

Shared Equity Homeownership

Presentation to House General, Housing and Military Affairs
January 22, 2015

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Defining Shared Equity Homeownership

- Shared equity homeownership provides a way to preserve affordability of publically assisted homeownership opportunities so that they can serve **one generation of homeowners after another**.
- At the same time, shared equity homeowners are generally able to build meaningful wealth, making this form of ownership **one of the most promising asset building strategies available to lower income households**.
- By offering residents a real economic stake in housing but preserving affordability, shared equity homeownership offers **a tool for revitalizing distressed neighborhoods without contributing to displacement**.

(from: www.homesthatlast.org)

Community Land Trusts/Habitat chapters

- Cover the whole state – approximately 1,000 shared equity homes in 113 communities
- Models vary slightly from organization to organization
- All promise permanent affordability with nonprofit steward
- Nearly 2,000 families served by these homes

Where are they?

Addison	59
Bennington	17
Caledonia	1
Chittenden	505
Essex	0
Franklin	50
Grand Isle	4
Lamoille	10
Orange	20
Orleans	3
Rutland	33
Washington	133
Windsor	82
<u>Windham</u>	<u>80</u>
<i>Total</i>	<i>997</i>

Where are they?

Addison	1	Cornwall	1	Manchester	3	Roxbury	1	Williamstown	6
Alburgh	1	Coventry	1	Marlboro	3	Rupert	2	Williston	15
Arlington	2	Danville	1	Marshfield	1	Rutland	13	Wilmington	5
Barre City	31	Dorset	2	Middlebury	21	S. Burlington	61	Windsor	1
Barre Town	24	Dover	4	Middlesex	1	S. Royalton	1	Winhall	1
Barton	1	Duxbury	1	Milton	43	Salisbury	3	Winooski	40
Bennington	5	E. Dummerston	1	Monkton	5	Shaftsbury	2	Wolcott	2
Benson	1	E. Montpelier	2	Montpelier	44	Shelburne	22	Woodbury	1
Berlin	5	Enosburg	2	Moretown	3	Shoreham	5	Worcester	1
Bethel	1	Essex	29	Morrisville	3	Springfield	34		
Bolton	1	Fair Haven	3	New Haven	1	St. Albans	22		<i>(as of January, 2014)</i>
Braintree	1	Fairfax	14	Newbury	1	Stowe	3		
Brandon	1	Fayston	1	Newfane	1	Swanton	11		
Brattleboro	33	Ferrisburg	3	Northfield	5	Thetford	1		
Bridport	1	Grand Isle	3	Norwich	14	Tinmouth	1		
Bristol	3	Guilford	1	Orange	4	Tunbridge	1		
Brookline	1	Hancock	3	Orwell	1	Vergennes	8		
Burlington	217	Hartford	16	Panton	1	Vernon	2		
Calais	1	Hinesburg	10	Pawlet	1	Waitsfield	1		
Castleton	1	Huntington	4	Plainfield	4	Warren	3		
Cavendish	4	Hyde Park	2	Proctor	3	Washington	1		
Charlotte	12	Ira	1	Randolph	6	Waterbury	3		
Chester	5	Jay	1	Richford	1	West Rutland	4		
Chittenden	1	Jericho	5	Richmond	6	Westminster	6		
Clarendon	3	Lincoln	1	Ripton	1	Weston	4		
Colchester	40	Ludlow	1	Rockingham	15	Whitingham	8		

Champlain Housing Trust

serving people from homelessness to homeownership

- Founded in 1984
- Serves northwestern three counties
- 90 staff
- 2,100 affordable apartments
- 550 shared equity homes
- \$300 million worth of assets under stewardship
- Largest Community Land Trust in the country – perhaps even the world



**United Nations World Habitat Award Presentation
Luanda, Angola, October 2008**

Homeownership: The American Dream?

- Everyone has an opportunity for upward mobility
- Homeownership become synonymous with the “American Dream”
- A status symbol of separating the middle class from the poor
- Achieving homeownership is the most common way that middle class builds wealth and security



“For me, buying a home broke inter-generational poverty.”

Jodi Whalen

Promises of Shared Equity Homeownership

- Individual benefits – low income households gain access to homeownership and upward mobility/wealth building (The American Dream)
- Community/Public benefits – public resources should create permanent assets, residential stability and grow over time in order to be sustainable

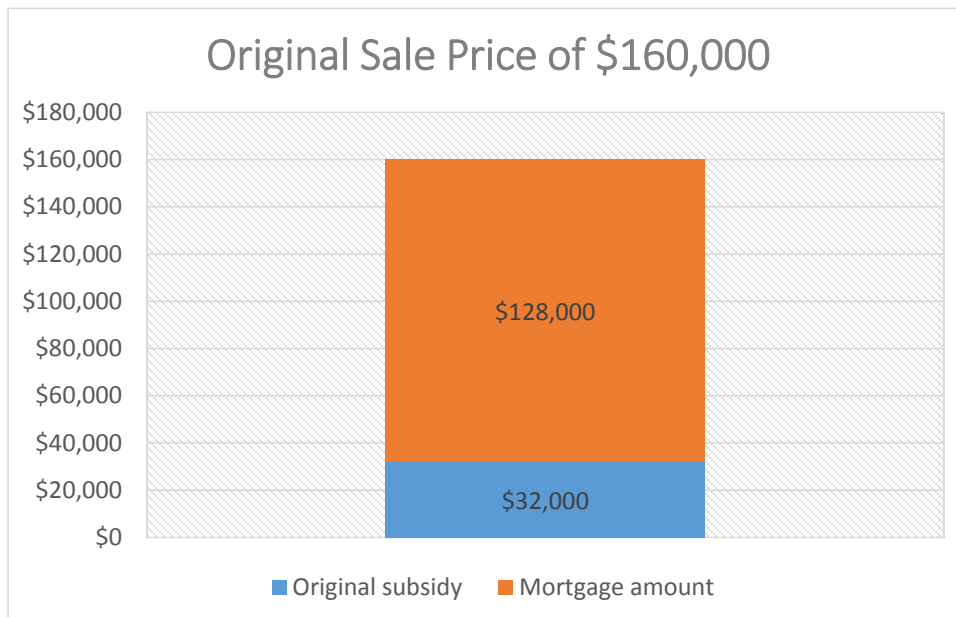
How does it work?

- Eligibility: home buyers earn 100% of median income or less (average for CHT is about 70% median).
- Home buyers take a home buyer education course and work with a counselor to become mortgage-ready.
- The home is identified – either existing shared equity home that is being transferred from one buyer to the next, or new home brought into the portfolio.
- Applicant works with a bank to secure the mortgage, does home inspection, hires lawyer – all the steps in a normal home purchase.
- Buyer needs to be able to cover closing costs.

How does it work (part two)?

- For a new home entering the portfolio, the nonprofit provides a down payment investment (typically funded through VHCB or State Affordable Housing Tax Credits)
- In exchange for the downpayment assistance, the buyer agrees to share a portion of any market appreciation between the time they buy and the time they sell.
- This share of market appreciation, plus the original subsidy, keeps the home affordable.

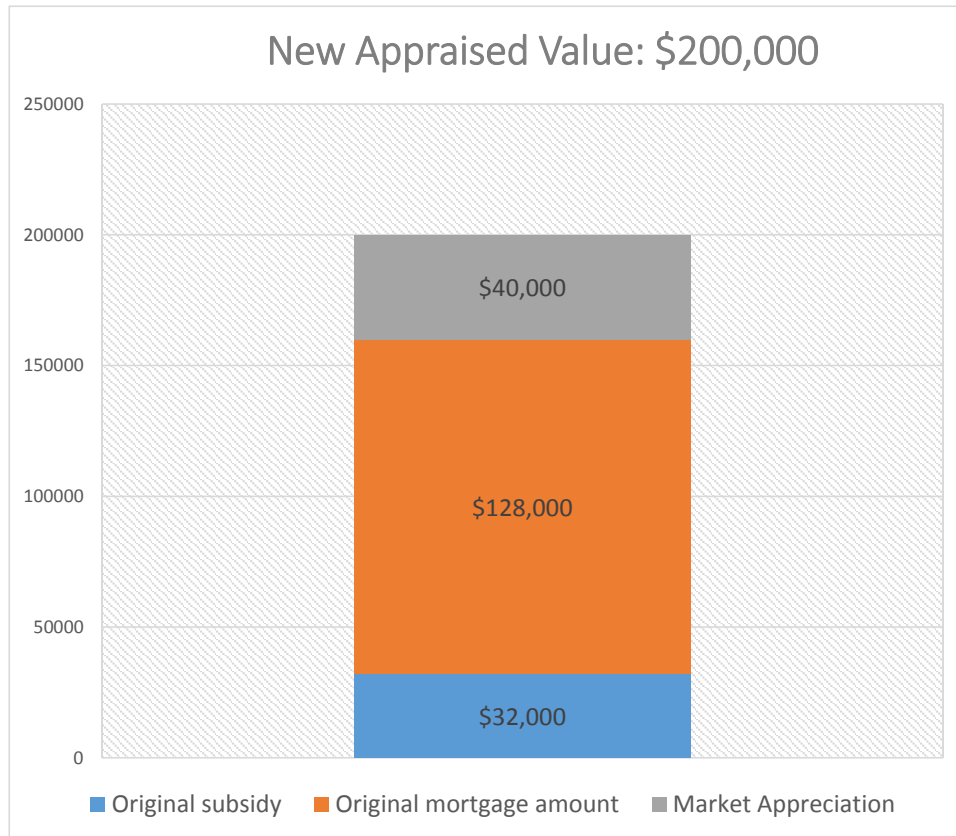
A Sample Purchase



At a \$160,000 appraised value, the original subsidy is \$32,000, or 20% of the purchase price. This helps avoid PMI (private mortgage insurance) and improves affordability.

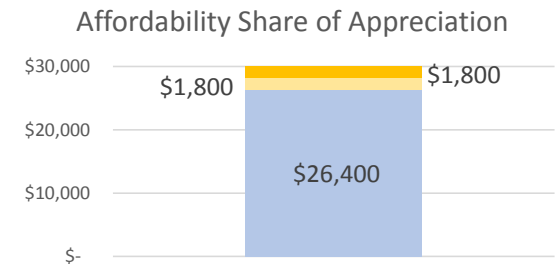
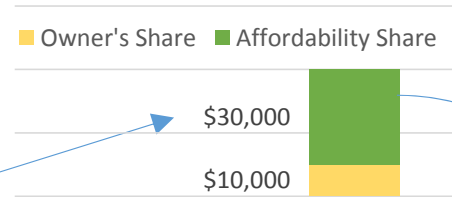
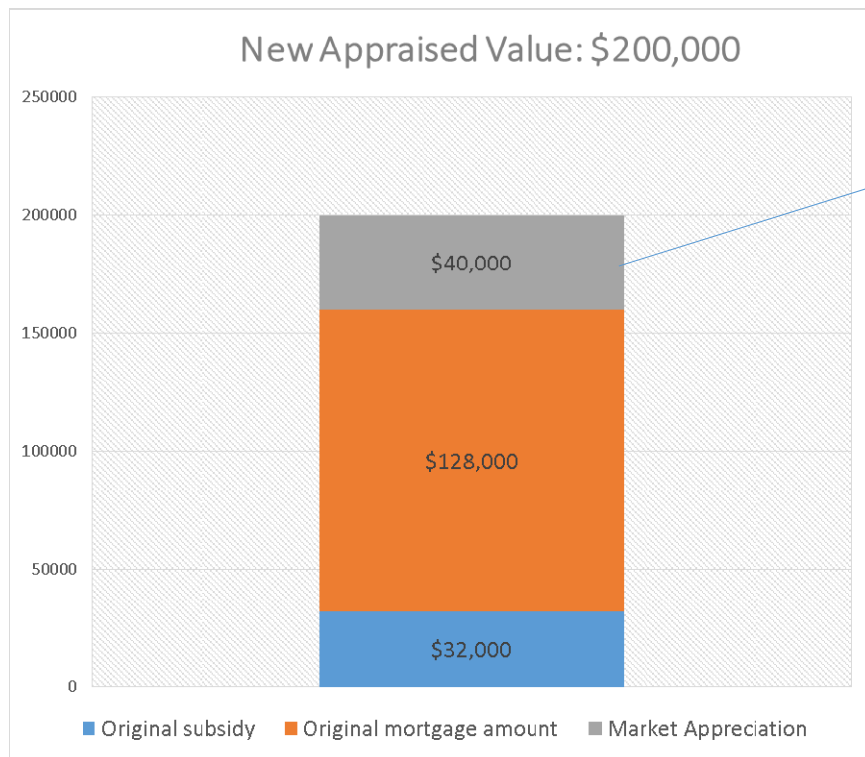
The loan-to-value (LTV) is 80%.

Original owner decides to sell



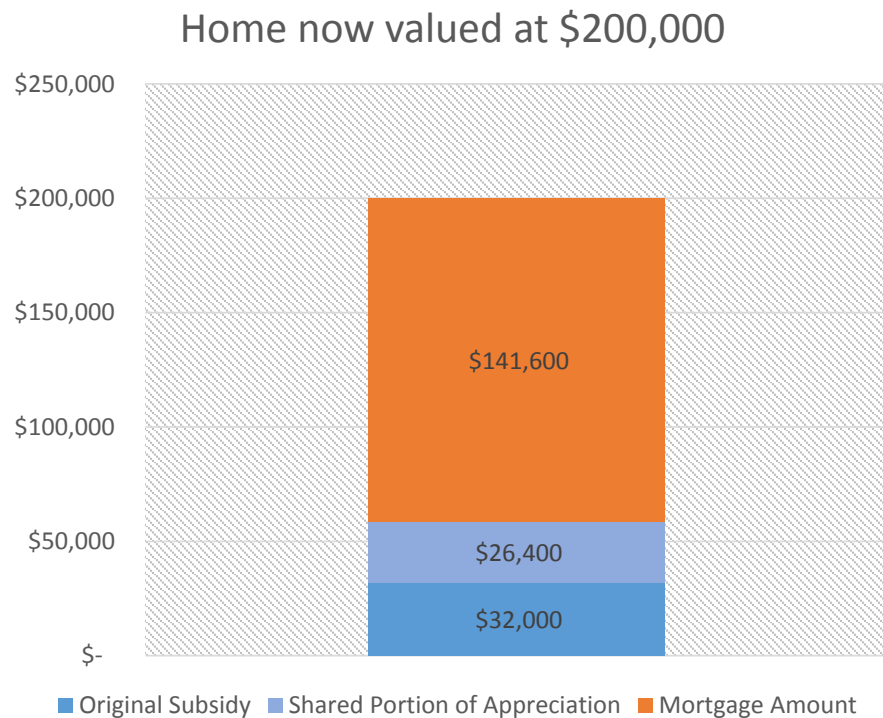
At time of resale, a new market appraisal identifies the new sales price, and also the market appreciation between time of purchase and time of sale. In this case, the market appreciation is \$40,000, and the market value is \$200,000.

Share of Market Appreciation



- Operations Fee (6%)
- Stewardship Fund (usually 6%)
- Shared market appreciation

Sale to New Buyer



When a shared equity home transfers from one owner to the next a portion of the market appreciation is added to the original subsidy to preserve affordability. In our example, this is \$58,400 (the shared appreciation plus the original subsidy).

In this case, the new buyer secures a mortgage from a local lender of \$141,600 and purchases the home valued at \$200,000, for a LTV of 70.8%.

You'll notice the LTV has decreased about 10% from initial purchase.

A quick note on affordability...

The example we looked at was sold for \$200,000 – the median home price in Vermont last year. Without subsidy assistance, household would need to earn \$57,900 *and* have \$16,300 saved to buy that home.

The median household income in Vermont is \$54,400.

“There’s no way we could have come up with the down payment necessary to purchase a conventional home.”

Bob Robbins



How does the original owner fare?

- The seller/owner receives:
 - 25% of the market appreciation (\$10,000 in our sample)
 - 100% of any demonstrated improvements
 - 100% of pay down on their mortgage
- We found that:
 - Two-thirds are able to then take the step to market ownership
 - Owners earned an annualized return on investment of 27% -- lower than a 40% return a market owner would earn, but far higher than any other investment vehicle available to low-income households.
 - A national study demonstrated that owners of shared equity homes were 10 times less likely than market owners to be in foreclosure – not just low-income owners, ALL homeowners.

How do homes enter shared equity portfolio?

- Nonprofit developed
- Market developed
- Inclusionary Zoning
- Buyer-driven
- Condo conversion
- Nonprofit purchase and rehab

“I know that in the future when I do sell, I will be helping someone else in my same position. I love that they made it possible for me to buy a home.”

Megan Fitzgerald





**“Being young
Vermonters, we
recognized that
affordable
housing is really
hard to come by.”**

Colin & Sarah Robinson

When CHT offered to convert their apartment to a condo, Karleen and Alan Wagner were able to buy their home of 25 years – and keep their monthly payment almost the same.



Acquisition and Rehab



Stewardship

- With 550 homes, is largest community land trust in the country.
- We're looking not only at today and tomorrow, but our next 25-30 years.
- Through a Social Innovation Fund grant, we're helping other Vermont nonprofits develop the systems and policies to steward their properties
- As a last resort, funds from the Stewardship Fund are used to preserve public investment and make repairs to home at transfer.

Public Benefits

In CHT's study over its first 25 years:

- an initial \$2.17 million in subsidy placed in shared equity homeownership would have cost \$10.58 million – five times as much – in conventional subsidy programs to help the same number of homeowners.
- 40% more homeowners were served by this investment than would have been in a conventional program
- Homes became more affordable over time, sustaining and increasing access to lower-income households to homeownership



Maleka Clarke has gone from being a homeless new mom of a child with Downs Syndrome, to becoming a nurse with aspirations of buying her own home.

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