NATIONAL
HOME OF YOUR OWN
ALLIANCE

Not Just "Business as Usual"

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In this era of balanced budget woes, government shutdowns and forced furloughs for federal employees, it's clear we are not operating in an environment of "business as usual." The locus of control is shifting from the federal level to states and individuals. The good news is that reduced resources don't have to equate to diminished opportunities. Initiatives around home ownership for people with disabilities being undertaken by 13 states as part of the National Home of Your Own Alliance are a case in point.

Because we have traditionally thought of housing for people with disabilities in the aggregate rather than as an individual process, many of the traditional single family housing and finance resources have not been tapped. In fact, many people assume that individuals living on income from SSI with virtually no savings for a down payment and no credit history could never even qualify for a mortgage loan. This is where new collaborations have really been of value. Through information exchange enabled by the development of trusting relationships, Home of Your Own project leaders have worked with mortgage lenders to help them understand the unique financial challenges faced by people with disabilities.

This article presents some of the lessons of collaboration learned through the Alliance endeavors. Now in our third year of operation under a cooperative agreement with Administration on Developmental Disabilities, the Alliance currently works with coalitions in Arizona, Connecticut, Georgia, Idaho, Illinois, Massachusetts, Michigan, Missouri, New Hampshire, New Mexico, New York, Oregon and Texas. Each of these states has undertaken an effort to assist people with disabilities to own homes of their own.

None of the 13 initiatives currently underway look exactly alike. Each reflects the resources, relationships and culture of the state or region in which it is operating. One thing that is consistent, however, is that each state initiative is engaged in a multi-pronged effort that begins, essentially, with a person who is seeking a home at its center and extends outward. The Connecticut initiative, "Joining with People on the Path to Home Ownership," speaks for all of the projects when it writes, "Wherever possible, committee members encourage potential home owners to build community connections by involving groups such as local churches and civic organizations, and by utilizing local Realtors and banks in finding and financing their homes. If connections are lacking, the committee may help the person find a bridgebuilder, or assist with beginning a circle of support."

Said another way, collaboration is the key to success in each of these projects. Of course, the idea of collaboration isn't new; rather, it is the identity of the collaborators and the outcome of home ownership that takes these projects a step beyond business as usual. In addition to family, friends, personal assistants, and agency personnel, new participants include realtors, bankers, retailers, housing finance agencies, and a whole range of business, professional and private citizens. It is this idea of rethinking and expanding our community connections that we believe is significant, especially in this era of shrinking resources. Thus, this article explores a whole new way of collaborating. It's about new resources, new partnerships, new points of view, new relationships.

Many of the collaborators in the state Home of Your Own initiatives have not worked together before, or at least have not worked together in precisely this way before. For example:

- Agencies are writing letters of commitment that pledge housing funds to be reallocated to mortgage payments.
- Lending institutions are discovering that by providing loans to people with disabilities, they have found a new way to meet their Community Reinvestment Act (CRA) requirements.
- Housing Finance Agencies are learning that recipients of public benefits have a stable income by which they can qualify for assistance available to low-income first-time home buyers.
- Building supply and other retailers frequently make contributions, sometimes in the form of discounts or in-kind contributions of expertise, time and talent, as part of their role as good corporate citizens.

Some of the major areas of contention involve savings, credit, and employment. Individuals who receive SSI and Medicaid funds, for example, cannot accumulate savings without jeopardizing the very benefits that would fund their mortgage payments. Because of these resource restrictions, recipients of public benefits do not have the ability to accumulate enough money for down payment and closing costs.

As far as credit is concerned, most people with disabilities have lived most of their lives in situations in which their finances were managed by others. Whether in a group home or in some other supported living situation, service providers paid their bills. They simply have never had the opportunity to develop a credit history. Finally, many individuals with disabilities do not have employment which provides sufficient income, but they do have a steady income source from public benefits.

Rather than simply dismiss the possibility of obtaining a mortgage because homeseekers with developmental disabilities do not fit standard underwriting criteria, lenders around the country are establishing new underwriting criteria. They are reassessing the importance of savings and employment as the foundation for granting a mortgage. Our developing track record, with extremely low default experience, is illustrating that "no credit history" is not the same as "poor credit history" and does not equate to increased credit risk.

Financing

Just as no two state initiatives are exactly alike, nobody's home financing package looks exactly alike either. While there are similarities in terms of a few critical resources, there are many small variations. Home financing is creative and specific to each person's assets and needs. One of the benefits of the Alliance is the sharing of experience and resources. We have discovered that once a resource is identified and has a successful experience in one state then the way may be paved for other state initiatives to chart a similar course. We view our successful experiences as a "track record", not as a model.

Mortgage Financing

In most states, a primary lender or lenders have been identified by the state initiative staff and steering committee members. These lending institutions are beginning to acknowledge public benefits as a viable source of income for borrowers. They are learning to recognize that a few changes in their lending criteria and qualification formulas can create a win-win situation. Individuals obtain mortgages they can afford and the lenders sell more mortgage loans to a new-found customer base with a stable income stream.

Just like any other individual home buyer, the participant usually works through a private lender or housing finance agency for their primary loan. Down payment and closing costs are then secured through secondary loans and grants from a variety of funding sources.

Down Payment Sources

Three ways in which down payments, closing costs, repairs, and renovations are financed through subsidies include:

1) ***Secondary Loans*** (promissory notes secured by second mortgages) from:

- state housing finance authorities;
- HUD HOPE 3 and HOME funds; and
- Federal Home Loan funds.

2) ***Gifts*** from family, friends, or civic groups; and

3) ***Grants and loans***

- community block grant funds;
- state housing finance agencies;
- contributions from the seller;
- private foundations;
- state and local affordable housing programs;
- endowments for first-time home buyers;
- from state and local human service agencies; and
- state developmental disabilities agencies.

Funding Partnerships and Collaboration

Examples of the private/public funding partnerships and collaborations at work in several of the states include:

Arizona is working with Norwest Bank statewide. The Arizona initiative's governing board has mandated that state project coordinators seek a variety of funding sources. HOME, HOPE, Arizona Trust Fund and Federal Home Loan grants are all in the works.

Connecticut has been assisting 11 people in obtaining homes. The Connecticut Housing Finance Authority expanded its home ownership program for low income/Section 8 housing to include Home of Your Own Project participants. This allows for 6% interest rates and 1% down payment assistance up to $25,000 including closing costs. Four banks have agreed to process the loans and assist project participants to obtain mortgages.

Idaho is working with U.S. Bank in the private sector to provide loans. The Idaho Housing Agency is allocating $525,000 in HOME moneys which come from HUD as a matching grant. The Federal Home Loan Bank has provided a grant of $117,000 or $4,500 per participant to cover the match requirement. Idaho has also developed draft underwriting criteria in cooperation with the Farmer's Home Administration, Fannie Mae, and the state housing finance agency. The initiative has 40 applicants and the application process remains open.

Illinois worked with a local lender, the Magna Bank, to submit a proposal to the Federal Home Loan Bank, which resulted in $100,000 to assist 20 individuals. Through the Illinois Housing Development Authority trust fund, Project Ground Floor will provide about 17 mortgages. The Initiative is working with the city of Chicago to explore involvement with the national Empowerment Zones project.

Michigan obtained a Fannie Mae guarantee for $2.5 million in mortgage funds and is working with the state Housing Finance Authority to obtain $200,000 for down payment assistance, to buy down mortgages, and for maintenance.

New Hampshire worked closely with the state Housing Finance Authority (NHHFA) to revise their underwriting criteria to allow the use of public benefits as a source of income to qualify for loans. Fifteen individuals subsequently obtained mortgages directly through the NHHFA. Three participants' mortgages were originated at a local bank using the new underwriting criteria established by the NHHFA. One participant used money he received through a legal settlement as a down payment to obtain a mortgage with conventional financing through a local bank. The remaining participant paid for his home with cash he received from a legal settlement. He then obtained a home equity loan from a local bank to do extensive renovations using his new home as collateral. Currently another 15-20 people are in varying stages of the home-buying process.

New York received a half-million dollar HOME grant for three counties in the Southern Adirondack Region. They have also developed a relationship in the private sector with Fleet Mortgage. An application with the Federal Home Loan Bank is pending.

Oregon, like Idaho, has developed a relationship with U.S. Bank to handle all of their loans and has advised all of the bank's branch managers of the home ownership project. The initiative recently received approval of their application to the Federal Home Loan Bank for $100,000 to assist with down payments and to buy down mortgages. Assistance from the State Finance Housing Authority is pending, contingent upon confirmation of other financial support. The State Housing and Community Services Division is helping to identify available properties for seven potential homeowners.

The above examples of state strategies and collaborations provide a brief look at one phase of the evolution of home ownership and control. Because the state initiatives involve a dynamic and evolving process, by the time this article appears in print, it is likely that new collaborations may have resulted in additional funding. Beyond home financing, many states have obtained technical assistance grants to fund other aspects of their work such as training and public information.

While change is happening simultaneously throughout several states and regions, it is important to point out that we are not creating or proposing a model. We do begin with the basic premise that "a home of your own" means just that. Individuals buy or lease a home in which they would live. Whether housemates include friends, spouses, renters or personal assistants, choosing whether or not to live with others is a person's choice to make. Beyond that basic premise, all state initiatives are doing things their own way.

Another innovative aspect of the Home of Your Own initiatives is the relationship between housing and support for people with disabilities. In the past, once the appropriate support services for people with disabilities were located, the person was typically moved into the residential setting that the service provider offered. From huge state institutions to small group homes, people with disabilities have been moved from caregiver to caregiver, and facility to facility, depending upon changes in their support requirements.

When people live in homes of their own, the support system is structured, delivered, maintained and adapted to meet their individual needs. They stay put. With the appropriate assistance and guidance from their personal support team, these individuals have more of an opportunity to create a life for themselves in their own homes - within a community that accommodates their personal preferences and expectations. They become taxpayers, neighbors, employers, and community members.

Applying to be a member in the National Home of Your Own Alliance is just one of the ways in which each state coalition has reached out to expand their network of resources, explore new funding streams, and collaborate to enhance their efforts. Our plan is to continue to provide a central clearinghouse for information nationwide. Over the five years of the Alliance's funding, we will negotiate financial and technical assistance agreements in a total of 23 states, helping to build coalitions of housing and disability organizations, lenders and service providers.

As more and more people move out of institutions and facilities into communities, they will be looking for housing that meets their personal standards. The Alliance currently offers technical assistance to 13 states as they pursue their pilot projects to assist people with disabilities to achieve the American dream ... a home of their own. Five more state coalitions will be added next fall and the last five in the fall of 1997. In addition to working

with the states, we advocate for funding and favorable policy decisions regarding housing at the federal level as well. Our belief is that by sharing our vision of possibility, by sharing resources, and by collaborating in new ways toward our common goal, the American dream comes within reach for everyone. The Alliance has a toll-free National Information Hotline for anyone interested in ordering our publications and for learning more about home ownership and housing control for people with disabilities. The number is 1-800-220-8770.