



## Benefits of a Shared Equity Homeownership Program

Becoming a homeowner is a goal of many, but with home prices in Vermont rising by almost 25% in 2020, what used to be a stretch to attain has been pushed even further out of reach. The Champlain Housing Trust's Shared Equity homeownership program can bridge that divide and has been doing so for over 35 years.

By offering down payment assistance and homebuyer education, people are often able to buy a home through this program for around the same amount of money they have been spending for rent. This not only allows them to securely put down roots in their community; it provides an opportunity to build wealth.

The real innovation of the program is that the Champlain Housing Trust and our buyers agree together to preserve affordability forever by sharing a portion of the home's appreciation at resale. With this program, 636 homes have now been made affordable for over 1,200 owners.

The program's primary purpose is to provide homeownership and wealth-building opportunity for low-income Vermonters. Beyond this, however, the Champlain Housing Trust has been able to affirmatively offer homeownership to Black, Indigenous, and People of Color buyers.

In the last five years, with intention, a quarter of all Champlain Housing Trust buyers have been people of color. As homeownership has been one of the primary ways in which people in this country build wealth, increasing access to homeownership doesn't only break the cycle of intergenerational poverty, it can also play an important role in addressing the racist policies that prevented Blacks and others access to the American Dream.

- ✓ **Helps renters become homeowners.**
- ✓ **Builds wealth.**
- ✓ **Delivers economic stability.**
- ✓ **Offers mobility.**
- ✓ **Creates legacy.**
- ✓ **Locks in affordability forever.**
- ✓ **Acts against gentrification.**
- ✓ **Provides affordable options in higher-income neighborhoods.**
- ✓ **Supports homeowners.**
- ✓ **Is community-based and community-controlled.**
- ✓ **Works in all types of markets – hot or cold, urban or rural.**

## How Does the Shared Equity Homeownership Program Deliver?

### ✓ **Shared Equity Homeownership helps renters become homeowners.**

Shared Equity Housing is not meant to replace traditional market housing. It serves as a step from renting, giving low-income renters the opportunity to buy a home and accumulate equity that they would not ordinarily be able to do. Nationally, 72% of renters do not have the income or savings needed to buy a home.<sup>1</sup> With CHT providing the down payment and lowering the monthly housing costs, many more renters are able to purchase a home. The average subsidy amount that CHT provides is 30% of the purchase price.

### ✓ **Shared Equity Homeownership builds wealth.**

Lower income households can become homeowners and accumulate wealth with little upfront investment. While Shared Equity owners share the market increase in the value of their home – they retain 25% of the market appreciation and share 75% – they keep 100% of the equity created when they pay down their mortgage or make improvements to their home. Over our 35+ year history, owners received on average more than \$25,000 when they sold. From 2016 to 2020, about 150 Champlain Housing Trust owners sold their home, and the average proceeds from the sale was \$38,300.

### ✓ **Shared Equity Homeownership delivers economic security.**

Shared Equity homeownership is often less expensive than renting, and the monthly costs for owners are more stable over time. The average monthly housing cost of a two bedroom Shared Equity home over the past two years is \$1,166; Fair Market Rent in our region for a two bedroom is \$1,628, *or almost \$500 more*. Not only do Shared Equity homeowners build more wealth than households with similar incomes do, but they are able to save more money each month. On top of that, the monthly costs for Shared Equity homes increase more slowly than local rents because the major cost is a fixed mortgage payment.

### ✓ **Shared Equity Homeownership offers mobility.**

The program helps renters move into homeownership and eventually most purchase a home on the market when they sell. Shared Equity owners move with similar frequency and for the same reasons as market homeowners, such as wanting more space for growing families or moving for work. Marketing times for Shared Equity homes are similar to the homeownership market overall. The program acts as a type of stepping stone to traditional homeownership, with 68% of Shared Equity owners buying on the open market when they sell.

### ✓ **Shared Equity Homeownership creates a legacy.**

Not only can households accumulate the generational wealth that homeownership provides, but the home can be inherited by the homeowners' children and family. Shared Equity owners can leave their home in their estate to

### **CHT SHARED EQUITY PROGRAM BY THE NUMBERS – MAY, 2021**

- ✓ Homes in portfolio: 636
- ✓ Total sales: 1,225
- ✓ Current BIPOC owners: 77
- ✓ Current African American or Black homeowners: 27
- ✓ Average length of ownership 7.43 years
- ✓ Average amount of money seller received at sale : \$25,754

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<sup>1</sup> Jacobus, Rick; Davis, John Emmeus (2010). The Asset Building Potential of Shared Equity Home Ownership. New America Foundation, Washington, DC.

whoever they wish, as long as the heirs live in the home as their primary residence. The heirs would inherit all of the equity accumulated by the original owners.

✓ **Shared Equity Homeownership locks in affordability forever.**

It is the most efficient use of public resources. It uses the initial investment to build a permanent stock of affordable homes that can serve multiple generations of buyers. A study of CHT's program demonstrated that it helps over **five times** more households buy a house than traditional homeownership programs where the buyer keeps all of the equity in the property. It demonstrated that 357 households attained homeownership requiring a \$2.2 million investment with a Shared Equity program and that to help this same number of households it would have required a \$10.6 million in a traditional program. The number of households it will help will only increase as time goes on and the Shared Equity Program helps more households buy without additional public investment.<sup>2</sup>

✓ **Shared Equity Homeownership acts against gentrification.**

Because the home is permanently affordable, it remains affordable to the next homeowner, and acts against displacing low income households. Gentrification happens when values rise, lower income residents can no longer afford to live in an area, and only wealthier households can afford to live in a neighborhood or community. By ensuring that there will always be affordable options, Shared Equity Programs help prevent gentrification. Shared Equity programs help long term residents of set down permanent roots. A recent report from the Lincoln Institute of Land Policy showed that 6.9% of US homeowners and 14% of tenants moved from 2013 to 2018. Only 2.6% of Shared Equity owners moved during the same period.<sup>3</sup>

✓ **Shared Equity Homeownership provides affordable options in higher-income neighborhoods.**

Shared Equity housing allows access to homeownership in higher-income neighborhoods for people who would ordinarily be priced out. Shared Equity owners have access to all of the neighborhood amenities, local schools and other opportunities; the neighborhood benefits from having a greater diversity of residents.

✓ **Shared Equity Homeownership supports homeowners.**

Homeowners are provided pre-purchase education and post-purchase stewardship services. As a result, there is a very low risk of foreclosure with Shared Equity homes. Between 2008 and 2010 when the real estate market was in crisis, the foreclosure rate for prime loans to market owners were 5.9 times higher than the foreclosure rate of Shared Equity owners, even though their incomes were higher. The foreclosure

### CASE STUDY

A single family home in Shelburne was first brought into CHT's Shared Equity Program in 1991 when it was bought for \$109,000. CHT provided \$22,000, lowering the amount the original buyer needed to finance down to \$87,000.

The property resold in 2019. At that time the home was worth \$275,000 and CHT provided the new owner with an \$115,000 subsidy, making the net price \$160,000.

For this home, the initial funds provided by CHT of \$22,000 is now 5.75 times higher. The first buyer had to finance 80% of the purchase price, while the more recent buyer only needed to finance 58%. This shows how the program has worked to make the home more affordable over time.

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<sup>2</sup> Davis, John Emmeus, & Stokes, Alice (2009). Lands in Trust, Homes that Last - A Performance Evaluation of the Champlain Housing Trust. Champlain Housing Trust, Burlington, VT.

<sup>3</sup> Ruoni Wang, Ph.D; Cahen, Claire; Arthur Acolin, Ph.D; Rebecca J. Walter, Ph.D. (2019). Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations. Lincoln Institute of Land Policy, Cambridge, MA

rate for subprime loans was 27.8 times higher.<sup>4</sup> This was because of several factors: homebuyer education helped the Shared Equity homeowners get a quality mortgage product, monthly costs are lower, and CHT was there to help if the owner got into trouble. Many of the households who realized the American Dream in the early 2000s lost it all during this period. In contrast, Shared Equity homeownership helped preserve the wealth generated by buying a home.

✓ **Shared Equity Homeownership is community-based and community-controlled.**

The Champlain Housing Trust is a membership organization and is open to all who live in its service area and who support its mission. All residents of CHT's housing are automatically members. The membership controls the governance of the organization, electing the Board of Directors. The Board is made up of 15 people, balancing the interest of three constituencies – five Board members represent CHT residents, five represent the residents of the community who do not live in CHT homes, and five represent the local municipalities, often being members of local governments.

✓ **Shared Equity Homeownership works in all types of markets – hot or cold, urban or rural.**

When markets are hot and prices are dramatically increasing, Shared Equity homes remain affordable. A Lincoln Institute for Land Policy study examined how Shared Equity programs fared during four periods – the pre-housing bubble (1985-2000), the housing boom (2001-2006), the housing bust (2007-2012) and the housing recovery (2013-2018). During all of those periods, Shared Equity housing prices remained affordable and steady. The ups and downs experienced in the open market were much less severe with Shared Equity sales.<sup>5</sup>

## Additional Resources

Grounded Solutions Network

- ✓ <https://groundedsolutions.org/>
- ✓ <https://groundedsolutions.org/tools-success/racial-equity-and-inclusion-rei-resources>

Center for Community Land Trust Innovation

- ✓ <https://cltweb.org/>

NeighborWorks America

- ✓ <https://www.neighborworks.org/Community/Shared-Equity-Housing>

Lincoln Institute of Land Policy

- ✓ <https://www.lincolnst.edu/news/press-releases/new-study-evaluates-shared-equity-housing-program-performance-nationwide-impact>

Arc of Justice Film

- ✓ <https://www.arcofjusticefilm.com/>

Champlain Housing Trust

- ✓ <https://www.getahome.org/homes/>

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<sup>4</sup> Thaden, Emily; Rosenberg, Greg (2010). Outperforming the Market: Delinquency and Foreclosure Rates in Community Land Trusts. Land Lines Magazine, October 2010. Lincoln Institute of Land Policy. Cambridge, MA.

<sup>5</sup> Ruoni Wang, Ph.D; Cahen, Claire; Arthur Acolin, Ph.D; Rebecca J.Walter, Ph.D. (2019). Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations. Lincoln Institute of Land Policy, Cambridge, MA