homeowners. Here are a few ideas:

Local Employers / Local Businesses – (Target, Walmart, Home Depot, Lowes, Menards, Office Supply stores)

Down-payment Assistance

Reduced costs for building materials and appliances

Donate window blinds

Gas cards for homeowners

Donate blower door testing

Local Government –

Reduced sewer/water hookups

Reduced real estate taxes or tax abatement

Donate blower door testing

Homebuyer Education

Energy efficiency grants

Donate dumpsters

Banks / Credit Unions –

FHLB - Down-payment Assistance

Homebuyer Education

Other Non-Profits and Peer Groups –

HOME or State Housing Trust Funds

Homebuyer Education

Service Organizations – Churches, Hospitals, Clinics, Schools –

Down-payment Assistance

Insurance Companies –

Down-payment Assistance

Reduced cost of Builders' Risk

Foundation Grants, Partnerships & Affiliations

NOTE: Foundations, Partnerships & Affiliations can be great leveraging sources for Self-Help Homeowners. Here are a few ideas:

National / Regional Foundations –

Pentair Foundation – down-payment assistance

Numerous other Foundations for down-payment assistance

Employer Foundations – (Target, Walmart, Home Depot, Lowes, Menards)

Down-payment assistance

Partnerships & Affiliations - (COGs; NeighborWorks; HAC; HfHs; United Way; Rural LISC)

Down-payment assistance