

Innovative Approaches in Single Family Lending

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Nehemiah Community Reinvestment Fund

- Nehemiah Corporation of America
- Nonprofit down payment assistance
- The Nehemiah Program (1997)
- \$600 million in down payment gifts
- \$20 billion in real estate transactions
- Homeownership for 170,000 families

Nehemiah Community Reinvestment Fund

- Nonprofit community development loan fund
- Revitalize low income and underserved communities
- Capital and technical assistance
- Currently capitalized at \$6.3 million

Nehemiah Community Reinvestment Fund – *National Initiative*

MOVING PEOPLE FROM HOMELESSNESS TO HOMEOWNERSHIP

- Community- and faith-based nonprofits
- Serve continuum of housing needs
- Short-term loans

Nehemiah Community Reinvestment Fund – *Loan Programs*

- Affordable Housing
- Community Facilities
- Economic Development

Nehemiah Community Reinvestment Fund – *Loan Products*

- Land acquisition
- Predevelopment
- Site development
- Construction
- Acquisition/Rehabilitation
- Refinance
- Working Capital
- Line of Credit

Innovative Approaches in Single Family Lending

IN FILL HOUSING

Housing Market

- Booming housing market
- Many new single family units being built
- Strong sales
- Resale market is also strong

So, what's the problem?

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The problem is:

- Developers focus on large projects
- Shortage of large parcels in urban areas
- Older urban neighborhoods often passed over in favor of new suburban areas
- Most new units are market-rate

This has created:

- Urban sprawl
- Traffic congestion
- Poor air quality
- Shortage of affordable and workforce housing
- People can't afford to live where they work

Older urban neighborhoods

- Abandoned as people move to the suburbs
- Deteriorating housing stock
- Significant numbers of rental units
- Absentee landlords
- Vacant lots
- Community blight

What is the solution?

- Reuse and redevelop underutilized properties
- Develop new homes on vacant lots
- Create pride of ownership
- Revitalize older neighborhoods
- Make sure a high percentage are affordable to low wealth people

Seems simple enough – why isn't it happening?

- Projects are smaller
- More expensive to develop per unit
- Often located in low-income census tracts
- Areas perceived to be less desirable to home buyers

Let's see:

- Small projects
- Lots of work
- Little profit
- Units affordable to low wealth families

Who knows how to spin gold out of straw?

NONPROFIT HOUSING DEVELOPERS!

Nonprofit housing developers

- Purchase vacant lots and properties beyond rehabilitation
- Many likely to be in redevelopment areas
- Appeal to first-time homebuyers and low wealth families
- Homeownership counseling

But what about the cost?

- Nonprofits have less money than for-profit developers
- Time is money
- Need to be able to construct new homes quickly

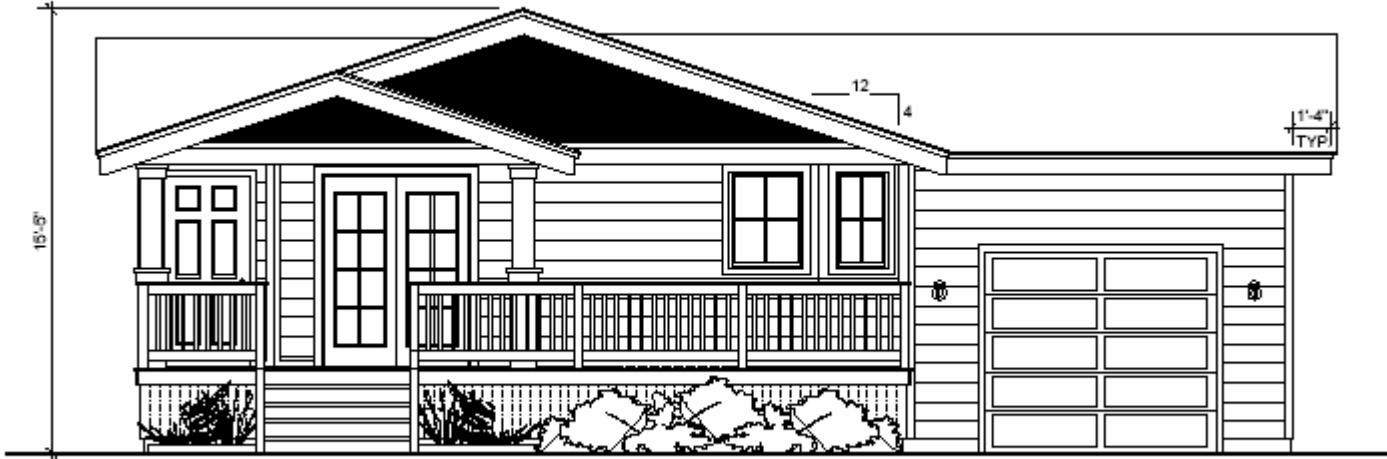
Innovative Solution

Use manufactured housing

Manufactured Housing

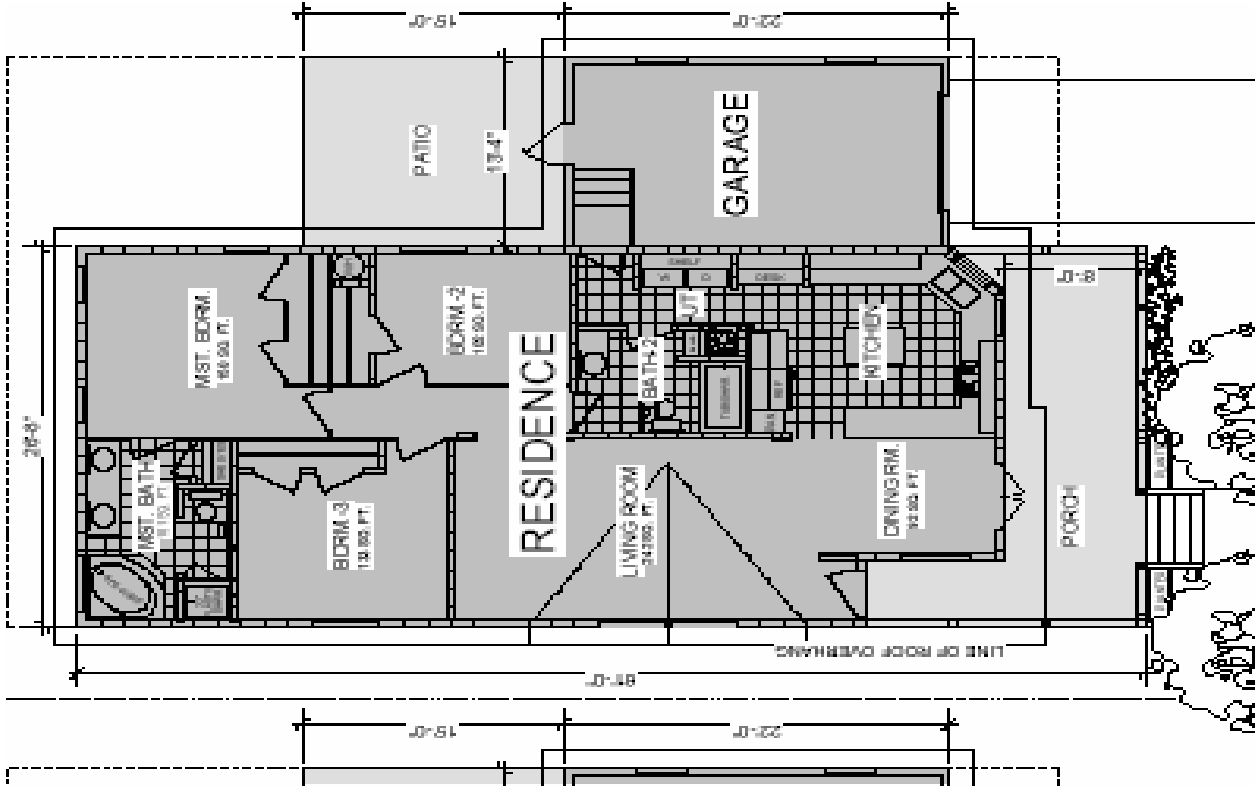
- Permanently fixed to foundation
- Quality construction following HUD-code
- Costs much less than stick-built homes
- About 60 days from start to completion
- Design home to match existing neighborhood

E Street Homes – South Elevation



SOUTH ELEVATION

E Street Homes – Floor Plan



E Street Homes

- Oakland, CA
- Four 1,300 SF manufactured homes
- Three bedrooms, 2 baths
- Total project cost: \$1,065,000
- Land cost approx \$57,000 per lot
- Construction cost approx. \$105 SF

Acquisition & Predevelopment Financing

- Nehemiah Community Reinvestment Fund
 - 12 months, 6% interest, monthly interest payments
 - 90% LTV
 - First deed of trust
 - Subordinate to construction lender based on as-if completed value

Construction Financing

- Conventional lender
 - 12 months, 6% interest
 - Interest reserve
 - First deed of trust
 - 75% LTV

Other Financing Components

- Intercreditor agreement between construction lender and NCRF
- Repaid on a lot by lot basis from the sales of homes to families
- First money to construction lender
- Second money to NCRF
- Remainder to OCHI

Home Mortgage

- California Housing Finance Agency
- Down payment assistance from Oakland Community Housing, Inc. – silent second deed of trust
- Down payment assistance from City of Oakland – silent third deed of trust
- Down payment from home buyers

OCHI, Seminary Street, Oakland



Noji Gardens, Seattle, WA



HomeSight

- 75 new homes in 3 phases, completed 2002
- Awarded "Best New Manufactured Housing Subdivision" in 2002 by the Manufactured Housing Industry
- Six 4-bedroom, 2.5 bath, 1,400 SF -bedroom
- Four 3-bedroom 2.5 bath, 1,400 SF
- Forty 3-bedroom 1.5 bath 1,370 to 1,400 SF
- \$13 million, all phases