RESEARCH REPORT

Homeownership for a New Era

Baseline Report on the Cornerstone Homeownership Innovation Program

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We also add a special mention to Ken Temkin, a coauthor and esteemed colleague who contributed substantively to this research and will be greatly missed.

Executive Summary

This report details the baseline findings of an evaluation of nine shared equity homeownership programs in the United States. We describe shared equity program models and characteristics, the challenges and strategies used to recruit homebuyers, descriptive information on program applicants, and the implications of shared equity homeownership programs on policy and practice.

The nine programs (also referred to as our subgrantees) are part of the Cornerstone Homeownership Innovation Program (CHIP). In 2011, Capital Impact Partners received a grant from the Social Innovation Fund in the Corporation for National and Community Service to establish the CHIP. The selected CHIP programs are Homebase in Austin, Texas; Champlain Housing Trust in Burlington, Vermont; Long Island Housing Partnership in Long Island, New York; the Community Land Trust of Palm Beach County, Delray Beach Community Land Trust, and Heartfelt Florida Housing of South Palm Beach County Community Land Trust in South Miami, Florida; the Housing Fund in Nashville, Tennessee; Mountainlands Community Housing Trust in Park City, Utah; Hello Housing in San Francisco; Homestead Community Land Trust in Seattle; and City First Homes in Washington, DC.

Background and Study Design

Shared equity is a homeownership model that allows income-eligible families to purchase homes at below-market prices. Shared equity programs provide homebuyers with a way of bridging the gap between a mortgage they are able to afford and the actual market cost to own a property. The market cost of the home is shared between the buyer and the entity administering the shared equity program or city, and the program keeps a share of the equity. When the buyer later sells the house, the buyer is able to access a share of the profits, but the house will remain affordable to other low-income homebuyers and benefit the subsequent owners. Shared equity is a broad designation that includes the following:

- **Deed restrictions**, also called deed covenants, are restrictions that are written into the deed that conveys a property. One approach that often uses deed-restricted mortgages is inclusionary zoning programs.

- **Community land trusts (CLTs)** are private, nonprofit organizations with a commitment to providing affordable housing. They own land in a given community and lease the land to homeowners who own the units on this land.
- **Limited-equity cooperatives** are typically multihousehold developments in which occupants purchase shares in the cooperative rather than the units outright. The prices for the shares are determined by the cooperative's bylaws and can be structured to include affordability restrictions.

Research into shared equity programs is limited, but the results so far have been promising. A 2013 study of seven programs found that shared equity homebuyers earned returns that were competitive and complied with long-term affordability restrictions. Even as the homes were resold, they remained affordable to low-income homebuyers. Shared equity homebuyers also had low delinquency and foreclosure rates, and those who moved did so at rates near the national average, using the sales proceeds to purchase market-rate homes (Temkin, Theodos, and Price 2013). A 2009 performance evaluation of a shared equity program in Burlington, Vermont, found that this program was an effective asset-building strategy for lower-income households; it also found that these buyers had lower foreclosure rates and were able to sustain homeownership over a long period of time when compared with buyers of unrestricted market-rate homes (Jacobus and Davis 2010).

Our current study will attempt to estimate the impacts of nine CHIP shared equity homeownership programs on homebuyers. Some applicants to these programs will elect (or be able to) purchase a home through the program—others will not. We will compare buyers who ultimately purchased a shared equity home through the program with nonbuyers who were considering a shared equity home through the program but ultimately did not purchase.

Between the start of data collection in summer 2012 and the conclusion of the study enrollment period in summer 2014, the subgrantees received 694 applications. By July 2014, 211 of these applicants had purchased a shared equity home, though we expect more applicants will have purchased homes after this period.

This report is informed by three main sources of data:

- **Study application data.** The research team developed an application survey to collect clients' information on their demographic and financial characteristics, current living expenses and arrangements, and reasons for wanting to own a home.

- **Program administrative data.** Each of the program sites collected administrative data on potential buyers who entered the program that included additional clients' background information, as well as data on the neighborhoods they are looking to purchase into and details of any purchase or resale through the program.
- **Interview data.** The research team also conducted in-depth interviews with program administrators and directors to collect information on the implementation of their shared equity program and this specific evaluation, as well as information on the specific challenges and successes of their respective programs.

Shared Equity Program Models

Although each of these shared equity programs is unique in its structure, they all share the same goal of providing homeownership options to low- and middle-income communities with mechanisms in place to preserve the affordability of these homes over time. This section explores the attributes of the nine subgrantees; the subsequent section explores the attributes of interested buyers who have applied to the programs.

Not surprisingly, each of the subgrantees' mission statements emphasizes the production and/or promotion of affordable housing. In addition to developing affordable housing, subgrantees also provide down payment assistance to owners (HomeBase, Housing Fund, Hello Housing), technical assistance to third-party organizations interested in developing affordable housing (Long Island Housing Partnership), and advocacy regarding affordable housing issues (Champlain Housing Trust and Mountainlands).

All the subgrantees finance, develop, or rehabilitate units that are included in their shared equity portfolios. In addition, four subgrantees (HomeBase, Hello Housing, Long Island Housing Partnership, and Mountainlands) manage shared equity units on behalf of third parties. CHIP funding offered the opportunity for organizations to either implement or expand shared equity housing programs. Seven of the nine organizations indicated they applied for a grant to expand their capacity to manage a shared equity program or increase the organization's existing shared equity program's coverage area. In the case of the South Florida consortium, the motivation was to create better coordination among local CLTs. The Housing Fund in Nashville applied for CHIP funding to provide additional support to its shared equity program, which was starting around the time CHIP funds were made available.

The organizations range in size and budget. Some of the organizations have a small staff: the Delray Beach Community Land Trust, Mountainlands and Hello Housing, have three, six, and eight full-time equivalents (FTEs), respectively. On the other end of the spectrum, Champlain Housing Trust, with a reported 75 FTEs, is the largest organization, followed by HomeBase with 34 FTEs. In general, the shared equity programs are operated by a relatively small number of people: between four and nine FTEs with an operating budget that varies between $250,000 and $750,000. These operating budgets are mostly administrative and do not include the funding required to subsidize the shared equity units at their below-market sales prices.

All of the shared equity programs in this evaluation are relatively small, and all face the challenge of securing funding sources that are sustainable over time. We define a shared equity program as sustainable if it is able to fund the costs of program administration through fees charged to buyers or municipalities rather than through grant funding. In general, representatives of the nine subgrantees estimated that a shared equity program requires 100 to 300 units in its portfolio to generate sufficient revenue to cover annual operating expenses. This number may be a low estimate, as only HomeBase (650 units) and Champlain Housing Trust (520 units) report that their shared equity programs are sustainable. Two subgrantees (Hello Housing and Mountainlands) indicated that the fees earned from managing units developed by third parties contributed significantly to organizational sustainability.

Most of the subgrantees establish the initial sales price for their homes such that it is affordable to buyers with a particular income (usually between 60 and 100 percent of area median income [AMI]) given assumptions regarding down payments, interest rates, and loan terms. The initial sales price for a shared equity home requires a trade-off between making a unit affordable and sharing available subsidy dollars as widely as possible. Subgrantees also acknowledge that there must be a large enough difference between the price of a shared equity home and a market-rate home to attract potential buyers. Champlain Housing Trust, for example, sets prices at least 20 percent below the appraised market price. City First aims to sell homes for 25 percent below their appraised value. Mountainlands sets prices for its homes so that they are about $100,000 below the market price.

Subgrantees reported that while it is generally not difficult to market the shared equity concept to potential buyers, many potential shared equity homebuyers are unable to qualify for mortgages because of low credit scores. Given lenders' underwriting standards (and that many shared equity buyers are first-time homeowners), all but one of the subgrantees require that shared equity buyers complete a prepurchase homebuyer counseling program. In addition to the standard curriculum used in such classes, attendees learn about the particular parameters (e.g., allowable appreciation and policies regarding capital improvements) of each subgrantee's program. Most subgrantees offer such classes;

the remaining subgrantees refer clients to counseling organizations approved by the US Department of Housing and Urban Development (HUD).

Subgrantee representatives cited two mortgage financing challenges in addition to client creditworthiness that limit the willingness of lenders to originate loans for shared equity homes. Some of the subgrantees said their clients received loans that were not salable to the secondary market. So, lenders originating these mortgages must finance the loans out of their own capital and hold the loans in portfolio. The second major issue the interviewees raised related to FHA's guidelines, which do not permit FHA to insure loans that allow the sellers to retain at least 40 percent of sale proceeds and also require sellers to receive full credit for capital repairs. However, many of the subgrantees have strong relationships with local lenders, and they contact these companies first to begin the process of encouraging lenders to establish shared equity lending programs. Local credit unions are the main provider of mortgages for buyers in the Austin and Burlington programs. Buyers in the Washington, DC, program also access mortgages through local financial institutions. Larger or regional banks originate shared equity mortgages in Homestead (Seattle), LIHP (Long Island), and Mountainlands (Park City).

Though there are important administrative differences between them, it is quite possible to arrive at similar rates of return using the four types of resale formulas the shared equity programs in this study use:

1. **Fixed rate.** The resale price is established by applying a fixed annual percentage growth rate to the initial purchase price. This growth rate can be either simple or compound interest.
2. **Indexing to changes in the national price of household goods.** The resale price is established by increasing the initial affordable price by a percentage equal to the percentage increase in the Consumer Price Index during the reseller's tenure.
3. **Indexing to changes in area incomes.** The resale price is established by increasing the initial affordable price by a percentage equal to the percentage increase in the AMI during the reseller's tenure.
4. **Appraisal based.** The change in a home's market value is determined by the difference in appraisals conducted at the time of purchase and resale. The reseller is allowed a portion of the change in appraised market value, often 25 percent.

Four programs (Champlain Housing Trust, City First, South Florida, and Housing Fund) use an appraisal-based formula to determine sellers' proceeds. Champlain Housing Trust, one of the first shared equity programs, established the appraisal-based formula in which the reseller retains 25 percent of the estimated appreciation based on changes in appraised value. The program's designers

thought this approach was an objective way to determine the total amount available for a reseller. The other three programs using such an approach indicated that they selected a similar approach to the Champlain Housing Trust's program, in part because it is relatively simple to explain to potential buyers. Rather than tying appreciation to changes in house prices, the HomeBase, Homestead, and Mountainlands programs calculate maximum allowable appreciation by using a fixed rate of appreciation that ranges from 1.5 to 3.0 percent per annum. One group, Long Island Housing Partnership, allows homes to increase in sales prices in accordance with changes in the Consumer Price Index. The organization caps increases in sales prices such that they are affordable to buyers with incomes at 80 percent AMI.

The proceeds the owners realize at resale for each type of formula offer the potential for substantial returns on investment, as most shared equity owners purchase their homes with a small down payment. One of the potential drawbacks with the shared equity approach is that, because owners do not realize all of a unit's appreciation, they may be incentivized to underinvest in capital improvements. To address this issue, some of the subgrantees allow owners to recover the full amount of capital improvements they make, and others allow credits (that depreciate over time) for capital improvements.

These programs also provide supportive stewardship services for buyers after they purchase a home. These stewardship activities are an important element in a shared equity program as many buyers are first-time owners with low to moderate incomes, and they have the potential to improve the performance of shared equity mortgages and ease the transition from renting to owning. These owners have a point of contact if they are having trouble paying the mortgage or have questions related to maintaining their home. Indeed, all the programs take steps to remain in contact with their buyers after purchase, and thus buyers are aware of potential resources if they require assistance. Champlain Housing Trust, City First, HomeBase, Homestead, and Long Island Housing Partnership provide services to owners on general issues related to owning a home (home maintenance tips) as well as more specific help on tax preparation and any issues related to changes in property tax appraisals. Further, nearly all the organizations offer assistance to owners with mortgage payment problems; these organizations will work with an owner's mortgage servicer to discuss potential remedies (loan modifications or forbearance) for owners who are delinquent on their mortgages.

Beyond providing services to owners while in the home, some of the programs also assist with the resale of a shared equity home in their portfolio or under their management. The programs in Austin, the Bay Area, Burlington, Long Island, and Seattle require that the owners notify them about their intent to sell the home. In contrast, the Nashville program does not provide direct assistance for

resellers. Rather, they depend on the marketing of their program to help raise the visibility of shared equity homeownership in their coverage areas. But the individual reseller is responsible for marketing the home and finding income-eligible buyers.

Program Applicants

Shared Equity homeownership provides opportunities to low-income homebuyers that market-rate homeownership and other housing assistant programs simply cannot. Important questions are what types of people these programs target, who are they are, and what are they looking for?

Affordable homeownership targets a different population than affordable rental programs. Unlike families looking for affordable rentals, applicants in shared equity programs do not necessarily struggle to pay their rent each month, but their limited incomes prevent them from saving sufficiently to purchase a home. Our analysis of the baseline data shows that shared equity applicants are similar in that they are all people who would like to buy a home but otherwise cannot afford to on the open market in the area where they live.

Because affordability differs by site, and therefore the demographic, employment, and educational characteristics of applicants varies as well. In this way, shared equity programs are best suited for high-cost homeownership markets, where even a fully employed family with steady income still might not be able to afford a home.

Across all sites, shared equity applicants are older than the median homebuyer in the United States (36 in our study compared with 31 nationally). City First Homes in Washington, DC, attracts the youngest applicants (30 years old at median), and South Florida is the only site with median applicants over 40 years old.

Applicants could apply to purchase a home on their own or with a coapplicant (usually a spouse or significant other). Nearly two-thirds of applicants in the study applied on their own, without a coapplicant. These single applicants tend to be female (representing over two-thirds of such potential buyers). Interestingly, 30 percent of these applicants are married, but they chose to apply for a home without their spouse on the application.

Race and ethnic composition of applicants varies widely by site and tends to reflect the overall makeup of a place. White non-Hispanic applicants represent a large share of applicants in Burlington

and Park City, both places that have fewer minorities than the national average. However, this same demographic was only 9 percent of applicants in South Florida and 25 percent in Austin.

Shared equity applicants are highly educated. Seventy percent of applicants hold at least a bachelor's degree, which is more than twice the rate for the overall US population. We do not have a definitive explanation for why this number is so high but suspect that the type of advertising and outreach the groups use may contribute.

About 80 percent of applicants work full time and rent their homes at the time of application. Only 3 percent of applicants are current homeowners, and the rest indicate that they currently live with family or friends. This third type of living situation is especially prevalent in Long Island, Nashville, and Park City (over 20 percent in each).

Family structures also vary considerably by site. Overall, 46 percent of applicant families have children, ranging from 68 percent in Austin to only 11 percent in Washington, DC. The differences in children are observably tied to the type of housing available in a particular program's portfolio. For example, in Washington, DC, the shared equity housing stock contains more studio and one-bedroom units than in other sites.

Overall, children of shared equity applicants attend schools where about half of students are eligible for free and reduced-price lunches. Children in Park City are much less likely to attend schools where students receive free and reduced-price lunches, but children in South Florida are more likely to attend schools where a large share of the student body receives this support. The schools the applicant children attend are generally made up of minority students except in Burlington and Park City—following a similar trend to the race of applicants by site.

Public schools are required to submit standardized test scores to their state departments of education. Children of applicants attend schools that rank 49th and 48th percentile for reading and math, respectively. This means that applicant children attend, on average, neither the best- nor the worst-performing schools in their state.

In addition to demographics and family structure, we collected information on the financial characteristics of applicants in the shared equity programs. Across the sites, applicants have incomes that are 45 to 60 percent of their respective AMIs. Conventional homeownership targets buyers in the 80 to 120 percent AMI range, so shared equity applicants are considerably lower income than market rate homebuyers.

Given the demographic data, which show shared equity applicants are highly educated, in their 30s, and mostly working full time, it is unlikely that low incomes are the result of life cycle (being young and starting a career). Rather, shared equity applicants are likely to work in jobs like office administration and healthcare that, though stable, are not sufficiently lucrative to support their purchasing a market-rate home.

Aside from income, data collection on shared equity applicants shows that they have little or no net worth. Homeownership is a well-established way to build wealth, even shared equity homeownership with resale restrictions provides this opportunity. Across all sites, the median applicant is worth $0, resulting from the fact that in the Nashville and Seattle sites the median applicant has more debt than assets. Even with low net worth, most applicants have worked to set at least something aside for buying their home. Overall, the median saved for a home is $6,000.

Shared equity applicants have a median self-reported FICO score of 720. This is below the typical score required by some lenders for a mortgage loan, though not a subprime score. Because FICO scores are self-reported and not always known, applicants also answered questions about their credit card payment, bankruptcy, and foreclosure history. By our estimate, only about 25 percent of applicants have excellent credit. Another 13 percent either have a problematic credit history or no history at all, both of which are major barriers to obtaining a mortgage.

Implications for Policy and Practice

The findings from our qualitative research suggest three elements are required to implement or expand a shared equity program:

1. Providing operational support is critical for groups that do not have sufficient program revenue to cover all operating expenses.
2. Identifying and accessing a source of homes that can be sold at below-market prices and retained in a shared equity portfolio is essential for the continued expansion of any shared equity program.
3. Working with area lenders to develop and offer mortgage products that allow wealth-constrained borrowers to purchase shared equity homes is vital for home sales.

The participating subgrantees emphasized the importance of change and flexibility—the programs need to be adaptable to shifts in market conditions and their funding streams and also to changes in client

demand. An important challenge these programs face is sustainability. Only a few of the programs had self-sustaining shared equity programs; the others continuously work to find sources of funding. Funding issues also had implications for the stewardship services that the programs offer. CHIP places a large emphasis on providing stewardship services to homebuyers, and although all programs require incoming buyers to complete a prepurchase homeownership course, the mix of services offered postpurchase varies across programs. However, programs were successful in working with lenders to develop mortgage products specific to shared equity. The relative unfamiliarity of shared equity programs requires staff to educate and build relationships with local lenders.

The experiences of the nine subgrantees discussed in this report show the potential benefits of shared equity programs. The experiences also caution that shared equity programs are complicated, and stakeholders must recognize the time and effort needed to get such programs off the ground. This baseline report provides detailed information about the experience of shared equity programs and the characteristics of applicants. In our follow-up work, we will analyze the types of homes purchased under each program, how buyers financed their homes, and the financial returns the sellers realized.

Introduction

Shared equity is a homeownership model that allows income-eligible families to purchase homes at below-market prices. In return for the subsidized purchase price, the owner's potential capital gains from home resale are restricted. By creating a stock of homes that resell for prices that remain within the reach of lower-income households, shared equity programs can serve a larger number of families for the same amount of subsidy dollars as programs in which families are provided direct grants to purchase their homes and are then allowed to pocket these public subsidies and all of their property's capital gains when they resell.

This report is based upon work supported by the Social Innovation Fund (SIF), program of the Corporation for National and Community Service (CNCS). The Social Innovation Fund combines public and private resources to grow the impact of innovative, community-based solutions that have compelling evidence of improving the lives of people in low-income communities throughout the United States. Capital Impact Partners received a grant from the Social Innovation Fund to establish the Cornerstone Homeownership Innovation Program (CHIP). Capital Impact Partners engaged the Urban Institute (Urban) to perform analyses of the programs funded by the Social Innovation Fund. This effort supports the expansion of shared equity homeownership programs in nine sites located throughout the United States.

To date, there has been little empirical research on shared equity homeownership that evaluates results for homeowners. Most research simply describes the concept in theory or uses formula based projections. Two case studies have measured outcomes from Vermont's Champlain Housing Trust program, and a previous study by the Urban Institute measured outcomes among seven affordable homeownership programs (Davis and Stokes 2009; Temkin, Theodos, and Price 2013).

The shared equity programs funded by CHIP provide homes at below-market prices to families who may otherwise be unable to purchase a home. Examining these programs allows us to study a number of hypotheses. Most importantly, we expect that buyers who purchase shared equity homes will be able to accumulate more wealth and earn a higher rate of return than had they not bought a shared equity home. Because shared equity buyers purchase homes at below-market prices, they have a smaller mortgage payment relative to income, and so we expect they will be less likely to become delinquent on their mortgage. Finally, we hypothesize that shared equity homebuyers purchase homes in better-quality neighborhoods, thereby gaining access to better public and private amenities. We are testing these outcomes through a multiyear research study of CHIP, with final results available in 2016.

This baseline report provides information on the CHIP grant recipients (subgrantees), their individual shared equity program characteristics, the challenges and strategies used to recruit homebuyers, and their stewardship and service offerings for homeowners. We also present descriptive information on program applicants.

Background

Determining ways to create affordable, sustainable housing for low- and moderate-income homebuyers has been a critical policy issue for decades, and in the wake of the foreclosure crisis, this issue has become increasingly pressing. According to the US Census Bureau's 2013 Housing Vacancy Survey, approximately 12 million renters and homeowners are severely cost burdened; that is, they spend half or more of their monthly income on housing (US Census Bureau 2013). When one considers that a family supported by a single minimum wage worker cannot afford the local fair-market rent anywhere in the United States (US Census Bureau 2013), the need for affordable housing supports becomes even clearer.

Homeownership remains out of reach for many families who, despite the recent financial crisis, still want to purchase homes. The homeownership rate in the United States has been declining over the past decade, dropping to 65.1 percent in 2012–13 (US Census Bureau 2013). In many cities, the price of homes relative to income are such that many families are unable to become homeowners, and recent trends show that median prices for existing homes increased in 2012 and 2013 by 10 percent (US Census Bureau 2013); mortgage interest rates, although still relatively low, have also increased from their 2012–13 levels. These recent trends are particularly problematic for millennials, who are putting off purchasing homes due to struggles in the job market after the economic downturn and also due to the rising burden of student debt, which is particularly common among this generation (US Census Bureau 2013).

Homeownership has been widely regarded as a primary tool for households and families to control their housing costs and build wealth. Although rental housing may be a good option for some people, there are disadvantages that come with renting as compared with homeownership—provided owners are able to maintain their tenure.

The most prominently touted advantage of homeownership is financial. In many cities rental prices are continuing to inflate at a rate much faster than wages. Monthly rent payment amounts can escalate over time, but purchasing a home locks in the price of the home while allowing buyers who stay in their homes to benefit from any appreciation in the value of the home. As a result, owning has generally been found to be less expensive than renting.[1]

Further, renting does not provide the savings opportunities of ownership—there are no tax benefits for renters, no savings through paying down one's mortgage. For these reasons, homeownership has been demonstrated to lead to increases in household wealth (Herbert and Belsky 2008; Rappaport

2010). Indeed, home equity accounts for nearly half of nonannuitized net worth for all households upon retirement (Poterba, Venti, and Wise 2013). Of course, with the foreclosure crisis not far in our collective rear-view mirror, it would be naïve to encourage homeownership in policy or practice for those households who are unable to keep their homes. Nevertheless, notwithstanding the recent housing bubble, in a review of homeownership outcomes Mallach (2011, 10) concludes that "looking at long-term trends, over most periods, in most American housing markets, most homeowners generate reasonable, if not always spectacular, long-term gains."

In addition to potential financial benefits accrued by owners, some research suggests that homeownership increases levels of neighborhood stability and that homeowners are more likely to invest in their neighborhoods and community than renters and are less likely to move (DiPasquale and Glaeser 1999; Manturuk, Lindblad, and Quercia 2010). Research has also looked into the effects of homeownership on families and children. Some studies have found a positive relationship between homeownership and child test scores and cognitive ability, wage earnings later in life, the likelihood of a child becoming a homeowner, and a reduced likelihood of teenage pregnancy (Green and White 1997; Haurin, Parcel, and Haurin 2002). However, other studies looking into the effects of homeownership on children find that once one controls for selection and other factors, the positive effects of homeownership on children are no longer significant (Barker and Miller 2009; Holupka and Newman 2012).

Shared Equity Homeownership

Shared equity homeownership, sometimes called long-term affordable homeownership, represents a small, innovative segment of the current housing market. Because such programs recycle subsidies over time, they can cost-effectively promote homeownership for low- and moderate-income homebuyers who would otherwise be unable to afford market-rate homes. This homeownership model is administered by nonprofit or municipal housing programs making homes more affordable for first-time buyers. Such buyers may have poor loan or credit history or lack the necessary down payment or monthly income to afford a market-rate home.

Shared equity programs provide homebuyers with a way of bridging the gap between what they are able to afford to pay in a mortgage and the actual market cost to own a property. The market cost of the home is shared between the buyer and the entity administering the shared equity program or city, and the program keeps a share of the equity. When the buyer later sells the house, the buyer is able to

access a share of the profits, but the house will remain affordable to other low-income homebuyers and benefit the subsequent owners. Shared equity is a broad designation that includes the following types of programs:

- **Deed restrictions**, also called deed covenants, are restrictions that are written into the deed that conveys a property. These restrictions are able to bind subsequent as well as current owners (Abromowitz and White 2006). An example of an approach that often employs deed-restricted mortgages are inclusionary zoning programs, which require new developments to allocate a set share of units produced as affordable.
- **Community land trusts** (CLTs) are private, nonprofit organizations with a commitment to providing affordable housing. They own land in a given community and lease the land to homeowners who own the units on their land (Davis 2006).
- **Limited equity cooperatives** are typically multihousehold developments in which occupants purchase shares in the cooperative rather than the units outright. The prices for the shares are determined by the cooperative's bylaws and can be structured to include affordability restrictions (Davis 2006).

Although each of these shared equity models is unique in its structure, they all share the same goal of providing homeownership options to low- and middle-income communities with mechanisms in place to preserve the affordability of these homes over time. Research into shared equity programs is limited, but the results so far have been promising. A 2013 study of seven programs found that shared equity homebuyers earned returns that were competitive while complying with long-term affordability restrictions. Even as the homes were resold, they remained affordable to low-income homebuyers. Shared equity homebuyers also had low delinquency and foreclosure rates, and those who moved did so at rates near the national average, using the sales proceeds to purchase market-rate homes (Temkin, Theodos, and Price 2013). A 2009 performance evaluation of a shared equity program in Burlington, VT, found that this program was an effective asset-building strategy for lower-income households and that these buyers had lower foreclosure rates and were able to sustain homeownership over a long period of time when compared to buyers of unrestricted market-rate homes (Jacobus and Davis 2010).

The Cornerstone Homeownership Innovation Program

In 2010 Capital Impact Partners created the Cornerstone Partnership, which seeks to build capacity within housing programs and facilitate peer learning by hosting webinars and trainings and developing program resources and tools. Cornerstone works within the housing sector in four principal ways:

- Cornerstone's focus is on affordable homeownership. It brings together community-based organizations, such as CLTs, limited equity co-ops, and deed-restricted housing programs with local governments and other stakeholders to expand homeownership access for low- and moderate-income households.
- As a Social Innovation Fund grantee, Cornerstone works with the nine subgrantees in this study, helping to grow their capacity and bring to scale best practices across the industry.
- Cornerstone developed and launched a national shared-measurement data system called HomeKeeper with the goal of helping staff better manage their programs, serve their clients, and communicate their impact to policymakers, funders, and other stakeholders.
- Finally, Cornerstone supports a national effort to expand local inclusionary housing policies to maintain inclusive communities in rapidly appreciating real estate markets.

The goal of the Cornerstone Partnership is to show that affordable homeownership programs can provide homeowners with opportunities to build wealth while preserving the homes' affordability for future homeowners. To this end, the Cornerstone Partnership has developed six Stewardship Principles, a set of high-level guidelines for implementing effective affordable homeownership programs[2]

- Impact driven: Set and track goals that track community priorities;
- Targeted: Focus on buyers who need help but are likely to succeed;
- Balanced: Build wealth for owners while preserving the community interest;
- Managed: Steward the public investment to ensure long-term benefit;
- Safe: Ensure sound mortgage financing; and
- Understandable: Educate buyers on program requirements.

With the support of the Social Innovation Fund and the Ford Foundation, the Cornerstone Partnership established CHIP in 2011. CHIP was designed to identify and support a set of leading nonprofit stewards of affordable homeownership units by providing them with resources to help them build their organizational capacity and thereby support the expansion of shared equity homeownership. A twin goal advanced by the Cornerstone Partnership was to use the CHIP subgrantees to help build the evidence base for shared equity homeownership programs over time.

In all, 46 organizations applied for a CHIP grant. To be selected for CHIP, programs either had experience operating an existing program or a successful track record of operating other programs that have similar levels of challenges as those associated with shared equity programs. Larger applicants could apply for support in expanding their portfolios in terms of geography or partners. New or smaller applicants could seek funding based on successfully operating other programs (e.g., housing development, counseling, or asset-building programs) that showed their capacity to implement a new type of housing program—all with the goal of undertaking a shared equity program.

When selecting programs to participate in CHIP, Cornerstone placed a strong emphasis on nonprofits with a growing portfolio of long-term affordable homes (100 or more) and programs that provide stewardship services to homeowners pre- and postpurchase. They developed a set of baseline eligibility criteria for CHIP that required applicants to (1) be classified as nonprofit organizations, (2) provide stewardship services to homeowners, (3) serve predominantly low-income homebuyers, (4) have a commitment to outcomes tracking and a willingness to participate in the evaluation component, and (5) meet a 1:1 matching funds requirement (Capital Impact Partners 2011).

Applicants were vetted and scored by an advisory committee of CHIP staff, funders, and housing experts. At least two reviewers scored each applicant in terms of their adherence to program objectives and goals, financial and management capacity, use of evidence and level of evaluation capacity, and whether they were in a target geographic region. After all the applications were scored, a set of finalists was identified and asked to undergo a comprehensive assessment. The comprehensive assessment was a multistage process that allowed each finalist and CHIP staff to get to know one another better and assess whether the program would be a good fit for CHIP funding (Capital Impact Partners 2011). The committee ultimately selected 10 applicants to participate in CHIP. One original subgrantee, a consortium led by the Community Asset Preservation Corporation in Newark, NJ, exited CHIP prior to the end of the data collection period and therefore is not included in the research study. Another original subgrantee, HomeBricks, an affiliate of BRIDGE Housing, exited CHIP in October 2012 and was replaced by its strategic partner Hello Housing, which assumed their shared equity portfolio in January

2013. Another subgrantee, based in South Florida, is a consortium of a handful of shared equity providers.

Research Approach

The current study will attempt to estimate the impacts of nine CHIP shared equity homeownership programs on homebuyers. To so do, we will rely on intake surveys, program administrative data, interviews with program staff, credit bureau records, and an outcome survey of all program applicants. Some applicants to these programs will elect (or be able to) purchase a home through the program; others will not. We will compare buyers who ultimately purchased a shared equity home through the program with nonbuyers who were considering a shared equity home through the program but ultimately did not purchase.

Between the start of data collection in summer 2012 and the conclusion of the study enrollment period in summer 2014, the subgrantees received 694 applications. As of July 2014, 211 of these applicants had purchased a shared equity home. We expect more applicants will have purchased homes after July 2014. We will use information on both buyers and nonbuyers of shared equity homes to inform the following key research questions:

- Do program buyers access homes that are more affordable than a comparable group of program nonbuyers?
- Do program buyers have higher asset holdings than comparable program nonbuyers?
- Are program buyers less likely to experience a default or foreclosure than buyers who purchase homes outside of the program?
- Is program participation a transitional step toward market-rate homeownership?
- Do program participants have improved access to quality neighborhoods, schools, services, and amenities relative to nonparticipants?

Data

Application Data

Subgrantees provided detailed information about program applicants. Study enrollment ran from mid-2012 through mid-2014. To be considered an applicant, a potential homebuyer had to approach the subgrantee and express an interest in purchasing a shared equity home, complete the program's required intake form, and comport with any program eligibility criteria (e.g., relating to household income). Program staff then informed potential buyers about the research study and asked them to sign an informed consent form indicating their willingness to participate in the evaluation. (Buyers unwilling to participate in the research study were still welcome to pursue a home through the subgrantee; this report does not contain information on those individuals.)

Study participants completed one or more intake forms. The number and format of the intake forms varied across the subgrantees. Some grantees collected the information online, others with paper applications. Some augmented their intake form, collecting with one form all the information needed by the program and the research study. Other programs provided applicants separate forms for the program and evaluation information.

Regardless of the format, subgrantees collected information about applicants' demographic and financial characteristics; their current housing expenses; credit history; current living expenses and arrangements; and their reasons for wanting to own a home. Applicants also provided identifying information that will be used by researchers to locate applicants when fielding the outcome survey and also to pull credit reports.

Subgrantees entered the intake data from completed applications into HomeKeeper, a web-based Saleforce.com application created by Cornerstone in partnership with affordable homeownership programs with long-term affordability restrictions. HomeKeeper is designed to support the day-to-day workflow of a housing program administrator, but it also collects performance data that are forwarded to the HomeKeeper National Data Hub, which aggregates the data and generates performance reports. HomeKeeper allows reporting and management of grants, loans, property, and applicant and buyer information from initial inquiry through the resale of homes. HomeKeeper enables staff at these programs to generate their own data reports and provides them with individualized Social Impact Reports that show their performance as a program, as well as in comparison to their peer groups (by

region, affordability restriction, and so on). HomeKeeper is used by all nine CHIP subgrantees analyzed in this study.

The nine subgrantees reported information for 694 applicants, of whom 211 (30 percent) had purchased a shared equity home as of July 15, 2014 (table 1). (Applicants who have not yet purchased a home through the program still may do so.) Later in this report, we present key descriptive characteristics of all applicants and compare selected characteristics of applicants who purchased a shared equity home to applicants who did not. (The South Florida groups are supported by one Cornerstone grant and are working together with the assistance of the Housing Leadership Council of Palm Beach County.)

Interview Data

In addition to the data collected and reported by each subgrantee through the HomeKeeper system, the research team conducted interviews to document program design, note the challenges and successes of study implementation, and contextualize these programs within their communities. The research team conducted key informant interviews with an executive staff member and program administrator at each of the nine sites. For four sites (City First Homes in Washington, DC; the South Florida consortium; HomeBase in Austin, TX; and Long Island Housing Partnership in Hauppauge, NY) these interviews were in person; interviews at the remaining five sites were by telephone.

TABLE 1

Applicants and Shared Equity Sales by Site

Subgrantee	Organization headquarters	No. of applicants (in study)	No. of applicants who purchased shared equity homes	Applicants who purchased shared equity homes (%)
HomeBase	Austin, TX	112	28	25
Hello Housing	Bay Area (San Francisco, CA)	25	19	76
Champlain Housing Trust	Burlington, VT	136	54	40
Long Island Housing Partnership	Long Island (Hauppauge, NY)	52	17	33
The Housing Fund	Nashville, TN	29	15	52
Mountainlands Community Housing Trust	Park City, UT	68	13	19
Homestead Community Land Trust	Seattle, WA	102	32	31
Community Land Trust of Palm Beach County	South Florida (Lake Worth, FL)	120	11	9
Delray Beach Community Land Trust	South Florida (Delray Beach, FL)			
Heartfelt Florida Housing of South Palm Beach County Community Land Trust	South Florida (Delray Beach, FL)			
Housing Partnership Inc.[a]	South Florida (Riviera Beach, FL)			
South Florida Community Land Trust	South Florida (Fort Lauderdale, FL)			
City First Homes	Washington, DC	50	22	44
Total		694	211	30

[a] Housing Partnership Inc. was a member of the South Florida consortium during application but discontinued shared equity operations during the enrollment period, and as a result is not included in the other tables.

We conducted 20 interviews in the spring and summer of 2013, typically lasting 60 to 90 minutes each. For each of the subgrantees we sought to conduct two interviews: one with the executive director of the organization (or someone in a high-level executive role), and one with a program manager, client coordinator, or another more "front line" staff member. The goal was to provide multiple perspectives on the subgrantees' operations. The executive-level staff interviews focused on the big picture of the

organization, finances, and history, and the program manager interviews focused on what happens on the ground with regard to how the shared equity programs are administered. In most instances, we interviewed staff separately, but in a few instances, staff were interviewed together. For the South Florida consortium, we conducted four interviews.

Our interview guides focused on six key areas:

- **Program model**—The type of shared equity program, the organization mission, roles of staff and number of FTEs (full-time equivalents), the economic sustainability of the program and its various funding sources, the legal mechanisms for continued affordability, resale policies such as the amount of appreciation that a reseller is allowed to realize, and capital improvement policies;
- **Portfolio**—The size and various types of shared equity homes in the program's housing portfolio and the home acquisition process for the program, including how they decide which homes to bring into the portfolio, which neighborhoods to target, and what challenges they face when acquiring homes;
- **Mortgage financing**—The mortgage financing process, how programs identify partner lenders, what mortgage products and subsidies are available, what challenges to lending exist in their regions, and what policy changes need to happen to facilitate access to shared equity homes;
- **Client characteristics**—Client demographics such as average homebuyer age, race, and education level; client income; geographic locations; quality of homeowners' previous neighborhoods; household types; and first-time homebuyer status;
- **Supportive services**—Prepurchase supportive services, resale supportive services, and homeowner supportive services (e.g., foreclosure prevention, social services, and employment services); and
- **Child outcomes**—The effects of shared equity homeownership on children and their health and well-being through neighborhood and community effects, as well as education effects.

All interviews were transcribed. These transcriptions are the basis of the qualitative analysis in this report. We analyzed the transcriptions using NVivo10, searching for program characteristics, themes, and trends across various sites and to obtain a clear picture of the challenges and successes that programs experience when expanding a shared equity program.

Secondary Data

We incorporated demographic data on neighborhoods from the American Community Survey (2008–12) and home price data from the Federal Housing Finance Agency's House Price Index and the National Association of Realtors in our analyses. We accessed demographic and free/reduced price lunch data on schools from the Common Core State Standards Initiative. We accessed school test score performance data from the following state boards of education: California Department of Education (http://caaspp.cde.ca.gov/), District of Columbia Office of the State Superintendent of Education (http://osse.dc.gov/service/dc-cas), Florida Department of Education (http://fcat.fldoe.org/mediapacket/2008/default.asp), New York State Department of Education Information Reporting Services (http://www.p12.nysed.gov/irs/pressRelease/20140814/home.html), Utah State Office of Education (http://www.schools.utah.gov/data/Reports/Assessment.aspx), Vermont Agency of Education (http://education.vermont.gov/assessment/data#state), and Washington State Office of Superintendent of Public Instruction (http://reportcard.ospi.k12.wa.us/DataDownload.aspx).

Shared Equity Program Models

In this section we describe the key elements of the shared equity models implemented by the nine subgrantees included in the study. (Recall that the South Florida subgrantee is actually a consortium of four [originally five] organizations; for simplicity we refer to them as one subgrantee.) The information used in this section comes largely from interviews with key personnel employed by the subgrantees that we supplemented with publicly available data on each organization's website and, in some cases, financial data provided by the subgrantees.

Table 2 summarizes key subgrantee characteristics: location, mission statement, year that its shared equity program started, and number of shared equity homes either in the organization's portfolio or managed by the subgrantee.

The oldest shared equity program (about 30 years old) among the subgrantees is operated by Champlain Housing Trust. Three organizations—Long Island Housing Partnership, Mountainlands Community Housing Trust (Mountainlands), and Homestead Community Land Trust (Homestead)—started their respective shared equity programs in the late 1980s through the early 1990s. The HomeBase and Hello Housing shared equity programs are relatively newer, as their programs started within the past 10 years. Hello Housing began developing for-sale homes in 2009 and launched its program Hello Stewardship (which manages shared equity homes) in 2012. The Housing Fund and City First Homes (City First) started their shared equity programs quite recently, in 2010. The South Florida groups started their individual programs between 1986 and 2006, though most of them started in the 2000s.

TABLE 2

Summary of Key Subgrantee Characteristics at Time of Selection

Location (subgrantee)	Geographic footprint	Mission statement	Organization founding year	Portfolio size
Austin (HomeBase)	The City of Austin and Travis County; also provides services through greater Texas	"HomeBase provides working families with affordable homeownership and asset-building opportunities. We preserve housing affordability for future generations while offering today's home buyers the opportunity to build wealth in stable, mixed-income neighborhoods. We achieve this balance through the shared equity housing model by selling homes at below-market prices to income-eligible buyers, and limiting the resale price that these homeowners can charge when they later decide to sell."	HomeBase founded in 2008; Habitat program founded in 1986	650
Bay Area (Hello Housing)	The greater Bay Area including Alameda, Contra Costa, Marin, and San Mateo Counties	"Hello Housing develops and preserves affordable housing for traditionally underserved communities in the greater Bay Area. We are skilled at co-creating innovative housing programs with government partners and their constituencies. By offering a variety of housing development, management and administration services, Hello Housing helps local governments achieve their goals by deploying scarce affordable housing dollars in a timely, cost-effective and responsible manner."	2005	540 units (includes BMR units managed for Novato, Alameda, Concord, and Menlo Park)
Burlington (Champlain Housing Trust)	Chittenden, Franklin, and Grand Isle Counties	"The Champlain Housing Trust, founded in 1984, is the largest community land trust in the country. Throughout Chittenden, Franklin and Grand Isle counties, it manages 1,800 apartments, stewards over 520 owner-occupied homes in its signature shared-equity program, offers homebuyer education and financial fitness counseling, provides services to five housing cooperatives, and offers affordable energy efficiency and rehab loans."	1984	520
Long Island (Long Island Housing Partnership)	Nassau and Suffolk Counties	"Long Island Housing Partnership, Inc. was created to address the need for and to provide affordable housing opportunities on Long Island for those who are unable to afford homes, through development, technical assistance, mortgage counseling, homebuyer education and lending programs. Technical assistance is provided to private developers, municipalities and other not-for-profits who are providing affordable housing on Long Island."	1989	In total, over 1,250 deed-restricted homes (restrictions of various lengths of time)

TABLE 2 CONTINUED

Location (subgrantee)	Geographic footprint	Mission statement	Organization founding year	Portfolio size
Nashville (Housing Fund)	Middle Tennessee	"Housing Fund, Inc. is a private, 501(c)(3) organization established to finance affordable housing and neighborhood revitalization projects throughout Middle Tennessee, including Montgomery County. The organization provides first-time homebuyers with down payment assistance loans and offers offering loans to assist individuals and organizations to purchase, rehabilitate, or construct homes for low and moderate income families."	2010	20
Park City (Mountainlands)	Summit and Wasatch Counties	"Mountainlands is a 501(c)(3) non-profit corporation. Founded in 1993, Mountainlands is based on the belief that a safe affordable home is often a family's first step toward economic self-sufficiency. Mountainlands addresses the dual problems of housing affordability and availability on three fronts: acquisition and new construction of affordable housing, direct assistance in securing housing and needed basic services, and education and advocacy to promote housing policy."	1993	154 (includes units managed on behalf of Summit County)
Seattle (Homestead)	The City of Seattle and King County	"Homestead Community Land Trust empowers individuals, stabilizes families and strengthens neighborhoods by creating and preserving affordable homeownership opportunities for modest-income homebuyers in the Seattle area."	1992 (provided first subsidy in 2002)	183
South Florida (Community Land Trust of Palm Beach County)	Palm Beach County	"The Community Land Trust of Palm Beach County, Inc. is a countywide housing non-profit organization created for the purpose of providing permanently affordable housing opportunities for residents of Palm Beach County."	2008	28
South Florida (Delray Beach Community Land Trust)	City of Delray Beach	The Delray Beach Community Land Trust (DBCLT) is a citywide nonprofit organization created for the purpose of providing permanently affordable housing opportunities for residents of Delray Beach. The mission of the DBCLT is to "foster healthy communities through the creation, stabilization and preservation of quality affordable housing."	2006	56
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)	Palm Beach County	"Heartfelt Florida Housing of South Palm Beach County Community Land Trust is a nonprofit, 501(c)(3) organization that works to provide affordable homeownership opportunities for families in the cities of Boynton Beach, Delray Beach, and Boca Raton, Florida."	2010	20

TABLE 2 CONTINUED

Location (subgrantee)	Geographic footprint	Mission statement	Organization founding year	Portfolio size
South Florida (South Florida Community Land Trust)	Broward County	"To provide and preserve quality, sustainable, affordable housing for underserved populations in South Florida."	2006	8
Washington, DC (City First Homes)	Washington, DC	"City First Homes is a nonprofit that creates and preserves quality affordable housing for generations."	2010	218

Note: BMR = below market rate.

Not surprisingly, each organization's mission statement emphasizes the production and/or promotion of affordable housing. In addition to developing affordable housing, subgrantees also provide down payment assistance to owners (HomeBase, Housing Fund, Hello Housing); technical assistance to third-party organizations interested in developing affordable housing (Long Island Housing Partnership); and advocacy regarding affordable housing issues (Champlain Housing Trust and Mountainlands).

All the subgrantees finance, develop, or rehabilitate units that are included in their shared equity portfolios. In addition, four subgrantees (HomeBase, Hello Housing, Long Island Housing Partnership, and Mountainlands) manage shared equity units on behalf of third parties. HomeBase manages homes in its shared equity portfolio and manages units as a subsidiary for the local Habitat for Humanity affiliate in Austin, in addition to managing shared equity units for the Mueller Foundation. Hello Housing manages shared equity units developed in four Northern California communities, and Mountainlands manages shared equity units developed under Summit County's inclusionary zoning requirements. The Long Island Housing Partnership manages shared equity homes for local municipalities on Long Island.

CHIP funding offered the opportunity for organizations to either implement or expand shared equity housing programs. Seven of the nine organizations indicated they applied for a grant to expand their capacity to manage a shared equity program or increase the organization's existing shared equity program's coverage area. In the case of the South Florida consortium, the motivation was to create better coordination among local CLTs. The Housing Fund in Nashville applied for CHIP funding to provide additional support to its shared equity program, which was starting around the time CHIP funds were made available. In addition to expanding capacity, three subgrantees indicated that HomeKeeper, a data system that allows subgrantees to collect and analyze data in a standard and systematic manner,

was an important factor in deciding to apply for a grant, as the software allows subgrantees to track program outcomes and organize reports for fundraising activities.

Most of the subgrantees were able to provide information on the size of their organization (FTEs and operating budgets) and the shared equity program itself. Some of the organizations are quite small: the Delray Beach Community Land Trust reported three FTEs, and Hello Housing and Mountainlands have eight and six FTEs, respectively. On the other end of the spectrum, Champlain Housing Trust, with a reported 75 FTEs, is the largest organization, followed by HomeBase with 34 FTEs. In general the shared equity programs are operated by a relatively small number of people: between four and nine FTEs with an operating budget that varies between $250,000 and $750,000. These operating budgets are mostly administrative and do not include the funding required to subsidize the shared equity units at their below-market sales prices. These figures are summarized in table 3.

Shared equity programs typically ensure long-term affordability through establishing a land trust, placing deed restrictions on properties, or through creating a limited equity cooperative. None of the programs in this study are limited equity cooperatives, though some subgrantees may develop and steward limited equity cooperative units or, as is the case with City First, provide technical assistance to limited equity cooperatives. Four subgrantees (Champlain Housing Trust, the South Florida consortium, Mountainlands, and Homestead) use a CLT model. The remaining five (HomeBase, City First, Long Island Housing Partnership, Housing Fund, and Hello Housing) operate deed-restricted programs.

In some cases the subgrantees opted for the land trust model because they believed that it was easier to ensure long-term affordability when compared to a deed restriction due to potential loopholes in deed restrictions that can allow homes to be resold at prices that are not affordable to target clients. One of the subgrantees (Housing Fund) indicated that it operates a deed-restricted program because local lenders are not familiar with land trusts and so would be hesitant to participate in such a model.

TABLE 3

Summary of Subgrantee Organizational Size and Shared Equity Models

Location (subgrantee)	Motivation for CHIP application	Organization FTEs and operating budget	Shared equity FTEs and operating budget	Shared equity model	Sustainable shared equity program costs[a] (yes/no)
Austin (HomeBase)	To acquire and use HomeKeeper to track clients and sales	4 FTEs; operating budget not provided	Not provided	Uses both CLT and Deed restriction depending on the development	Yes
Bay Area (Hello Housing)	To increase the scale of their program through the adoption of HomeKeeper and the learning of best practices from the shared equity community	8 FTEs; $800K	3.5 FTEs; $350K	Deed restriction	No. The program's primary source of funds is fees for service from municipalities and market-rate developers. These fees do not fully cover program costs and must be backfilled by developer fees and grants.
Burlington (Champlain Housing Trust)	To do more work on taking shared equity programs to scale in Vermont by increasing production	75 FTEs; $1.2M	4 FTEs; $400K	CLT	Yes. The shared equity program funds itself largely on fees.
Long Island (Long Island Housing Partnership)	To be able to collect data in a standard and systematic manner that will capture information on homes located across multiple counties and jurisdictions	28 FTEs; $1.5M	Not provided	Deed restriction	Yes. However the program relies on grants to finance a portion of operating costs.
Nashville (Housing Fund)	To be able to implement long-term affordable units	10.4 FTEs; $1.2M	3.5 FTEs; operating budget not provided	Deed restriction	No. The program is below the portfolio size needed to be sustainable.
Park City (Mountainlands)	To be able to expand capacity and implement industry best practices. A new local ordinance requiring inclusionary zoning also offered a larger potential number of units to manage.	6 FTEs; $750K	3 FTEs; $250K	CLT (switched from deed restriction in 2009)	No. The program uses fees to cover costs for the deed restricted homes managed for the county, but new construction stewardship costs are not covered by fees.

TABLE 3 CONTINUED

Location (subgrantee)	Motivation for CHIP application	Organization FTEs and operating budget	Shared equity FTEs and operating budget	Shared equity model	Sustainable shared equity program costs[a] (yes/no)
Seattle (Homestead)	To grow capacity by adding funds to existing multi-year capacity support	8 FTEs; $750k	8 FTEs; $750k	CLT	No. The program is below the portfolio size it needs to be sustainable, and it is continuing to raise funds.
South Florida (Community Land Trust of Palm Beach County)	To build a consortium that would facilitate local CLTs to work together and share resources, such as having a community development financial institution originate mortgages for all area CLT buyers	3 FTEs; $200K	3 FTEs; $200K	CLT	No, not year-to-year.
South Florida (Delray Beach Community Land Trust)		3 FTEs; $630K	3 FTEs; $630K	CLT	No
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)		1 FTE; operating budget not provided	1 FTE; operating budget not provided	CLT	No
South Florida (South Florida Community Land Trust)		2 FTEs; $150K	2 FTEs; $150K	CLT	No
Washington, DC (City First Homes)	To scale up a shared equity program in the District of Columbia and also to be able to improve data collection and reporting through HomeKeeper	7 FTEs; $1.7M	6 FTEs; $900K	Deed restriction	No

[a] Shared equity programs are considered sustainable if they are funded through buyer or municipal fees.

The deed-restricted programs are generally used by subgrantees that may not participate fully in the development process. Long Island Housing Partnership, for example, may place additional subsidies on a property that has already been developed by a local jurisdiction in exchange for additional deed restrictions, such as extending the affordability period. The same is true for City First, which will offer subsidies for developers if they will set aside units as shared equity units. Hello Housing and Mountainlands manage shared equity units on behalf of third parties that already have deed restrictions in place.

One of the most challenging aspects of operating any nonprofit organization is to secure funding sources that are sustainable over time. In this context, we define a shared equity program as sustainable if it is able to fund the costs of program administration through fees charged to buyers or municipalities rather than through grant funding.

In general, representatives of the nine subgrantees estimated that a shared equity program requires 100 to 300 units in its portfolio to generate sufficient revenue to cover annual operating expenses. This number may be a low estimate, as only two programs—HomeBase (650 units) and Champlain Housing Trust (520 units)—report that their shared equity programs are sustainable. Two subgrantees (Hello Housing and Mountainlands) indicated that the fees earned from managing units developed by third parties contributed significantly to organizational sustainability. For Mountainlands, these fees cover costs associated with managing those units, but additional funding is needed to cover expenses to manage properties that the organization has developed itself. Hello Housing indicated that its fee income for managing properties is nearly, but not fully, enough to cover its operating expenses. The remaining five programs are not self-sustaining at this point. Therefore, grants provided by governments and foundations are critical for these programs to continue.

Sources of Homes and Acquisition and Rehabilitation Financing

Any organization operating a shared equity program faces challenges in financing the acquisition of homes to be sold at below-market prices. Table 4 summarizes the sources of homes sold through each subgrantee's program; the financing used to acquire, develop, and/or rehabilitate homes; and the method used to establish the initial sales prices for the shared equity homes.

As table 4 shows, three subgrantees (City First, HomeBase, and Homestead) work with local developers (1) to acquire improved lots that are part of a new subdivision or homes constructed in new

subdivisions or (2) to use its funding for already planned projects to reduce overall development costs for a subset of units in return for creating shared equity units. The sources of funding for these activities vary. HomeBase uses funds provided by the City of Austin through the City's Community Development Block Grant allocation in addition to funds raised by the city through bonds. Homestead has a line of credit with the City of Seattle in addition to a grant received through the recent "robo signing" settlements.

Champlain Housing Trust, Habitat for Humanity South Palm Beach County, and Long Island Housing Partnership develop or rehabilitate their own units by using a mix of funding sources. Champlain Housing Trust uses funding from the state, either property transfer tax revenue through the Vermont Housing and Conservation Board or homeownership tax credits through the Vermont Housing Finance Agency. They also used funds from the Neighborhood Stabilization Program (NSP) to finance some of the up-front activities required to acquire and rehabilitate 30 foreclosed properties. Foreclosed properties are also a source of lower-cost homes: Housing Fund acquired a foreclosed subdivision with 17 lots and seven homes already constructed, and Homestead acquired a foreclosed subdivision and also purchased homes through foreclosure auctions; the same is true for the Community Land Trust of Palm Beach County, which uses NSP funding to purchase real estate–owned (REO) homes.

In addition to acquiring or developing units, four subgrantees (Long Island Housing Partnership, Mountainlands, HomeBase, and Hello Housing) manage shared equity homes on behalf of third parties. Such an approach allows organizations to increase the number of units in their management portfolio without the large investment required to develop or acquire homes.

Also described in table 4 is the process the programs use to decide on homes to bring into their portfolios. This process is of interest for several reasons, one of which is that shared equity programs have the potential to provide buyers with opportunities to move into neighborhoods with better services and amenities than their current neighborhoods or the areas in which families could afford to buy market-rate homes. This outcome is dependent on the location of shared equity homes. Most of the subgrantee representatives said they were opportunistic in identifying properties to sell through their shared equity program, given the availability of REO homes or lots; in some cases the subgrantee received donated homes for which they had no say in the location of the property.

City First Homes, Champlain Housing Trust, and Housing Fund subsidized some homes through a buyer-driven model in which the subgrantee provided funds for a home that was already being purchased: the owner received the subsidy in exchange for agreeing to resale restrictions. Although the

homes that are subsidized through buyer-driven models need to be approved with respect to meeting required quality standards, it appears that the subgrantees generally had little discretion regarding the location of the homes that are included in their programs, beyond broad coverage areas. This lack of control over the location of the homes diminishes the potential for improving the neighborhood conditions for buyers relative to their current location or that of market-rate homes that are affordable without the subsidy. Moreover, NSP funds place restrictions on the areas in which monies can be spent, which places a further constraint on subgrantees' discretion on selecting particular neighborhoods.

The far-right column of table 4 describes the method used by the subgrantees to set initial sales prices for the homes in their portfolio. The initial sales price for a shared equity home requires a trade-off between making a unit affordable while using available subsidy dollars as efficiently as possible. Most of the subgrantees establish the initial sales price for their homes such that it is affordable to buyers with a particular income (usually between 60 and 100 percent of area median income [AMI]) given assumptions regarding down payments, interest rates, and loan terms. Subgrantees also acknowledge that there must be a large enough difference between the price of a shared equity home and a market-rate home to attract potential buyers. Champlain Housing Trust, for example, sets prices at least 20 percent below the appraised market price. City First aims to sell homes for 25 percent below their appraised value. Mountainlands sets prices for its homes so that they are about $100,000 below the market price.

TABLE 4

Summary of Acquisition Strategies

Location (subgrantee)	Sources of homes	Process used for selecting homes	Financing sources for acquisition and rehabilitation	Method to establish initial sales price
Austin (HomeBase)	HomeBase scouts for land though its land acquisition director or real estate director and develops relationships with volume builders who may have available lots for development. The organization then builds homes on acquired land. HomeBase is considering purchasing existing homes, but such purchases are cost prohibitive given Austin's market. (HomeBase is a subsidiary of the Habitat affiliate in Austin, and Habitat homes are not included in its portfolio count.)	HomeBase works with developers to build on lots they acquire, in addition to their Habitat units and those they manage on behalf of the Mueller Foundation. They generally do not acquire and rehabilitate existing homes because they are often in undesirable neighborhoods.	HomeBase uses funds from the Community Development Block Grant of the City of Austin general obligation bond revenues. These funds are used to acquire lots.	For non-Habitat homes, prices are initially set such that they are affordable to families with incomes at 80 percent AMI based on assumptions regarding interest rates for a 30-year mortgage and a front-end ratio of 30 percent.
Bay Area (Hello Housing)	Hello Housing develops homes, sells inclusionary units on behalf of private developers, and manages homes already constructed through inclusionary zoning or other BMR programs in municipalities contracting with Hello Housing.	Hello Housing manages units that are already constructed or are being built through inclusionary zoning. Homes developed by Hello Housing met NSP requirements and were located in census tracts with high foreclosure rates.	Hello Housing's primary funding sources for developing shared equity homes has been NSP.	Hello Housing targets a variety of incomes based on the program guidelines for each program managed, ranging from 50 to 120 percent AMI. Pricing is typically targeted at 10 percent less than the maximum allowed income to ensure a pool of potential buyers.

TABLE 4 CONTINUED

Location (subgrantee)	Sources of homes	Process used for selecting homes	Financing sources for acquisition and rehabilitation	Method to establish initial sales price
Burlington (Champlain Housing Trust)	Champlain Housing Trust builds and develops homes, though in some cases it partners with private developers on construction projects. In addition, the organization will, through its buyer-driven program, place subsidies on a home purchased by a third party. The organization acquires properties through NSP and also manages units constructed through Burlington's inclusionary zoning program.	Champlain Housing Trust decides based on market preferences, and they build or subsidize three-bedroom units because they perform best in their portfolio.	Champlain Housing Trust's only source of up-front funding is NSP. When building developments, they will use other funding sources, such as tax credits.	Champlain Housing Trust receives an as-improved appraised value and then layers subsidies such that the price to the buyer is at least 20 percent below appraised value.
Long Island (Long Island Housing Partnership)	Long Island Housing Partnership's largest source of homes comes from NSP. In addition to organization-developed homes retained in its portfolio, it also manages acquisitions of tax-default properties.	Long Island Housing Partnership has little discretion in acquiring homes. NSP homes are placed for bid, and there is no substantive selection process. Homes are also donated by municipalities, and the organization does not select them.	Long Island Housing Partnership uses a wide range of sources for gap financing such that properties are affordable to buyers with an income of 80 percent AMI. In some cases the funding comes from individual Long Island municipalities and jurisdictions.	Long Island Housing Partnership establishes a price that provides the builder a 10 percent profit for new homes. The organization also layers subsidies such that homes are affordable to buyers with income around 80 percent AMI.
Nashville (Housing Fund)	Housing Fund used NSP-2 for acquisition and building on 17 lots located in a foreclosed suburban subdivision. Housing Fund's town homes were located on vacant land. In addition, it acquired existing homes, two of which were buyer driven. For bank-held town homes, Housing Fund just provided subsidy.	Housing Fund looks at NSP-eligible places and then considers marketability.	Housing Fund's main source of funding for acquisition and development is NSP-2. They used $250K for a buyer-driven model. They also use community development financial institution award funding, with no NSP restrictions for certain areas.	Housing Fund begins their pricing process with an appraisal. The sales price is equal to the market rate. The loan note rolls over to the next buyer.

TABLE 4 CONTINUED

Location (subgrantee)	Sources of homes	Process used for selecting homes	Financing sources for acquisition and rehabilitation	Method to establish initial sales price
Park City (Mountainlands)	Mountainlands manages deed-restricted homes on behalf of the county. In addition, Mountainlands buys lots for lease-to-own homes. Some new units will be acquired through contract and some may be deed restricted.	Mountainlands has little discretion as 70 percent of homes are managed by Mountainlands via contracts. The remaining 30 percent are developed by Mountainlands and are typically acquired through improved lots donated by developers.	CROWN, Mountainlands's homeownership program, uses low-income housing tax credits to build single-family homes that are conveyed to the renter after 15 years, but this program represents a small portion of its overall production because it is difficult to get financing. Some developers are developing town home projects in which 20 percent of the homes have to be affordable and can be set aside for shared equity. For newly developed units, the program gets a construction loan and sells for cost. Their biggest expense is land. Donated lots are a source of subsidy. Inclusionary zoning is a density bonus, allowing them more units at no cost to them.	Mountainlands's target is to sell homes for prices $100,000 below market. Achieving this target is facilitated by land donations, and improvements are sold at cost.
Seattle (Homestead)	Homestead teamed up with two developers to bring in two entire developments. One was a distressed builder that Homestead partnered with for 30 units; the second was a nonprofit developer with 15 units. Homestead has also purchased two foreclosed complexes/subdivisions. The organization's biggest source of rehabilitation homes has been through the National Community Stabilization Trust.	Homestead partnered four years ago with developers who could not sell units, which resulted in a 30-unit townhome project. Homestead is also currently purchasing 29 foreclosed homes, which is the last project left in Seattle that could be purchased. Going forward, Homestead will do smaller-scale infill development and incentive zoning to get condo units in the pipeline.	Homestead has a $1M line of credit with the City of Seattle at 3 percent interest. They received a $1M grant from the Attorney General settlement (robo signing), and their goal is to use those funds to acquire and/or rehabilitate 30 homes. They received a grant from Wells Fargo to pay for repair loans. Seattle has a housing levy, and monies are made available from the city at $50,000 per house. Some local banks are also supporters.	Homestead target prices are established by unit size. Three- and four-bedroom units are desirable targets because they can house growing families. Homestead works backward from target prices and sets prices to be affordable to buyers with between 60 and 80 percent AMI. Homestead's biggest consideration is interest rates; staff assume a 6 percent interest rate so that it can be affordable in the future.

TABLE 4 CONTINUED

Location (subgrantee)	Sources of homes	Process used for selecting homes	Financing sources for acquisition and rehabilitation	Method to establish initial sales price
South Florida (Community Land Trust of Palm Beach County)	CLT of Palm Beach County uses NSP financing to purchase never-occupied and REO homes.	CLT of Palm Beach County's intent was to purchase homes in more desirable neighborhoods, but NSP-2 funds were required to be used for the county's urban redevelopment area.	Funds are received through NSP.	Not provided
South Florida (Delray Beach Community Land Trust)	Delray Beach CLT develops donated land from the Delray Beach Community Redevelopment Agency and private parties in Delray Beach for very low, low-, and moderate-income households. Delray Beach CLT is also responsible for the disposition of NSP properties acquired by the City of Delray Beach.	Not provided	Unoccupied land and existing homes were donated by the city and the Delray Beach Community Redevelopment Agency.	Delray Beach CLT partners with contractors who fund construction, and the buyer pays the construction cost (i.e., the buyer pays for improvements but not for land).
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)	Heartfelt Florida Housing of South Palm Beach County CLT acquires land and partners with Habitat for Humanity of South Palm Beach County to build homes using volunteer labor, contractors, and materials that are donated or purchased locally.	Heartfelt Florida Housing of South Palm Beach County CLT looks for land and tries to negotiate with the city and county to acquire it at little cost.	Not provided	Home prices are set based on buyer's need and ability to pay. Buyers are required to contribute a minimum number of sweat equity hours.
South Florida (South Florida Community Land Trust)	South Florida CLT has used NSP funds to acquire foreclosed homes in need of renovation.	They look for homes available for purchase easily through NSP that would add value to the community.	NSP funding is leveraged with local funding from Broward County. They receive funds through a Community Development Block Grant, State Housing Trust Funds, and HOME to develop or rehabilitate single-family homes. They also have received land and house donations from Palm Beach County.	Prices for redeveloped homes are set as the as-built value minus the land value. Prices for newly constructed homes are set at total development costs minus the costs of the land. In both scenarios, additional subsidy is available based on need and ability to pay.

TABLE 4 CONTINUED

Location (subgrantee)	Sources of homes	Process used for selecting homes	Financing sources for acquisition and rehabilitation	Method to establish initial sales price
Washington, DC (City First Homes)	City First sometimes works with developers and adds its own funds to create permanently affordable units. In this manner it is able to leverage existing monies on projects. In other cases renters in a multifamily building are interested in converting to a co-op, and City First provides capital and technical assistance to create shared equity units.	City First Homes looks for transit-oriented sites throughout all wards of the city with the goal of achieving a diverse set of property locations.	City First uses funds from the DC Housing Trust ($4.5M of the original $10M). It also works through City First Enterprises (outside of the program) to generate production. The City First Enterprise funding is provided by the fund capitalized by an investor.	Homes are priced to be attractive despite appreciation restrictions. The target price should be affordable to families below 120 percent AMI, ideally between 50 to 80 percent AMI, with a price of about 25 percent below market. Initially the program provided a $75,000 second mortgage that reduced the effective price by that amount, but that buyer-driven strategy turned out to be too inflexible.

Note: BMR = below market rate.

Marketing to Potential Buyers and Prepurchase Counseling

Shared equity as an approach for providing affordable housing is unfamiliar to potential buyers and also some real estate market participants. To alleviate this problem, many subgrantees work with local realtors and developers to foster familiarity with shared equity programs and create a valuable source of referrals. Some subgrantees hold periodic meetings with local real estate professionals to ensure that key market participants are aware of shared equity buying opportunities. In addition to working directly with local realtors and developers, subgrantees maintain websites and use social media to advertise their programs. Some of the subgrantees also receive word-of-mouth referrals as community members spread news of their programs.

Subgrantees reported that it is generally not difficult to market the shared equity concept to potential buyers, particularly when the homes are priced with a large discount from their market price. Rather, subgrantee representatives report, the challenge is that many potential shared equity homebuyers are unable to qualify for mortgages because of low credit scores. The median credit score at origination for conventional loans in September 2014 was 749. The 10th percentile for FICO scores (representing the lower bound) for originated conventional loans was 662 in the same period (Urban Institute 2014). Subgrantee representatives indicated that many of their potential clients are unable to meet lenders' creditworthiness standards.

Given lenders' underwriting standards (and given that many shared equity buyers are first-time homeowners), all but one of the subgrantees require that shared equity buyers complete a prepurchase homebuyer counseling program. In addition to the standard curriculum used in such classes, attendees learn about the particular parameters (e.g., allowable appreciation, policies regarding capital improvements) of each subgrantee's program. In most cases the subgrantees offer the classes; the remaining subgrantees refer clients to counseling organizations approved by the US Department of Housing and Urban Development (HUD).

For each subgrantee, table five describes the recruitment approach, organizational challenges in recruiting buyers, and prepurchase services provided to homebuyers.

TABLE 5

Summary of Subgrantees' Homebuyer Recruiting Strategies

Location (subgrantee)	Techniques for recruiting homebuyers	Restricted to first-time homeowners (yes/no)	Challenges in recruiting homebuyers	Prepurchase services provided to homebuyers
Austin (HomeBase)	HomeBase markets available developments to realtors through "lunch and learn" information sessions. They also perform outreach through neighborhood organizations, particularly churches.	No	HomeBase's main challenge is getting builders to produce product in the first place, because profit margins are perceived to be too thin. Among buyers HomeBase has to overcome the perception that the homes may not have desired amenities. To address this issue, they constructed a model for initial products, and for their Westgate development, they designed 3D computer images that offer potential buyers a preview of the homes.	All buyers must participate in a one-on-one session that covers shared equity homeownership. Buyers must also take a class that uses NeighborWorks's prepurchase curriculum.
Bay Area (Hello Housing)	Hello Housing established HomeHub.org as a portal to market NSP-funded homes. In some programs, Hello Housing enlists a realtor to list homes on the MLS. In other programs, Hello Housing markets the shared equity concept to develop a waitlist, then holds lotteries as units are available.	No, but most shared equity buyers are first-time buyers.	Hello Housing does not have significant challenges in recruiting homebuyers because they manage homes in an expensive and high-demand market.	Hello Housing offers workshops that explain shared equity. In most programs, a 4- to 8-hour class by a HUD-certified counseling agency is required prior to purchase. The organization will refer potential owners to counseling agencies if they are not purchase ready.
Burlington (Champlain Housing Trust)	Champlain Housing Trust advertises in local papers, a strategy they have used for 27 years. The program has sizable word-of-mouth referrals. People also come into their program when they take a NeighborWorks prepurchase education class offered by Champlain Housing Trust.	No, but the majority (around 60 percent) of shared equity buyers are first-time buyers.	Champlain Housing Trust faces no material challenges in recruiting potential buyers. When the market declined, there was less overall interest in homeownership, so the organization stepped up marketing and networking activities.	Champlain Housing Trust provides prepurchase counseling and requires all buyers to participate.

TABLE 5 CONTINUED

Location (subgrantee)	Techniques for recruiting homebuyers	Restricted to first-time homeowners (yes/no)	Challenges in recruiting homebuyers	Prepurchase services provided to homebuyers
Long Island (Long Island Housing Partnership)	Long Island Housing Partnership prepares a marketing plan when starting a new development. In addition, it conducts outreach seminars when starting a new program.	Yes, the program is restricted to first-time buyers with the exception of their employer-assisted housing program.	When home prices were rising there were fewer challenges. The biggest challenge after the crash was that shared equity homes were not selling for a large enough discount (from $20,000 to $30,000) from market prices to attract potential buyers.	Long Island Housing Partnership requires all buyers to attend mortgage counseling. They also offer a down payment assistance program and a matched savings program in partnership with local banks (Astoria, M&T, and HSBC).
Nashville (Housing Fund)	Because funding is through NSP-2, Housing Fund had three years to spend these funds. To reach this deadline, it established development agreements to acquire and develop units. These units are marketed by realtors. Realtors are educated about shared equity concepts. Housing Fund has also been doing outreach to facilitate a buyer-driven model.	No, but most shared equity buyers are first-time buyers.	Housing Fund's biggest challenge is getting owners to qualify for mortgages given creditworthiness requirements.	Housing Fund works with the buyers throughout the process, including helping the buyer work with the lender and escrow and real estate agent. In addition, all buyers are required to receive homebuyer counseling and, if needed, Housing Fund will refer some potential buyers to credit repair agencies. Housing Fund is not a housing counseling agency and refers to third-party providers.
Park City (Mountainlands)	Mountainlands has a large mailing list of potential buyers and uses social media (e.g., Facebook) to announce available units. Mountainlands also advertises on local media.	Not provided	The biggest challenge Mountainlands faces is qualifying potential applicants given underwriting requirements. Also, the organization needs sufficient discount to motivate buyers to purchase with restrictions.	Mountainlands does not require or provide prepurchase services. In specific cases, they may refer clients to third parties, such as credit counselors.

TABLE 5 CONTINUED

Location (subgrantee)	Techniques for recruiting homebuyers	Restricted to first-time homeowners (yes/no)	Challenges in recruiting homebuyers	Prepurchase services provided to homebuyers
Seattle (Homestead)	Potential buyers are recruited through marketing using MLS and Craigslist, as well as through referrals from local nonprofits and lenders. A staff member also performs outreach and marketing activities. Homestead maintains an "interest list" of people who apply for homes. Applicants who can purchase a home within 12 months are on a short-term list; others are on a longer-term list. Homes are marketed to applicants on the short-term list.	Yes	Homestead's main challenge is recruiting buyers who qualify for mortgages. Because the housing market in Seattle is very competitive, it is difficult for Homestead to acquire homes that are price compatible with the buyers they serve.	Homestead requires buyers to participate in a first-time homebuyer class and also provides one-on-one financial counseling tailored to the family's budget and purchasing power. They also provide extra support to buyers, such as attending the home inspection and closing and working with lenders to keep financing on track.
South Florida (Community Land Trust of Palm Beach County)	The organization reaches out to nonprofit partners and markets properties on MLS.	Yes	Buyers find homes on the MLS and want to buy immediately. The challenge becomes educating buyers about the CLT model and steps involved in purchasing a home.	HUD-approved counseling agencies offer prepurchase counseling that must be attended in person (not online). Buyers must also attend an in-house CLT-specific orientation.
South Florida (Delray Beach Community Land Trust)	Delray Beach CLT uses word of mouth, local newspaper advertisements, website, e-blasts, and all other avenues available.	Yes	Unlike a volunteer group like Habitat, all advertising, marketing, and word-of-mouth referrals are the responsibility of a small staff.	Buyers go through orientation to make sure they understand the CLT concept and their responsibilities as owners.
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)	Heartfelt Florida Housing of South Palm Beach County CLT performs outreach and provides information through its website.	Not provided	Buyers have to meet very specific criteria. They have to have need and ability to pay a mortgage. They have to be willing to put in sweat equity.	Buyers are required to attend up to 24 two-hour workshops before receiving the keys to a home.

TABLE 5 CONTINUED

Location (subgrantee)	Techniques for recruiting homebuyers	Restricted to first-time homeowners (yes/no)	Challenges in recruiting homebuyers	Prepurchase services provided to homebuyers
South Florida (South Florida Community Land Trust)	South Florida CLT advertises through email blasts to a partner list; partners with local homebuyer clubs to develop CLT prepurchase certifications and advertise available properties; and works with local realtors and hosting open houses.	Not provided	None yet. Because the portfolio is small, there have been more calls for homes than availability.	No in-house services are provided. Buyers must go through a CLT prepurchase orientation and have taken HUD-certified counseling courses. South Florida CLT has relationships with partners for services such as housing counseling, credit repair, and workforce development.
Washington, DC (City First)	City First is connected to the DC affordable housing community, so staff report it is always able to attract buyers. In some cases there are multiple offers for a given unit. In such cases City First selects the lowest-income applicant buyer, unless government subsidies require a different process.	No	The organization's biggest challenge is having potential buyers qualify for mortgages, in particular due to low credit scores.	Buyers, prior to purchase, are introduced to the shared equity model by City First in a two-hour course. Buyers are also referred to third parties for general housing and homeownership counseling.

Note: MLS = multiple listing service.

Buyer Financing

Although shared equity housing has been in place for more than 30 years, many lenders are unfamiliar with such housing. Moreover, given the shared appreciation, deed restrictions, or split between land and improvements characteristic of shared equity transactions, standard Federal Housing Administration (FHA) and conventional mortgages are often not available to shared equity homebuyers. As a result, shared equity program managers must typically work to educate local lenders about their particular shared equity program in order for these lenders to develop products that can be used for permanent mortgage financing.

Many of the subgrantees have strong relationships with local lenders, and they contact these companies first to begin the process of encouraging lenders to establish shared equity lending programs. To expand their network of potential mortgage originators, some subgrantee representatives also host "lunch-and-learns" or breakfasts with local real estate participants (e.g., title companies, lenders, and realtors). These subgrantees market their shared equity programs to lenders to address issues that may prevent lenders from developing and originating mortgages for shared equity transactions.

As summarized in table 6, local credit unions are the main provider of mortgages for buyers in the Austin and Burlington programs. Buyers at the Washington, DC, program also access mortgages through local financial institutions: Industrial Bank, Monarch Bank, and Citibank. (Bank of America was the City First Homes primary lender when the program started; however, that lender stopped providing mortgages to programs with covenants.)

Larger or regional banks originate shared equity mortgages in three locations. Homestead (Seattle) facilitates mortgages for its buyers from Guild Mortgage, HomeStreet Bank, and Wells Fargo. In Park City, Mountainlands clients access financing from Academy Mortgage Corporation, Intermountain Mortgage Company, Key Bank Mortgage, Mountain Valley Financial, and USDA Rural Development. In Long Island, financing comes from members of a coalition of large national mortgage lenders for homes purchased from Long Island Housing Partnership and also through mortgages from the State of New York Mortgage Agency.

During early stages of the enrollment period (as late as summer 2013), no lenders were approving mortgages for CLT or deed-restricted homes in south Florida. The Florida groups successfully made progress on this issue, however, and up to six lenders are now available for buyers in Palm Beach and Broward Counties. A representative from a Florida-based program indicated that these lenders still have strict standards and operate conservatively. Consequently, some shared equity buyers still have trouble obtaining financing, not because of the type of home they are buying, but because their income or debt is seen as too risky.

TABLE 6

Mortgage Providers for Shared Equity Programs

Location (subgrantee)	Sources for mortgage financing
Austin (HomeBase)	HomeBase works with credit unions, some of which offer 100 percent financing. Loans are either portfolio products or sold to Fannie Mae. In some cases, developers offer permanent financing.
Bay Area (Hello Housing)	Hello Housing established a list of two preferred lenders (PNC Mortgage and Boston Private Capital). However, there are more refinancings than purchases, and the second mortgage oftentimes results in negative equity, which precludes a traditional lender originating a refinance on the first-lien mortgage.
Burlington (Champlain Housing Trust)	Champlain Housing Trust homebuyers access first mortgage financing through four local credit unions, three local banks, and USDA Rural Development. Mortgages are salable to Fannie Mae through the state Housing Finance Agency or directly by local lenders.
Long Island (Long Island Housing Partnership)	Long Island Housing Partnership participates in a local mortgage coalition of lenders that includes Citibank, JP Morgan Chase, Capital One, Bank of America, HSBC, Astoria, M&T, and Municipal Credit Union. The following credit unions also originate shared equity loans and mortgage products: Suffolk Federal Credit Union, Teachers Credit Union, Bethpage Federal Credit Union, and the State of New York Mortgage Agency.
Nashville (Housing Fund)	Housing Fund works primarily with Pinnacle Bank for its mortgage financing products. Pinnacle Bank developed a portfolio product that matched the underwriting terms used for down payment assistance and committed $6.5M. The Tennessee Housing and Development Agency offers first mortgages, and they can modify the terms of their normal first mortgage product to mirror Housing Fund's underwriting. The State Housing agency holds these notes, and several banks originate these products. The lenders act as a broker for these loans.
Park City (Mountainlands)	Mortgage lenders at Mountainlands are Academy Mortgage Corporation, Intermountain Mortgage Company, Key Bank Mortgage, Mountain Valley Financial, and USDA Rural Development.
Seattle (Homestead)	Mortgage lenders at Homestead are Washington Federal, Guild Mortgage, and HomeStreet Bank.
South Florida (Community Land Trust of Palm Beach County)	At present buyers have six lending options through Community Land Trust of Palm Beach County, following a gap in 2013 when no lenders would underwrite mortgages for CLT properties.
South Florida (Delray Beach Community Land Trust)	CLT programs operating in Palm Beach County have multiple lenders available for financing CLT properties, following a gap in 2013 when no lenders would underwrite mortgages for CLT properties.
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)	Heartfelt Florida Housing of South Palm Beach County Community Land Trust is the lender for qualifying homebuyers under 80 percent AMI. All other homebuyers are financed through one of the six lenders in South Florida.
South Florida (South Florida Community Land Trust)	There are six lending options available, following a period in 2013 when it was very difficult to get lenders to underwrite mortgages for CLT properties. Broward County has fewer lending options than Palm Beach County. Buyers unable to get a mortgage are denied because of strict lending standards rather than because the home is part of a CLT.
Washington, DC (City First Homes)	City First Homes refers buyers to Industrial Bank, Citibank, and Monarch Bank.

Although attracting multiple sources of mortgage financing may be desirable, Housing Fund, after discussing the potential for lenders to develop a portfolio mortgage product, decided that it would refer clients exclusively to Pinnacle Financial Partners, a local bank in Nashville. Given the complexity involved with processing and underwriting shared equity loans, entering into an agreement with relatively few lenders increases the potential number of mortgages that a given lender will originate, thereby allowing the company to cover fixed costs. A potential downside of this approach, however, is that buyers are limited in their ability to select their lender.

Subgrantee representatives cited two issues that limit the willingness of lenders to originate loans for shared equity homes. Some of the subgrantees said their clients received loans that were not salable to the secondary market. Consequently, lenders originating these mortgages must finance the loans out of their own capital and hold the loans in portfolio. This practice is less problematic for Long Island Housing Partnership and Housing Fund buyers, as New York and Tennessee have programs funded by their respective states' housing finance authorities. In addition, lenders that originate mortgages that comply with Fannie Mae guidelines for shared equity homeownership loans serve buyers of homes through the Champlain Housing Trust.

The second major issue raised by the interviewees related to FHA's guidelines, which do not permit FHA to insure loans that allow the sellers to retain at least 40 percent of sale proceeds and also require sellers to receive full credit for capital repairs. Because most shared equity programs do not meet these requirements, buyers do not have access to FHA financing, which may otherwise be appropriate given the low down payments made by shared equity buyers and their limited creditworthiness.

The organizations' representatives raised two additional issues. First, appraisers may not be familiar with valuing shared equity homes. It is important that appraisers valuing shared equity properties have experience with such homes in order to make an accurate value determination. Second, shared equity documents often record a second lien (which is used in some programs to capture the difference between the first mortgage amount and the sales price for the home) as an amount, rather than as a percentage of the appraised value. The problem with recording a second lien as an amount is that it increases the probability that an owner will be shown to have negative equity if prices decline in the local market, as the second lien is expressed in dollar terms. As a result, shared equity owners can appear "overleveraged," which can prevent them from refinancing into a loan with better terms, even if the second loan has no payments and is forgiven at sale or assumed by the new buyer.

Resale Formulas

Resale formulas establish the maximum proceeds that a shared equity owner can realize when selling his or her unit. Any shared equity program, in establishing the resale formula, must balance two competing objectives: allowing sellers to build equity and maintaining the home's affordability to subsequent buyers. The four types of resale formulas used by the shared equity programs in this study are introduced below. Although there are important administrative differences between them, it is quite possible to arrive at similar rates of return using different resale formulas.

1. **Fixed rate.** The resale price is established by applying a fixed annual percentage growth rate to the initial purchase price. This growth rate can be either simple or compound interest. Common rates are 1.5 or 2.0 percent per year. Under fixed-rate formulas, homes increase in price without regard to changes in area house prices or incomes.
2. **Indexing to changes in the national price of household goods.** The resale price is established by increasing the initial affordable price by a percentage equal to the percentage increase in the Consumer Price Index during the reseller's tenure. Like properties governed by fixed-rate formulas, homes with resale formulas indexed to the Consumer Price Index increase in price without regard to changes in area house prices or incomes.
3. **Indexing to changes in area incomes.** The resale price is established by increasing the initial affordable price by a percentage equal to the percentage increase in the AMI during the reseller's tenure. Homes with resale formulas indexed to the AMI increase in price with regard to changes in incomes rather than to changes in area house prices.
4. **Appraisal based.** The change in a home's market value is determined by the difference in appraisals conducted at the time of purchase and resale. The reseller is allowed a portion of the change in appraised market value, often 25 percent. The home then resells at a price equal to the initial affordable price plus the reseller's share of the change in appraised value. Homes with appraisal-based resale formulas increase in price with regard to changes in home values and without regard to changes in area incomes.

As summarized in table 7, four programs (Champlain Housing Trust, City First, South Florida, and Housing Fund) use an appraisal-based formula to determine sellers' proceeds. The Burlington program (Champlain Housing Trust), one of the first shared equity programs, established the appraisal-based formula in which the reseller retains 25 percent of the estimated appreciation based on changes in appraised value. The program's designers thought this approach was an objective way to determine the total amount available for a reseller.

The other three programs using such an approach (City First, South Florida, and Housing Fund) indicated that they selected a similar approach to the Burlington program, in part because it is relatively simple to explain to potential buyers. Housing Fund's formula provides resellers with an increasing share of the appreciation as they live in the property for more than three years (and realizing all appreciation after 30 years). This feature of the formula, according to program representatives, provides an incentive for owners to remain in their homes, which helps to facilitate more stable neighborhoods. The South Florida programs require that an owner live in a home for a particular period of time (ranging from 5 to 11 years) to be eligible for any resale proceeds derived from appreciation of the property.

Rather than tying appreciation to changes in house prices, three programs (HomeBase, Mountainlands, and Homestead) calculate maximum allowable appreciation by using a fixed rate of appreciation that ranges from 1.5 to 3.0 percent per annum. Both the Austin (HomeBase) and Seattle (Homestead) programs switched from an appraisal-based method to the flat rate because initial resales were at prices that would make the units unaffordable to each organization's target clients. Mountainlands (Park City) has always used a fixed-rate appreciation approach because staff believe it is relatively easy to explain to potential buyers.

One group, Long Island Housing Partnership, allows homes to increase in sales prices in accordance with changes in the Consumer Price Index. The organization caps increases in sales prices such that they are affordable to buyers with incomes at 80 percent AMI.

The fourth type of appreciation formula sets resale prices so they are affordable to targeted income groups. The Bay Area program (Hello Housing) calculates allowable appreciation based on changes to AMI between the time of the initial purchase and the resale.

It is important to bear in mind that the proceeds realized by owners at resale for each type of formula offer the potential for substantial returns on investment, as most shared equity owners purchase their homes with a small down payment. For example, in programs with a flat percentage rate (the fixed-rate resale formula described above), this percentage (e.g., 2 percent) is applied to the purchase price of the home, which can be 20 times the down payment amount (assuming a 5 percent down payment). Therefore, even a relatively modest allowable rate of 2 percent per year, when applied to a $100,000 home purchased with a $5,000 down payment, will result in allowable appreciation in excess of the buyer's down payment within 2.5 years (assuming no compounding).

TABLE 7

Summary of Methods Used to Calculate Reseller's Proceeds

Location (subgrantee)	Method used to calculate reseller's proceeds (including capital improvement allowances)	Rationale for appreciation method
Austin (HomeBase)	HomeBase allows 2 percent per annum appreciation on the sales price, although they previously offered a share of the appreciation. They offer no credits for capital improvements.	HomeBase changed to 2 percent per annum because the initial approach (allow seller a share of appreciation) resulted in too many homes losing their affordability. Their new 2 percent per annum policy preserves affordability and is easy to explain. Habitat homes are governed differently. They allow sellers to retain a 50 percent share of the appreciation.
Bay Area (Hello Housing)	Hello Housing calculates appreciation by applying the change in AMI to the purchase price (not the appraised value) of the home. The depreciated value of capital improvements are added to the allowable appreciation based on the calculated house price that is affordable to families with AMIs between 55 percent and 120 percent.	Hello Housing primarily manages shared equity homes for municipalities and has inherited their resale formulas. When doing program design for cities, Hello Housing prefers index-based formulas over appraisal-based formulas, in part because a costly appraisal is required for an owner to have the information they need to make a decision about selling. Appraisals can also cause delays.
Burlington (Champlain Housing Trust)	Champlain Housing Trust allows 25 percent of appreciation as measured by change in the appraised value of a home between initial purchase and resale. Owners receive 100 percent of the increased value resulting from capital improvements.	Champlain Housing Trust believes the appreciation-based approach is considered to be objective, particularly when marketing homes.
Long Island (Long Island Housing Partnership)	Long Island Housing Partnership uses the Consumer Price Index for real estate prices in the Long Island area, but caps resale prices so that homes are affordable to families at 80 percent AMI. There are no provisions for sellers recovering capital improvements.	Not provided
Nashville (Housing Fund)	Through year three, resellers receive 25 percent of appreciation as measured by changes to appraised value. For years 3 to 30, there is a 50-50 split. After year 30, resellers receive 100 percent of the appreciation. Major improvements that change a unit's footprint require approval from Housing Fund. The value of the capital improvements made by the owner is added to the resale formula–dictated sales price.	This method was developed as a marketing approach. Housing Fund wanted to encourage owners to stay, and the incentive of a 50-50 split if owners remain in their units for at least three years was thought to be attractive.
Park City (Mountainlands)	Mountainlands allows 3 percent per annum appreciation on purchase price. Resellers receive 100 percent of capital improvements that are approved by Mountainlands.	Mountainlands chose this method because staff believe it is simple to implement and easy to understand.

TABLE 7 CONTINUED

Location (subgrantee)	Method used to calculate reseller's proceeds (including capital improvement allowances)	Rationale for appreciation method
Seattle (Homestead)	Homestead initially used an appraisal-based method, but their current system allows resellers to realize 1.5 percent per annum appreciation on the restricted resale price. Owners can receive 100 percent of qualified capital improvements.	Homestead transitioned from an appraisal-based to an annual calculation method because the organization believed it was easier to explain and because the owner knows his or her expected appreciation in advance. When prices go up, individuals prefer the appraisal-based system, but when the market is slower, they prefer a system that guarantees a return.
South Florida (Community Land Trust of Palm Beach County)	Resellers receive up to a 25 percent stake in their percentage ownership.	Standard formula for Florida CLTs
South Florida (Delray Beach Community Land Trust)	Resale formula is based on purchase price plus change in AMI. Owners receive credits for capital improvements and capital systems replacements.	Not provided
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)	Resellers receive up to a 25 percent stake in their percentage ownership.	Standard formula for Florida CLTs
South Florida (South Florida Community Land Trust)	Resellers receive up to a 25 percent stake in their percentage ownership.	Standard formula for Florida CLTs
Washington, DC (City First)	City First allows the owner to retain 25 percent of the allowable appreciation. The owner is allowed to recover 100 percent of the present value added of the capital improvements, as evaluated by the appraiser at resale.	City First decided on this strategy after consulting with Champlain Housing Trust, which uses a similar method.

One of the potential drawbacks with the shared equity approach is that owners, because they do not realize all of a unit's appreciation, may be incentivized to underinvest in capital improvements. To address this issue, some of the subgrantees, such as Homestead, allow owners to recover the full amount of capital improvements made by owners.

Other programs, such as Hello Housing, allow credit for capital improvements, but the value of the credits (tracking the value of the improvements) depreciates over time. City First and the Housing Fund offer capital improvement credits that are included in the appraiser's valuation of the unit at resale (the credits are equal to the value added of the capital improvement at the time of resale). Champlain Housing Trust permits resellers to recapture the full amount of any increase in appraised value resulting from the capital improvements made by the reseller. Two non-appreciation-based programs

(HomeBase and Long Island Housing Partnership) do not credit capital improvements. Many programs require that owners receive approval before starting major capital improvements in order to ensure that units remain affordable at resale.

Postpurchase Stewardship

One of the potential benefits of shared equity homeownership is that the organizations operating the program provide services to buyers after purchase. In some cases the organizations operating shared equity programs assist owners to sell their homes. These stewardship activities are an important element in a shared equity program, as many buyers are first-time owners with low to moderate incomes. The stewardship services have the potential to improve the performance of shared equity mortgages and ease the transition for owners from rental housing. These owners have a point of contact if they are having trouble paying the mortgage or have questions related to maintaining their home. Indeed, all the programs take steps to remain in contact with their buyers after purchase, and thus buyers are aware of potential resources if they require assistance. Table 8 summarizes subgrantee stewardship activities.

Five subgrantees (Champlain Housing Trust, City First, HomeBase, Homestead, and Long Island Housing Partnership) provide services to owners on general issues related to owning a home (home maintenance tips) as well as more specific help on tax preparation and any issues related to changes in property tax appraisals. In addition, nearly all the organizations offer assistance to owners with mortgage payment problems; these organizations will work with an owner's mortgage servicer to discuss potential remedies (loan modifications or forbearance) for owners who are delinquent on their mortgages.

We also investigated whether subgrantees provide other supports to clients, such as help finding work, legal assistance, or mental health services. The subgrantees reported they do not provide any of these services in-house. Most organizations do not view providing such supports as their mandate or expertise, or they cited constraints in accessing funding for expanded service provision. Staff at some of the programs recognized that mortgage problems may be caused by employment or health-related issues. Staff at Champlain Housing Trust, Habitat for Humanity South Palm Beach County, Long Island Housing Partnership, Housing Fund, and Homestead reported that they will work with owners to identify appropriate social service providers that can offer help to owners in need of such assistance.

Some subgrantees want to expand their postpurchase services. The majority of the programs would like to increase the educational services they provide postpurchase through workshops or one-on-one counseling sessions. For example, Hello Housing would like to provide staff one day per quarter in each city they serve so that homeowners could come in for counseling sessions.

City First Homes would like to provide additional workshops to their homebuyers on a range of topics, including home maintenance, taxes, home improvement, and financial planning. Staff reported that requiring homebuyers to participate in home maintenance workshops postpurchase could be beneficial for the homes and programs in the long run. Champlain Housing Trust also discussed possibly including postpurchase home maintenance instruction after noting an increase in costly deferred maintenance issues with their shared equity homes at resale. Programs face barriers to providing expanded postpurchase stewardship services, notably funding and staffing constraints. Key informants reported that many staff juggle multiple responsibilities, and as currently structured, simply cannot reallocate staff or hire additional employees who can provide expanded services. Staffing constraints are a key reason why many of the programs refer to community partners for additional services.

A further constraint is maintaining homebuyer engagement after purchase. Homeowner contact with the shared equity program is often quite limited after purchase, and key informants cited that getting clients to return for elective sessions is a challenge. Most of the subgrantee representatives said that a relatively small share of owners (less than 15 percent) use postpurchase services in a given year, and that the services used are often "light touch." Although some subgrantees report it would be desirable for clients to return for postpurchase services, staff at some programs do not view a lack of engagement as negative if it means that buyers are adjusting well to their new homes and living independently (though it was also noted that owners are often hesitant to seek assistance when facing a financial, employment, or personal problem). Key informants stated that their shared equity programs would need to remain in closer contact with their clients for owners to understand that help is available when required.

TABLE 8

Summary of Subgrantee Stewardship Activities

Location (subgrantee)	Postpurchase services provided to owners	Resale process
Austin (HomeBase)	HomeBase offers property tax advocacy and stays in touch with owners to ensure they file a homestead exemption. They offer financial literacy, foreclosure prevention, and refinancing services to owners and real estate services on resale.	HomeBase is notified by the owner, and the organization then has 60 days to find a buyer. If no buyer if found, the home is sold by the owner to any buyer (not necessarily an income-eligible buyer).
Bay Area (Hello Housing)	Hello Housing distributes a biannual newsletter for owners and also assists in foreclosure prevention and shared equity home preservation. Staff reported that avoiding foreclosure is complicated because redevelopment agencies were eliminated in California and successor organizations (typically cities, counties, or housing authorities) may not have the capacity or expertise to manage shared equity portfolios and to intervene swiftly upon receipt of a notice of default or notice of trustee's sale.	Hello Housing is notified by the owner of intent to sell and verifies that new buyers meet program requirements. Once deemed eligible, Hello drafts resales documents and coordinates transfer of the home directly from the BMR homeowner to the new owner. In some cases, the city chooses to exercise its option to buy back the unit from the BMR homeowner.
Burlington (Champlain Housing Trust)	Champlain Housing Trust offers foreclosure and delinquency counseling to the public; the shared equity stewardship coordinator reaches out to owners to make sure they stay current and to provide support. They also offer credit, money management, home maintenance and repair, property taxes, and refinancing workshops to homebuyers. Champlain Housing Trust provides buyers with a home maintenance book as a reference regarding the major systems in their home, as well as a homeowners' manual that outlines their rights and responsibilities as a homeowner. There is a low-interest repair fund. Champlain Housing Trust also refers owners to partners if social services are required (e.g., disability benefits).	The owner sells the property back to Champlain Housing Trust. This process starts when the organization is notified that the owner wishes to sell. Champlain Housing Trust markets the home and finds a new eligible buyer.
Long Island (Long Island Housing Partnership)	Long Island Housing Partnership formerly offered home maintenance classes, but they now work with builders to ensure such support is offered. The organization will help contact lenders on behalf of delinquent borrowers if asked to by the owner. Staff also help owners navigate potential social service providers as needed.	Owners must reach out to Long Island Housing Partnership when they are ready to sell, and the organization provides referrals from a waiting list if feasible given income constraints.

TABLE 8 CONTINUED

Location (subgrantee)	Postpurchase services provided to owners	Resale process
Nashville (Housing Fund)	Staff report Housing Fund has not had to provide much stewardship because its program is so new. They have offered informal classes and annual inspections. They help owners with maintenance improvements (NSP-2 homes). Housing Fund under the deed of trust has the ability to cure. They also negotiated with lenders a Permitted Mortgage Agreement that is signed by Housing Fund, the owner, and lender. This document allows Housing Fund to step in and help resolve issues. They also provide social service referrals.	Housing Fund either purchases the home from the reseller or markets homes to potential buyers.
Park City (Mountainlands)	Mountainlands does not offer postpurchase services to buyers. They sometimes refer buyers to third parties for services such as credit counseling.	Mountainlands works with resellers so they can avoid using realtors. Although they are not a realtor, they can facilitate transactions to increase the seller's proceeds.
Seattle (Homestead)	Homestead provides postpurchase services that include home maintenance and tax preparation. They also have a staff person dedicated to supporting owners who provides postpurchase mortgage counseling and general help on ownership issues. Homestead focuses on home maintenance through a partnership with the Rebuilding Together program.	Homestead has the right of first purchase for 60 days once the organization has been notified by the sellers. Homestead will perform a market analysis to see if the price determined by the resale formula is feasible in their market. Homestead also performs a prelisting cursory home inspection and will market the home to the interest list to try and identify the next buyer.
South Florida (Community Land Trust of Palm Beach County)	Community Land Trust of Palm Beach County has an open door policy and remains in contact with buyers to offer help, such as home maintenance tips and classes.	No resales have taken place, but the Community Land Trust of Palm Beach County protocol would be to exercise its purchase option or line up another CLT buyer for the property.
South Florida (Delray Beach Community Land Trust)	Delray Beach Community Land Trust wants owners to feel like stakeholders in a community. There is a newsletter as well as opportunities for buyers to serve on boards and commissions and volunteer in the community.	No resales have happened. Monthly mortgage costs are lower than rent in the area so owners have little incentive to sell.
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)	Heartfelt Florida Housing of South Palm Beach County Community Land Trust periodically contacts owners regarding any issues such as maintenance or financial hardships. They also refer owners to appropriate agencies if required.	Heartfelt Florida Housing of South Palm Beach County Community Land Trust homes historically do not turn over at the rates of any other homes. They have over 30 homes, but none have been sold.

TABLE 8 CONTINUED

Location (subgrantee)	Postpurchase services provided to owners	Resale process
South Florida (South Florida Community Land Trust)	South Florida Community Land Trust publishes a quarterly newsletter to the community, highlighting services available at some of the partners like the Urban League, as well as yearly sit-downs with owners to follow up, check on property, and ensure compliance with the ground lease.	Not provided (no resales have occurred)
Washington, DC (City First Homes)	City First Homes offers maintenance workshops and tax seminars and contacts owners to discuss potential refinance options.	City First Homes lists initial properties offered for sale, after which sales are buyer-to-buyer. City First does not act as a seller or buyer broker.

Note: BMR = below market rate.

In addition to providing services to owners while in the home, some of the programs also assist with the resale of a shared equity home in their portfolio or under their management. The programs in Austin, the Bay Area, Burlington, Long Island, and Seattle require that the owners notify them about their intent to sell the home. Champlain Housing Trust has the first option to buy the home back from the seller, but in the overwhelming share of cases it markets the home and finds a buyer while the seller still owns the property. Champlain Housing Trust enters into a contract with both the seller and buyer and simultaneously transfers the property from the seller to Champlain Housing Trust and the buyer.

Homestead has the right to purchase a home within 60 days of being notified by the owner; during this time the organization alerts families who are on an interest list about the home. The process is similar in Austin: HomeBase has 60 days to find a buyer on behalf of the reseller. Long Island Housing Partnership, once notified about an owner's interest in reselling the property will, if feasible, provide referrals from its waiting list.

In contrast, the Housing Fund provides no direct assistance for resellers. Rather, they market their program, which will help raise the visibility of shared equity homeownership in their coverage areas. But the individual reseller is responsible for marketing the home and finding income-eligible buyers.

Challenges in Program Implementation and Strategies Used to Overcome These Challenges

Establishing a shared equity program is a complicated process, even for organizations that have experience developing other types of affordable housing. Many potential participants (e.g., buyers,

lenders, appraisers, and developers) are unfamiliar with shared equity and must be educated about how such programs work. This necessity makes the process—which is difficult for any affordable housing initiative—for securing financing, properties, and potential buyers particularly problematic and time consuming.

Not surprisingly, then, the number of homes sold by the subgrantees between July 2012 and July 2014, 415, is below the 600 sales projected to be completed by the subgrantees for the same period in their proposals to Cornerstone. As shown in table 9, 211 homes were sold to study participants during this time. (The large number of nonparticipants is attributable to several factors. For example, in Austin, one large development of shared equity homes was not able to be included in the study.)

TABLE 9

Summary of Projected and Actual Sales Volume, through July 15, 2014

Location (subgrantee)	Proposed sales	Actual sales to study participants	No. of nonparticipants who purchased shared equity homes	Total no. of shared equity home purchases
Austin (HomeBase)	100	28	88	116
Bay Area (Hello Housing)	30[a]	19	9	28
Burlington (Champlain Housing Trust)	65	54	22	76
Long Island (Long Island Housing Partnership)	110	17	63	80
Nashville (Housing Fund)	50	15	11	26
Park City (Mountainlands)	90	13	5	22
Seattle (Homestead)	25	32	0	32
South Florida (Community Land Trust of Palm Beach County)				
South Florida (Delray Beach Community Land Trust)				
South Florida (Heartfelt Florida Housing of South Palm Beach County Community Land Trust)	70[b]	11[b]	—	11[b]
South Florida (Housing Partnership Inc.)				
South Florida (South Florida Community Land Trust)				
Washington, DC (City First)	90	22	2	24
Total	630	211	200	415

Notes: — indicates no responses. Proposed sales are based on subgrantee proposals to CHIP.

[a] The original subgrantee for the Bay Area proposed 95 units; Hello Housing, when it took over responsibility for the grant, reduced this target to 30 homes.

[b] The South Florida program did not propose target sales by individual partners.

Various factors explain the relatively small volume of sales to study participants for most subgrantees through July 2014. Subgrantees talked about the challenge of recruiting potential

homebuyers and educating them about the benefits of shared equity. They had to spend time and resources marketing homes to potential buyers. In some cases, potential buyers had other homeownership options available to them (even from the subgrantees themselves), including grants, forgivable loans, and other short-term affordable housing, which provided competition to the shared equity models. Moreover, shared equity homes may not appear to be an attractive alternative in markets where home prices are not appreciating or where market-rate homes are relatively affordable to low- and moderate-income buyers.

Subgrantees also cautioned that any shared equity program operates within a specific political context, both at the local and state levels, and considerable effort needs to be expended to build political and financial support for shared equity housing. For example, as discussed above, some programs selected a particular shared equity model (e.g., deed restriction) because local stakeholders would likely not accept a land trust approach. A key challenge is to craft a shared equity program in such a way that it is acceptable to all key stakeholders to minimize opposition and maximize required "buy-in." Subgrantee representatives also indicated that a dedicated source of public or private funds, ideally in the form of a multiyear commitment, is required to support the initial formation and operation of a shared equity program.

Shared equity programs, even when proposed for areas that are supported by local stakeholders, are affected by housing market conditions that are beyond anyone's control. Subgrantee representatives indicated that shared equity homes must be sold at a substantial discount (perhaps 20 to 30 percent) relative to their market value to attract buyers. This discount may be a challenge in markets where shared equity homes are typically units in newly constructed developments; developers may not be able to earn sufficient profits given market prices, and so have little incentive to construct below-market price homes.

Shared equity programs are distinguished from other types of low- and moderate-income initiatives by their continued relationship with homebuyers. As discussed above, the subgrantees offer stewardship activities, from postpurchase assistance negotiating potential loss mitigation solutions to referrals to social service agencies. For many subgrantees these stewardship activities are integrated into all the programs. It is a challenge, however, to fund these activities as they must be supported from funds raised through development fees or fees collected when properties are resold. As a result, it takes a relatively large number of units developed, sold, or resold per year for stewardship activities to be funded, absent other sources of monies from third parties.

Given these challenges, successful subgrantees indicated that they must be flexible and creative in crafting their programs, particularly as market conditions change and expected sources of financing do not materialize. Some of the subgrantees changed their appreciation formulas from an appraisal-based approach to a flat, fixed-rate appreciation rate in response to rapidly rising home prices, which resulted in resale prices that were unaffordable to the programs' target market. In addition, some of the subgrantees switched from a buyer-driven model in which owners were provided a subsidy after selecting a home, which reduced the ability of a subgrantee to control which homes were included in its shared equity portfolio.

Key informants also highlighted the unreliable nature of potential funding sources, which creates a need for programs to adapt their strategy. For example, the City First Homes model was designed to use New Market Tax Credit financing to support creating a pool of shared equity homes in the District of Columbia. This funding was not available after the credit crunch; in response, City First Homes sought out alternative (albeit smaller) sources of financing and operated its program on a smaller than anticipated scale in order to demonstrate the potential benefits of shared equity housing in Washington, DC.

Given the uncertainty involved in projecting market conditions, key informants indicated that they perform "what-if" analyses that model potential outcomes under a range of scenarios involving funding and house price changes. This approach provides information that can be used to adjust a program's parameters quickly in response to changes in market conditions.

The purpose of any shared equity program is to establish a balance between providing a stock of affordable ownership opportunities and offering a path for wealth creation for low- and moderate-income families. To ensure that a proper balance is reached, key informants indicated that deed restrictions and other documents that formally establish a program's policies regarding reseller proceeds, allowable capital improvements, and so forth must be binding and not contain loopholes that provide an opportunity for resellers to earn profits that make homes unaffordable to target markets.

Given that some shared equity programs have been operating for many years, key informants suggested that programs not reinvent the wheel. Rather, organizations establishing new programs should use documents from other programs as templates (key informants also suggested using the National Community Land Trust Ground Lease as a model) when developing such documents. However, even if using templates, key informants said that it was important for these new documents to be reviewed by attorneys to establish "bulletproof" restrictions. By having an attorney review documents prior to any sale, it reduces the chances of having to make amendments, which are often difficult to

make. Staff at some subgrantees noted the importance of having lenders review all legal documents before a program begins. That way, programs can proceed with greater certainty that none of the clauses contained within these documents will be objectionable to lenders and prevent the provision of mortgage financing.

Program Applicants

In this section we provide information about program applicants. Most results presented below come from data collected by subgrantees in the HomeKeeper system on families who applied for shared equity homes between the fall of 2012 and July 2014. In some cases these data are supplemented by data from other sources, which we note in discussing those items.

Demographic Information

Table 10 summarizes the demographic, employment, and educational characteristics of shared equity applicants. Across all sites, the median applicant was 36 years old, somewhat older than the 31 year median age of all first-time homebuyers, according to the National Association of Realtors.[3] This pattern varies somewhat across the sites. Two sites attract a higher share of older applicants: the median age of applicants to the South Florida consortium and Hello Housing is 41 and 43, respectively. City First Homes in Washington, DC, however, attracts a younger applicant mix; the median age is just 30 years. Very few applicants are young (under 25 years old); no site has more than 10 percent of such applicants. The share of applicants older than 45 varied considerably by site, from 44 percent in the Bay Area to zero in Nashville.

When a couple applies for housing together, one is considered the applicant and the other a coapplicant. Across all sites, nearly two-thirds of applicants applied for a shared equity program on their own, not with a coapplicant. In Nashville, 87 percent, and in Washington, DC, 80 percent of applicants applied alone. At two of the subgrantees, Seattle and San Francisco, slightly more than half the applicants applied with a coapplicant. Looking only at sole applicants, we see that females represent over two-thirds of such potential buyers. In only one site, Park City, do we see an even split of males and females. Marital status is single for half of all applicants. Understandably, single applicants are more represented among sole applicants than coapplicants. But interestingly, 30 percent of all sole applicants are married, while conversely 14 percent of coapplicants are single.

The racial/ethnic composition of applicants varies widely across the sites. In full, 44 percent of applicants are White non-Hispanic (White), 23 percent are Black non-Hispanic (Black), 19 percent are Hispanic, and 14 percent are from another or multiple races. Whites represent a high share of applicants to the Champlain Housing Trust and Mountainlands (79 and 84 percent, respectively). At the other extreme, Whites represent a low share of applicants in South Florida (9 percent), Nashville (21 percent), and Austin (25 percent). Some, but not all, of the variation in racial composition of applicants is explained by the racial composition of the metropolitan statistical areas (MSAs) in which these organizations operate. For example,

according to the 2013 American Community Survey, the Burlington and Salt Lake City MSAs are 92 and 74 percent non-Hispanic White, respectively, and the Miami-Fort Lauderdale, Nashville, and Austin MSAs are 33, 74, and 54 percent White, respectively.

Interestingly, across all sites, the applicants are disproportionately college graduates. Overall about 7 in 10 have a college degree, which is over twice the rate for the overall US population. (According to the American Community Survey [2013], 30 percent of people 25 and older have at least a bachelor's degree.) The disproportionate share of applicants with college degrees may reflect, in part, the type of outreach strategies used by subgrantees, which include word of mouth and having a presence on the internet. Applicants were less likely to have college degrees in South Florida (44 percent) and Austin (51 percent), but in Washington, DC, nearly all applicants (96 percent) have a college degree. The number of applicants without a high school diploma, on the other hand, is very small. Only 3 percent of all applicants lacked a high school education. In four of the nine sites all applicants had at least graduated from high school.

About 80 percent of applicants who reported their employment status at intake had full-time work. The percentage was largely consistent across the sites where applicants reported such data, ranging from a low of 78 percent in Burlington to a high of 96 percent in Long Island. Part-time employment ranged from no applicants in the Bay Area (Hello Housing) to a high of 12 percent of applicants in Seattle (Homestead). About 5 percent of applicants reported being self-employed, and the remainder were categorized into an "other" grouping that included applicants who were retired, unemployed, disabled, or full-time students.

An overwhelming share of applicants (80 percent) rented their homes when they applied, ranging from a low of 64 percent in the Bay Area (Hello Housing) to a high of 94 percent in Seattle (Homestead). A small share overall (3 percent) are already homeowners, though this rate is higher in Park City (Mountainlands) at 15 percent and the Bay Area (Hello Housing) at 12 percent. The remaining applicants neither rent nor own. Instead, these applicants indicate that they currently live with family or friends. Overall 16 percent of applicants live in these situations, which is especially prevalent among applicants to the Long Island (29 percent), Hello Housing (24 percent), and Housing Fund (22 percent) programs.

As shown in table 11, the median length of time applicants have been living in their current home is 1.9 years. South Florida applicants have, at the median, lived in their current home a very short time (0.2 years), but Bay Area applicants have, at the median, lived in their home for close to four years.

Nearly 85 percent of applicants are first-time buyers, classified following HUD's definition of those who have not owned a home in the previous three years. First-time buyers are substantially less represented among Mountainlands applicants (54 percent) and are also lower than average at Hello Housing (72 percent). Conversely, nearly all applicants to the Homestead and Long Island programs were first-time buyers (99 and 98 percent, respectively).

Applicants were living, at the time of application, in homes that primarily had two bedrooms (43 percent) or three or more bedrooms (32 percent), with the remaining 26 percent in zero- or one-bedroom units. An exception is City First, where 59 percent of applicants resided in zero- or one-bedroom homes.

TABLE 10

Applicant Demographic Characteristics

	All sites	Austin (HomeBase)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Mountainlands)	Seattle (Homestead)	South Florida consortium	Washington, DC (City First)
Median age	**36**	**37**	**43**	**36**	**37**	**34**	**36**	**36**	**41**	**30**
Under 25 years old	4.3%	3.1%	8.0%	5.1%	2.1%	4.8%	4.4%	3.0%	3.6%	67.9%
25–34 years old	37.8%	34.0%	28.0%	37.5%	38.3%	47.6%	41.2%	44.0%	19.8%	19.8%
35–44 years old	30.9%	37.1%	20.0%	34.6%	31.9%	47.6%	17.6%	31.0%	36.0%	36.0%
45+ years old	27.1%	25.8%	44.0%	22.8%	27.7%	0.0%	36.8%	22.0%	40.5%	40.5%
N	658	97	25	136	47	21	68	100	111	53
Sole applicants	**64.0%**	**66.4%**	**48.0%**	**60.3%**	**75.0%**	**87.0%**	**61.8%**	**45.0%**	**68.1%**	**79.6%**
Female sole applicants	69.8%	84.1%	66.7%	68.3%	82.4%	60.0%	50.0%	66.7%	72.7%	62.8%
N	424	69	12	82	34	20	42	45	77	43
Marital status (by applicant status)										
Sole applicants who are single	70.0%	63.4%	50.0%	74.4%	74.4%	80.0%	64.3%	77.6%	61.0%	81.6%
Coapplicants who are single	13.5%	21.4%	0.0%	18.5%	0.0%	0.0%	7.7%	9.4%	18.4%	22.2%
N	656	83	25	136	52	23	68	102	113	54
Race or ethnicity										
White	44.0%	25.3%	37.5%	78.7%	40.0%	20.7%	83.8%	38.0%	9.4%	46.9%
Black	23.2%	6.1%	0.0%	2.2%	28.0%	69.0%	1.5%	28.0%	59.8%	28.6%
Hispanic	18.6%	58.6%	12.5%	2.9%	20.0%	6.9%	8.8%	5.0%	25.6%	14.3%
Other race	14.1%	10.1%	50.0%	16.2%	12.0%	3.4%	5.9%	29.0%	5.1%	10.2%
N	640	81	25	136	47	23	68	95	111	54

TABLE 10 CONTINUED

	All sites	Austin (HomeBase)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Mountainlands)	Seattle (Homestead)	South Florida consortium	Washington, DC (City First)
Educational attainment										
Less than high school	3.1%	2.4%	0.0%	2.2%	0.0%	0.0%	0.0%	6.0%	8.5%	2.0%
High school	26.5%	46.3%	26.1%	27.2%	14.3%	34.5%	17.6%	22.0%	47.6%	2.0%
College degree	70.4%	51.2%	73.9%	70.6%	85.7%	65.5%	82.4%	72.0%	43.9%	95.9%
N	563	33	23	136	49	23	68	100	78	53
Employment status										
Full time	82.5%	81.8%	78.3%	77.8%	96.2%	—	79.4%	80.6%	—	90.6%
Part time	8.7%	9.1%	0.0%	11.9%	1.9%	—	8.8%	12.2%	—	3.8%
Self-employed	4.8%	3.0%	8.6%	3.7%	1.9%	—	11.8%	4.1%	—	1.9%
Other	4.1%	6.0%	13.0%	6.7%	0.0%	—	0.0%	3.1%	—	3.8%
N	462	33	23	135	52	0	68	98	0	53

Source: Authors' calculations from CHIP application data.

Notes: — indicates no responses. Employment information was not collected in Nashville or South Florida.

TABLE 11

Applicant Tenure Status at Application

	All sites	Austin (HomeBase)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Moun-tainlands)	Seattle (Home-stead)	South Florida consortium	Washington, DC (City First)
Current tenure										
Rent	80.4%	83.3%	64.0%	79.4%	71.2%	70.4%	67.6%	94.1%	84.4%	83.7%
Own	3.3%	3.0%	12.0%	0.7%	0.0%	7.4%	14.7%	0.0%	0.0%	6.1%
Other	16.2%	13.6%	24.0%	19.9%	28.8%	22.2%	17.6%	5.9%	15.6%	10.2%
N	620	58	25	136	52	21	68	102	105	53
Years in current home										
Median years	1.9	1.3	3.7	2.1	1.1	1.3	1.1	1.3	0.2	1.9
N	561	42	24	136	39	22	68	94	85	49
First-time buyer										
First-time buyer	84.9%	80.4%	72.0%	85.3%	98.1%	82.8%	54.4%	99.0%	92.5%	82.0%
N	680	104	25	136	52	23	68	102	116	54
No. of bedrooms in home										
0–1 Bedrooms	25.9%	24.1%	20.0%	32.4%	25.7%	12.0%	20.6%	21.0%	15.5%	59.2%
2 Bedrooms	42.6%	63.8%	40.0%	39.0%	28.6%	48.0%	33.9%	48.0%	45.6%	26.5%
3+ Bedrooms	31.6%	12.1%	32.0%	28.7%	45.7%	40.0%	45.6%	31.0%	38.8%	14.3%
N	599	58	25	136	35	25	68	100	103	49

Source: Authors' calculations from CHIP application data.

Children

As shown in table 12, overall just under half of applicant families have children under 18. With the exception of Washington, DC—where only 11 percent of applicants have children—families with children account for at least a third of applicants. In two sites, South Florida and Austin, families with children represent a much higher share of applicants (71 and 68 percent, respectively). Applicants with children have, on average, about two under-18 family members, though this figure is higher for some sites (especially South Florida and Seattle) and considerably lower in Washington, DC. The average age of the children is about 9 years, so typically they are in third or fourth grade.

TABLE 12

Children of Program Applicants

Location (subgrantee)	Families with children (%)	No. of children per family of families with children	Average child age
Austin (HomeBase)	67.6	1.84	9.6
Bay Area (Hello Housing)	44.0	1.55	7.7
Burlington (Champlain Housing Trust)	46.3	1.79	7.8
Long Island (Long Island Housing Partnership)	40.4	1.76	9.4
Nashville (Housing Fund)	47.8	1.82	11.0
Park City (Mountainlands)	33.8	1.57	7.7
Seattle (Homestead)	54.9	1.93	7.1
South Florida consortium	71.4	2.07	10.0
Washington, DC (City First)	10.7	1.17	7.5
All Sites	46.3	1.72	8.7

Source: Authors' calculations from CHIP application data.

By providing ownership opportunities, shared equity programs offer families the opportunity to purchase homes in neighborhoods with better schools than those serving the neighborhoods in which program applicants currently reside. Table 13, which uses US Department of Education Common Core data, provides summary information about the schools that children in applicant families attend for seven of the nine sites. In two sites, Austin and Nashville, data are not available because applicants did not provide their child's school information at the time of application.

Overall, children of shared equity program applicants attend schools at which about 44 percent of students are eligible for free lunch and another 6 percent of students are eligible for reduced-price lunch.

The share of students eligible for these lunch supports varies considerably across the sites. Children of applicants in Park City and Long Island generally attended schools where fewer students received lunch supports, but this form of assistance was much higher at schools attended by the children of South Florida applicants.

The racial composition of schools attended by applicant children is primarily minority in all sites except for Park City and Burlington. Overall, Whites account for about 41 percent of all students in applicant children's schools. Compared with other sites, Blacks are more represented in the schools applicant children attend in Washington, DC, and South Florida, and Hispanics are more represented in Washington, DC, and the Bay Area.

TABLE 13

School Characteristics of Children of Program Applicants (percent)

Location (subgrantee)	Free lunch	Reduced-price lunch	White	Black	Hispanic	Other race
Bay Area (Hello Housing)	56.2	2.7	31.1	7.9	30.1	30.3
Burlington (Champlain Housing Trust)	39.4	4.2	77.7	9.3	2.3	10.7
Long Island (Long Island Housing Partnership)	33.6	7.4	43.7	22.9	26.4	7.0
Park City (Mountainlands)	24.2	4.6	75.9	0.4	19.9	3.8
Seattle (Homestead)	42.5	9.1	33.3	22.7	14.5	29.5
South Florida consortium	61.3	6.2	22.9	45.3	26.5	5.4
Washington, DC	51.6	10.0	4.2	53.9	33.8	8.2
All Sites	44.1	6.3	41.3	23.2	21.9	13.6

Sources: CHIP application data and US Department of Education's Common Core dataset.
Note: School information was not provided by applicants in Austin and Nashville.

State-funded public schools are required to submit standardized reading/language arts and math testing scores to their state departments of education. Because each state uses different reporting metrics, we ranked the test scores of the schools of applicants' children against all other schools in the state. Doing so allows us to compare school test performance rankings across states.

Children of applicants attend schools that rank in the 49th percentile for reading and 48th percentile for math at the median. In other words, overall, the children of applicants attend neither the best- nor worst-performing schools in the state. The average rank, however, belies a fairly wide-ranging distribution—as wide as the distribution of all schools in the state. For example, when we rank order the school performance of applicant children, the child at the 75th percentile of all children in the study attended a school ranked at

the 77th and 75th percentiles of all state schools (table 14). In sum, then, it appears that the children of shared equity applicants attend the full range of schools present in their state.

TABLE 14

School Characteristics of Children of Program Applicants

Standardized testing subject	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile
Standardized reading scores	10th	24th	49th	77th	92nd
Standardized math scores	13th	27th	48th	75th	87th

Sources: CHIP application data and state department of education test score data (calculated by authors).

Applicant Financial Information

Across the nine sites, applicants have incomes at the median that are 45 (South Florida) to 60 (Hello Housing) percent of their respective AMI. Across all sites these values are quite low compared with conventional homeownership targets of either 80 or even 120 percent AMI. Reflecting divergent area incomes, there is considerably more variation in nominal incomes than in incomes as a share of area incomes. For example, in South Florida, the median income of applicants is just $29,000, but in the Bay Area, the median is more than $61,000. Across all sites, the median applicant earned $41,000.

The relatively low incomes among applicants are somewhat surprising, given that the typical applicant is a college graduate with a full-time job. As the typical applicant is in his or her thirties or forties, it is unlikely that the lower income is a function of just beginning a career in a particular occupation. As table 15 shows, applicants are employed in a relatively large number of occupations. About 30 percent are in office administration or health care. No other single occupation category accounted for more than 10 percent of applicants.

Table 16 shows the applicants' financial characteristics. In addition to having incomes that are roughly 45 to 60 percent AMI, applicants (with the exception of those in the Bay Area, and to a much lesser extent in Washington, DC) have little or no net worth. Therefore, homeownership (even with resale restrictions) provides an opportunity for applicants to build wealth. The all-site median applicant net worth is $0. Hello Housing applicants stand apart with a median net worth of $77,000. Median net worth is negative in two sites (Nashville and Seattle) and zero in another two (Austin and Long Island). Total assets range, at the median, from $525 in Austin to $79,000 in the Bay Area. The median is $6,000 for all applicants. Table 16 also shows the median balance of applicants' checking/savings, retirement, and investment accounts (for those with these accounts).

TABLE 15

Applicant Occupation Characteristics (percent)

Occupation category	Share of applicants
Office administration	15.1
Health care	14.96
Other	14.17
Maintenance/repair/building and grounds	8.50
Sales/retail	8.03
Education	6.14
Food services	6.14
Community/social services	5.67
Transportation/material moving	4.09
Production/manufacturing	3.78
Financial	2.83
IT/technology	2.52
Legal	2.05
Construction	1.42
Management	1.42
Hospitality	1.10
Research	1.10
Architecture/engineering	0.94

Source: CHIP application data.
Note: N = 635.

Total debts average $3,500 for all applicants. At the low end, median debts are $350 in Austin and $450 in South Florida and the Bay Area; at the high end, the median is $9,000 in Park City. Subgrantees also separately asked applicants to report their monthly debt payments. They responded that their debts resulted in monthly median payments of $273 for all applicants. At the low end, median monthly debt is $144 in South Florida, and at the high end, $426 in Long Island. Table 16 also shows the median debt owed by applicants on their credit card, line of credit, or education or auto loan (for those with these accounts).

Although applicants' net worth is low, the typical applicant has saved some money to purchase a home. As of the program intake date, overall the median amount saved for a home was $6,000; the highest median savings was $60,000 in San Francisco, with Nashville at the other end of the scale with median savings for purchasing a home of $1,800. (Later in this report we compare this information on savings for purchasing a home to a down payment requirement we estimate using mortgage and income assumptions.)

TABLE 16

Applicant Financial Characteristics

Location (subgrantee)	All sites	Austin (HomeBase)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Moun-tainlands)	Seattle (Home-stead)	South Florida consortium	Washington, DC (City First)
Median income	**$41,427**	**$37,731**	**$60,900**	**$42,449**	**$56,400**	**$36,036**	**$48,800**	**$42,760**	**$28,906**	**$50,000**
Median income % AMI	51.1%	51.5%	60.2%	54.8%	53.3%	57.8%	50.3%	49.3%	44.7%	46.6%
Less than 50%	47.4%	47.0%	16.7%	37.5%	43.6%	28.6%	48.3%	55.9%	60.5%	55.1%
50%–80%	45.8%	47.0%	58.3%	54.4%	51.2%	46.4%	48.3%	42.2%	32.5%	44.9%
80%–120%	6.3%	6.0%	25.0%	44.9%	2.6%	25.0%	3.3%	2.0%	5.2%	0.0%
120% and above	0.5%	0.0%	0.0%	0.0%	2.6%	0.0%	0.0%	0.0%	1.8%	0.0%
N	621	75	24	136	39	22	60	102	110	53
Net worth, assets, and debts										
Median net worth	$0	$0	$77,479	$2,399	$0	–$2,111	$735	–$1,850	$725	$6,675
Median total assets	$6,200	$525	$78,649	$15,159	$3,275	$1,810	$21,150	$5,000	$2,811	$21,372
Median total debts	$3,500	$350	$450	$9,109	$5,900	$3,834	$9,015	$7,508	$450	$6,500
N	674	104	25	136	52	23	68	96	116	54
Median monthly debt payments	$273	$313	—	$250	$426	$338	—	—	$144	$400
Median debt payments as a share of gross monthly income	7.5%	11.9%	—	7.0%	6.1%	10.7%	—	—	4.3%	8.5%
N	226	40	0	128	20	17	0	0	19	9
Median savings for home purchase	$6,000	—	$60,000	$7,000	$7,000	$1,810	$8,500	$4,000	$2,750	$10,000
N	485	0	22	136	39	21	68	102	52	53

TABLE 16 CONTINUED

Location (subgrantee)	All sites	Austin (HomeBase)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Moun-tainlands)	Seattle (Home-stead)	South Florida consortium	Washington, DC (City First)
Account type and balance										
Median checking/savings balance[a]	$1,391	$544	$11,000	$1,389	$1,862	$997	$2,000	—	$1,225	$2,200
Retirement account[a]	$9,235	$9,588	$27,331	$6,317	$6,000	$7,603	$15,000	—	$6,000	$13,937
Investment account[a]	$8,101	$8,257	$32,516	$4,575	$4,536	$1,500	$16,000	—	—	$9,014
Debt type and balance										
Median credit card debt[a]	$883	$3,135	$1,500	$1,000	$487	$317	$1,500	—	$739	$1,548
Median education debt[a]	$15,000	$15,122	$5,000	$14,640	$17,000	$24,571	$37,500	—	$8,500	$14,250
Median auto debt[a]	$10,075	$9,883	$13,000	$9,162	$10,000	$18,073	$10,000	—	$11,116	$6,000
Median line of credit debt[a]	$3,425	$2,268		$5,293	$3,700	$800	$5,050	—	$3,000	$2,500

Source: CHIP application data.

Note: — indicates no response.

[a] Data are given only for applicants with the type of account or debt specified.

The neighborhoods in which applicants lived varied across the sites with respect to poverty rate and median income (table 17). Mean poverty rates ranged from a low of 8.7 percent for applicants on Long Island to a high of 21.6 percent for applicants in South Florida. The average poverty rate for applicant census tracts was 16.0 percent, which was about four percentage points greater than for the average of all nine MSAs. The median income of tracts in which applicants lived ($59,469) was about 10 percent lower than the median for the nine MSAs ($64,797). Income trends across the sites convey a similar story as these poverty trends, with South Florida applicants living in tracts with the lowest incomes, and Mountainlands and Long Island Housing Partnership applicants living in tracts with the highest incomes.

TABLE 17

Applicant Neighborhood Income Characteristics

		Poverty Rate (%)		Median Income	
Location (subgrantee)	**N**	**Applicant tract**	**MSA**	**Applicant tract**	**MSA**
Austin (HomeBase)	44	18.9	14.6	$52,958	$59,646
Bay Area (Hello Housing)	25	13.8	10.8	$65,066	$77,183
Burlington (Champlain Housing Trust)	136	17.6	11.1	$56,922	$61,603
Long Island (Long Island Housing Partnership)	50	8.7	13.6	$78,221	$65,791
Nashville (Housing Fund)	27	20.8	14.0	$37,963	$52,779
Park City (Mountainlands)	68	9.2	11.7	$81,196	$60,329
Seattle (Homestead)	102	13.9	10.9	$61,600	$67,437
South Florida consortium	110	21.6	16.1	$42,521	$48,582
Washington, DC (City First)	46	14.2	7.9	$72,266	$89,826
All Sites	608	16.0	12.3	$59,469	$64,797

Sources: CHIP application data and American Community Survey 2008–12.

The racial composition of applicant census tracts is largely similar to that of the overall MSAs (table 18). On average non-Hispanic Whites account for about 60 percent of residents in applicant neighborhoods, which is nearly the same share for the nine MSAs. Burlington stands out for its high share of White applicants (and its surrounding MSA also had a high percentage of white residents). Washington, DC, Nashville, and South Florida applicants lived in neighborhoods that have significantly higher shares of Blacks than do their surrounding MSAs. Austin applicants lived in neighborhoods with greater shares of Hispanics than the overall MSA, but in South Florida applicants lived in neighborhoods with lower shares of Hispanics than the MSA.

TABLE 18

Applicant Neighborhood Racial Composition Characteristics

Location (subgrantee)	N	White (%)		Black (%)		Hispanic (%)	
		Applicant tract	MSA	Applicant tract	MSA	Applicant tract	MSA
Austin (HomeBase)	44	45.7	54.6	6.1	7.2	42.6	31.4
Bay Area (Hello Housing)	25	45.0	42.5	9.3	8.0	24.2	21.5
Burlington (Champlain Housing Trust)	136	89.2	91.9	2.5	1.4	1.9	1.7
Long Island (Long Island Housing Partnership)	50	51.2	48.8	16.3	16.2	26.3	22.9
Nashville (Housing Fund)	27	45.0	74.0	37.6	15.3	12.1	6.5
Park City (Mountainlands)	68	84.2	74.9	0.7	1.4	11.0	16.6
Seattle (Homestead)	102	54.8	68.0	12.5	5.3	8.8	8.9
South Florida consortium	110	40.4	35.0	35.0	19.9	20.8	41.4
Washington, DC (City First)	46	40.1	48.5	38.8	25.3	13.2	13.8
All Sites	608	59.3	59.8	15.6	11.1	16.2	18.3

Sources: CHIP application data and American Community Survey 2008–12.

Applicant Creditworthiness

One of the key constraints in obtaining a mortgage is meeting lenders' creditworthiness standards. The median FICO score of all originated mortgages has been around 750 since June 2012 (Urban Institute 2014). The median self-reported FICO score for all applicants is 720—below the typical score required by lenders for approval. The median score varies by location, however: applicants in San Francisco and Salt Lake City have median credit scores of about 740, which is close to the typical score for originated loans (table 19).

FICO scores were not always reported because some applicants simply did not know their score at the time of application. In addition, credit scores were self-reported by applicants, which means that scores could have been out-of-date, rounded, or simply incorrect if the applicant did not remember his or her score exactly from the last time it was obtained.

In addition to FICO scores, applicants provided information about whether they ever had a bankruptcy foreclosure or had been delinquent on a mortgage payment. Because the self-reported FICO scores were incomplete and uncertain when complete, we also created a credit profile for each borrower. We defined excellent credit as having no previous payment issues (no foreclosures, bankruptcies, or late credit card payments); marginal credit as having a late credit card payment without a foreclosure or bankruptcy; and

problematic credit as having a prior bankruptcy or foreclosure. We also created a “no credit” category for those applicants who reported that they did not have a credit card.

The categories tracked reported FICO scores for applicants when they were available. The mean score for those categorized with excellent credit was 755; the score was 695 for applicants classified as having marginal credit and 656 for those in the problematic credit category. By our measure we estimate that only about 25 percent of applicants have excellent credit, which is a potential constraint for the success of the shared equity programs in selling their homes.

TABLE 19

Applicant Creditworthiness Characteristics

	All sites	Austin (HomeBase)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Moun-tainlands)	Seattle (Home-stead)	South Florida consortium	Washington, DC (City First)
Estimated credit										
Excellent	25.8%	8.0%	40.0%	40.4%	25.0%	0.0%	41.2%	37.3%	8.3%	32.0%
Marginal	60.8%	74.1%	60.0%	41.2%	67.3%	82.8%	41.2%	52.9%	80.0%	62.0%
Problematic	1.6%	1.8%	0.0%	1.5%	0.0%	0.0%	5.9%	2.0%	0.8%	0.0%
No credit	11.8%	16.1%	0.0%	16.9%	7.7%	17.2%	11.8%	7.8%	10.8%	6.0%
N	680	112	25	136	52	23	68	102	116	54
Reported FICO score										
Median score	720	—	741	727	725	683	742	720	654	742
N	411	0	20	117	28	19	34	99	58	44
Late bill payments										
Never	69.8%	53.2%	73.9%	78.7%	54.4%	30.8%	82.4%	82.0%	54.1%	83.7%
Once	13.3%	21.0%	17.4%	11.8%	17.4%	23.1%	7.4%	12.0%	12.9%	8.2%
Two or three times	13.6%	25.8%	8.7%	8.1%	19.6%	42.3%	8.8%	6.0%	20.0%	6.1%
Four or more times	3.4%	0.0%	0.0%	1.5%	8.7%	3.9%	1.5%	0.0%	12.9%	2.0%
N	595	62	23	136	46	26	68	100	85	49

TABLE 19 CONTINUED

	All sites	Austin (HomeBase)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Moun-tainlands)	Seattle (Home-stead)	South Florida consortium	Washington, DC (City First)
Credit card payments										
Full balance each month	36.4%	22.6%	54.6%	44.1%	29.6%	0.0%	48.5%	47.0%	23.8%	32.7%
Less than full balance, more than minimum payment	41.8%	45.2%	45.5%	34.6%	50.0%	70.4%	36.8%	40.0%	37.5%	51.0%
Minimum payment	6.3%	3.2%	0.0%	4.4%	11.4%	11.1%	2.9%	5.0%	11.3%	10.2%
Less than minimum payment	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.3%	0.0%
No credit cards	14.0%	29.0%	0.0%	16.9%	9.1%	18.5%	11.8%	8.0%	16.3%	6.1%
N	588	62	22	136	44	27	68	100	80	49

Source: Authors' calculations from CHIP application data.

Note: — indicates no response.

For the impact study, we will survey applicants who did not purchase shared equity homes to determine if they were able to purchase another type of owner-occupied unit. This survey information will allow us to compare the impact of shared equity programs on making homeownership possible for those who otherwise would have been unable to buy a home with the programs' impact on accelerating the transition to ownership for participants who would have otherwise purchased a home, albeit at a later date.

Housing Expense and Affordability

At intake applicants who owned or rented had a median monthly housing expense of $950; in addition, some applicants paid separate utilities that had a median monthly cost of $150 (see table 20). Across all sites, 47 percent of applicants were housing cost burdened, defined as spending more than 30 percent of their income on housing and utility expenses. This share is very close to the national figure for renters: roughly half of all renters are cost burdened. There is considerable variation across the sites. In South Florida, over two-thirds of applicants are cost burdened, while just 4 percent of Nashville applicants are cost burdened.

To place the applicant income and housing expense information into context, we estimated the income required to purchase a median-priced existing home within the MSAs in which each of the subgrantees operates. Our estimates assume that a purchaser would finance the transaction with a 30-year fixed-rate mortgage at prevailing rates (we used 4.25 percent) and have a 3 percent down payment. In addition, we assumed that the front-end ratio (monthly PITI [principal, interest, taxes, insurance]/monthly gross income) could not exceed 31 percent and that this ratio would be calculated including escrows (property taxes, homeowner's insurance, mortgage insurance, and so on) that would add an additional 40 percent to the principal and interest payment.

TABLE 20

Applicant Housing Expense Information

Location (subgrantee)	Median monthly housing expenses	Median monthly utility expenses	Percent of Applicants Housing Cost Burdened	N
Austin (HomeBase)	$910	$200	39%	49
Bay Area (Hello Housing)	$1,205	$100	48%	25
Burlington (Champlain Housing Trust)	$885	$150	37%	136
Long Island (Long Island Housing Partnership)	$1,250	$180	44%	41
Nashville (Housing Fund)	$625	—	8%	22
Park City (Mountainlands)	$860	$150	40%	67
Seattle (Homestead)	$1,025	$110	54%	102
South Florida consortium	$930	$150	76%	105
Washington, DC (City First)	$1,181	$100	45%	50
All sites	$950	$150	47%	597

Source: Authors' calculations from CHIP application data.
Note: — indicates no data. Housing cost burden is defined as paying more than 30 percent of gross income towards monthly housing expenses including utilities.

Estimates are reported in table 21. The median price for existing homes as of the second quarter of 2014, according to the most recent data available from the National Association for Realtors, ranges from a high of about $770,000 in the San Francisco MSA to a low of about $185,000 in the Nashville MSA. Three locations (Washington, DC, Long Island, and Seattle) have median home prices of about $400,000; the remaining four locations (South Florida, Burlington, Austin, and Salt Lake City [the MSA containing Park City]) have median home prices of about $250,000. (N.B. House prices in Park City are generally higher than for the overall MSA, but data for Park City are not available from the National Association of Realtors. As a result, the findings understate required incomes for that site.)

Using our assumptions on the mortgage, down payment, and escrows, the required income to purchase a home in the nine locations ranges from a low of about $50,000 in Nashville to just over $200,000 in San Francisco. The required income needed to purchase the median-priced existing home in the other seven locations ranges from about $65,000 to $100,000. These required incomes are well above the median applicant incomes in all nine sites, indicating that typical market-rate homes are unaffordable to program

applicants. In addition, the required down payment, assuming a 97 percent mortgage for the median-priced home, is greater than the median savings for a down payment in seven of the nine sites.

TABLE 21

Estimates of Minimum Income Required to Purchase a Median-Priced Home in Each Location

MSA/MD	Median existing house price Q2 2014	Income required to purchase median-priced existing home with 40% escrow, 31% front-end ratio, 30-year mortgage (interest rate 4.25%), and 97% LTV	Applicant median income	Required down payment	Applicant median savings for down payment
Austin (HomeBase)	$247,500	$64,004	$37,731	$7,425	$500
Bay Area (Hello Housing)	$769,600	$205,175	$60,900	$23,088	$60,000
Burlington (Champlain Housing Trust)	$273,400	$72,888	$42,449	$8,202	$7,000
Long Island (Long Island Housing Partnership)	$412,900	$110,079	$56,400	$12,387	$7,000
Nashville (Housing Fund)	$184,900	$49,294	$36,036	$5,547	$1,810
Park City (Mountainlands)	$242,100	$64,544	$48,800	$7,263	$8,500
Seattle (Homestead)	$357,400	$95,283	$42,760	$10,722	$4,000
South Florida consortium	$270,000	$71,982	$28,906	$8,100	$2,750
Washington, DC (City First)	$403,600	$107,600	$50,000	$12,108	$10,000
All sites	$316,357	$84,341	$41,427	$9,491	$6,000

Sources: Authors' calculations from CHIP application data and National Association of Realtors (http://www.realtor.org/topics/metropolitan-median-area-prices-and-affordability/data).
Note: MD = metropolitan division; Q2 = second quarter; LTV = loan to value.

To determine the extent to which program applicants could afford market-rate homes in each location, we estimated the maximum-priced home that is affordable, given the reported median income of applicants in each of the nine locations and the assumed mortgage characteristics (3 percent down payment, 30-year fixed term, and a front-end ratio of 31 percent) (table 22).

Given the relatively low incomes among program applicants across all sites, it is not surprising that they cannot afford even median-priced homes in their respective locations. On average applicants can afford homes that are between about $140,000 and $235,000, or between 30 and 80 percent of the area median-

priced homes. The effect is magnified in higher-cost markets. In the Bay Area a median-income applicant would only be able to afford a home hundreds of thousands of dollars less than the median home price for the metro area. These prices exclude these applicants from a very large portion of the housing market. Even in less extreme markets like Nashville and Austin, the median applicant would fall short $46,000 to $100,000. This shortfall means that shared equity programs in the nine locations would require substantial public subsidies (ranging from about $46,000 up to $534,000) to make median-priced homes affordable to program applicants.

According to key informants, the programs included in the study must sell homes at prices that are at least 20 percent below their appraised values in order to attract buyers to shared equity homes. Given the maximum home price that typical applicants can afford at each site (based on the median income and mortgage assumptions), we calculated the target market value of homes that would be purchased by shared equity programs; based on key informants' responses, these prices are 20 percent greater than the maximum price that shared equity buyers could afford without additional assistance in order to provide an incentive for buyers to purchase shared equity homes.

TABLE 22

Comparison of Estimated Maximum Affordable Homes for Program Applicants to Median Market-Rate Homes

Location (subgrantee)	Median income at application	Maximum affordable house price[a]	Target market value for shared equity homes[b]	Median existing house price Q2 2014
Austin (HomeBase)	$37,731	$145,904	$182,380	$247,500
Bay Area (Hello Housing)	$60,900	$235,495	$294,369	$769,600
Burlington (Champlain Housing Trust)	$42,449	$164,149	$205,186	$273,400
Long Island (Long Island Housing Partnership)	$56,400	$218,096	$272,620	$412,900
Nashville (Housing Fund)	$36,036	$139,348	$174,185	$184,900
Park City (Mountainlands)	$48,800	$188,707	$235,884	$242,100
Seattle (Homestead)	$42,760	$165,351	$206,689	$357,400
South Florida consortium	$28,906	$111,778	$139,723	$270,000
Washington, DC (City First)	$50,000	$193,348	$241,684	$403,600

Sources: Authors' calculations from CHIP application data and National Association of Realtors (http://www.realtor.org/topics/metropolitan-median-area-prices-and-affordability/data).
[a] This assumes a 3.0 percent down payment and a 31.0 percent front-end ratio.
b This assumes a 20 percent discount from market value.

The market values of the target homes are well below the median-priced homes in all the sites except for Nashville and Park City. Therefore, the success of the shared equity programs in the remaining seven

sites is partially dependent on being able to acquire homes with market values that are less expensive than the median-priced home, which will allow the program to sell homes that are affordable to applicants while at the same time selling for a substantial enough discount from their market value to provide an incentive for buyers to purchase homes with resale restrictions.

In addition to an area's level of affordability, demand for shared equity housing may be influenced by recent price trends in the local market. Table 23 reports Federal Housing Finance Agency house price indexes (in which the first quarter of 2004 = 100) for the nine sites included in the study as well as for the country as a whole. The Federal Housing Finance Agency prepares an index at the MSA level for all the sites except Burlington; for that site we report the state-level index for Vermont.

TABLE 23

Percentage Changes in House Prices from First Quarter of 2004

	Change from 2004 Q1 (%)									
MSA/State	2005 Q1	2006 Q1	2007 Q1	2008 Q1	2009 Q1	2010 Q1	2011 Q1	2012 Q1	2013 Q1	2014 Q2
Austin (HomeBase)	4.7	13.6	25.2	31.5	30.7	33.5	28.7	34.5	45.5	67.9
Bay Area (Hello Housing)	22.4	20.8	21.6	12.3	5.4	10.3	1.4	2.7	20.2	44.0
Burlington (Champlain Housing Trust)[a]	14.4	7.5	3.7	1.2	−4.3	0.6	−2.5	1.4	0.6	4.4
Long Island (Long Island Housing Partnership)	13.8	23.9	18.5	16.5	9.9	6.6	3.5	−0.7	2.3	4.8
Nashville (Housing Fund)	8.1	18.6	28.0	29.5	21.8	19.8	14.2	14.8	28.4	40.3
Park City (Mountainlands)[b]	7.6	27.2	51.4	52.3	34.2	26.5	16.7	20.1	36.9	48.0
Seattle (Homestead)	13.0	32.2	48.1	45.3	29.6	21.5	10.8	6.2	22.4	36.2
South Florida consortium	23.4	53.5	67.6	47.3	−8.6	−5.6	−12.2	−10.8	3.7	15.9
Washington, DC (City First)	24.1	13.7	−1.7	−13.8	−14.2	8.4	−0.8	3.6	6.9	8.4
Overall average	10.4	20.6	23.2	16.7	7.2	4.1	−1.4	−0.7	6.3	14.4

Note: Q1 = first quarter.

[a] The Federal Housing Finance Agency does not provide house price data for the Burlington MSA. We report data for the state of Vermont.

[b] The Federal Housing Finance Agency does not provide house price data for Park City separately. We report the Salt Lake City MSA.

The cumulative change in the South Florida MSA of about 16 percent is closest to the overall average. The remaining MSAs—Austin (67.9 percent), Nashville (40.3 percent), Salt Lake City (48.0 percent), Seattle (36.0 percent), and San Francisco (44.0 percent)—all had cumulative house price increases since the first quarter of 2004 that are much greater than the national average.

Applicant Readiness to Buy

As discussed above, the actual number of applicants recruited and sales completed by July 2014 were below original projections. There are a variety of reasons for this result, but it is not due to self-reported interest and readiness among applicants to buy homes. Overall, 83 percent of applicants reported they were within four months of purchasing a home at intake; this percentage was relatively constant except in three locations: Washington, DC, South Florida, and Park City (table 24). Much higher shares of applicants in these three locations (50, 70, and 66 percent, respectively) reported that they required more than four months to be ready to purchase a home.

In addition to being ready to buy a home, a plurality of applicants (44 percent) indicated they did not face any barriers in buying a home. The two most often cited barriers were insufficient income and savings—which may explain the reason for applicants being interested in shared equity programs, as they perceive that they do not have the required income or savings to purchase a market-rate home. A smaller proportion of applicants (10 percent) thought that bad credit or existing debt (6 percent) were the primary obstacles for ownership. However, given the low FICO scores for some applicants, the self-reported confidence regarding potential barriers may be misplaced.

The desire to become a homeowner for its own sake remains a strong factor for people to apply for shared equity programs: about 6 in 10 applicants reported that a desire to own was the primary reason for wanting to buy a home; none of the other factors (affordability, family situation, or location) were selected by more than 11 percent of applicants as the primary reason for wanting to own a home.

TABLE 24

Applicant Characteristics Regarding Readiness for Homeownership

	All sites	Austin (Home -Base)	Bay Area (Hello Housing)	Burlington (Champlain Housing Trust)	Long Island (Long Island Housing Partnership)	Nashville (Housing Fund)	Park City (Moun-tainlands)	Seattle (Home-stead)	South Florida consortium	Washington, DC (City First)
Months to purchase										
1 or Less	61%	82%	90%	60%	37%	30%	71%	67%	35%	80%
2 to 4	22%	9%	10%	29%	21%	20%	20%	20%	34%	7%
More than 4	16%	9%	0%	12%	42%	50%	9%	13%	31%	13%
N	462	11	21	126	19	4	66	95	70	50
Top barrier										
Bad credit	10%	0%	0%	2%	19%	0%	13%	11%	23%	4%
Debt	6%	0%	4%	10%	7%	0%	1%	8%	3%	8%
Insufficient savings	14%	0%	8%	31%	35%	0%	0%	0%	11%	16%
Insufficient income	18%	33%	12%	15%	9%	8%	34%	10%	25%	26%
Other barrier	8%	0%	0%	4%	0%	88%	6%	2%	7%	2%
No barrier	44%	67%	76%	38%	30%	4%	46%	69%	32%	44%
N	537	3	25	136	43	19	68	101	88	54
Reasons to buy										
Affordability	3%	5%	0%	3%	0%	4%	3%	0%	2%	10%
Family situation	11%	15%	25%	18%	9%	4%	6%	8%	10%	8%
Location	5%	3%	8%	5%	3%	4%	16%	0%	4%	6%
Desire to own	61%	59%	46%	57%	51%	81%	51%	81%	62%	50%
Other factor	19%	17%	21%	17%	37%	8%	24%	11%	23%	26%
N	589	51	24	136	35	20	68	101	100	54

Source: Authors' calculations from CHIP application data.

A Preliminary Look at Purchases

To inform the later impact analysis, we compared the financial characteristics of applicants who purchased a shared equity home between the time subgrantees reported their data in the fall of 2012 and July 2014. In full, 211 applicants (30 percent) made such a purchase during this period. As shown in table 25, the overall median income of these applicants at intake was about $3,000 higher than applicants who did not purchase a shared equity home. This difference was most pronounced in South Florida, where the organizations sold 11 homes to applicants who had a median income at intake of about $70,000, compared to nonbuyers who had a median income of just under $30,000. The opposite is the case in Austin, where buyers had a lower median income at intake than nonbuyers.

In addition to higher incomes, applicants who purchased shared equity homes had higher amounts saved for a down payment (median of $8,000) compared to the $5,000 median savings for applicants who did not purchase a shared equity home. As with income, the most dramatic difference is among South Florida applicants: the typical applicant who purchased a shared equity home had $71,000 for a down payment, compared to only $2,000 for the typical nonbuyer applicant. There is also a large difference for Long Island applicants: the median amount saved for a down payment at intake ($20,000) was nearly seven times the median savings for nonbuyer applicants.

Creditworthiness at intake overall does not appear to be much different between those applicants who purchased a shared equity home versus those who did not. The median FICO score for both groups is nearly identical, without any clear pattern when analyzed by site. In four sites (South Florida, San Francisco, Long Island, and Nashville) buyers had a median FICO score that was higher at intake than nonbuyers, but the converse is true for the remaining sites (excluding Austin, which reported no FICO scores for buyers).

TABLE 25

Comparison of Selected Financial Characteristics of Buyers and Nonbuyers

	Buyers			Nonbuyers			Buyers		Nonbuyers		Buyers		Nonbuyers	
Location (subgrantee)	Median income	Income % AMI	N	Median income	Income % AMI	N	Purchase savings	N	Purchase savings	N	Median FICO	N	Median FICO	N
Austin (HomeBase)	$37,440	51.1%	23	$38,583	53%	89	—	0	—	0	—	0	—	0
Bay Area (Hello Housing)	$70,618	69.8%	11	$60,000	59%	13	$71,000	10	$45,000	12	773	10	725	10
Burlington (Champlain Housing Trust)	$44,680	57.7%	54	$41,244	53%	82	$7,500	54	$6,000	82	718	52	738	65
Long Island (Long Island Housing Partnership)	$65,201	61.6%	19	$51,100	48%	20	$14,000	17	$3,000	22	732	19	712	9
Nashville (Housing Fund)	$36,071	57.9%	13	$33,349	54%	9	$1,810	13	$1,890	8	701	13	676	6
Park City (Mountainlands)	$49,091	50.6%	14	$48,800	50%	46	$20,000	17	$4,000	51	756	10	739	24
Seattle (Homestead)	$40,000	46.1%	32	$43,000	50%	70	$4,821	32	$3,650	70	728	32	720	67
South Florida consortium	$33,976	52.6%	12	$28,200	44%	98	$3,364	5	$2,500	47	614	12	656	46
Washington, DC (City First)	51,000	47.5%	22	$49,000	53%	28	13,000	21	$7,500	28	741	17	742	11
All Sites	$44,064	53.5%	205	$40,164	50%	453	$8,000	171	$5,000	341	727	167	717	258

Source: Authors' calculations from CHIP application data.

Note: — indicates no response.

Some programs found that the neighborhoods where homeowners bought their homes differed from the neighborhoods they would have purchased in without assistance. In the Bay Area, homes in the desirable Menlo Park area, which have excellent school districts and low crime rates, would be unaffordable to many homebuyers without Hello Housing's inclusionary Below Market Rate program. Homes in this program sell for under $300,000, but market-rate units in the same development sell for more than two to three times that amount. Similarly, HomeBase described that in Austin, homeowners who bought into the Mueller development experience a different environment; for example, Mueller has higher-income residents than clients would normally live near and health-conscious amenities such as walking trails and parks. Austin's Habitat homeowners have also noted a drop in crime in their new neighborhoods and lower neighborhood turnover. Conversely, in Washington, DC, City First did not think that buyers were necessarily moving to better neighborhoods; rather, many were able to buy in areas where they previously rented—though that neighborhood would have been unaffordable to purchase into without shared equity assistance.

Implications for Practice and Policy

Despite the recent housing market crash, homeownership is still an attractive option. A 2013 survey conducted by Fannie Mae found that half of renters preferred to be homeowners for both financial and lifestyle reasons.[4] Another survey, conducted by TD Bank, reported that 84 percent of young adults ages 18 to 34 intended to become a homeowner in the future.[5] Despite continued preferences for purchasing a home, ownership remains out of reach for many families, as homes, even after a decline in values from their high in 2007, are not affordable. Moreover, many families cannot qualify for mortgages given lenders' tightened underwriting standards in the wake of the financial crisis (Courchane, Keifer, and Zorn 2013).

Shared equity homeownership has the potential to create affordable and sustainable ownership opportunities for low- and moderate-income families. As summarized in our literature review (see "Background" above), by recycling subsidies such programs offer cost-effective affordable homeownership opportunities for low- and moderate-income families. Moreover, even though shared equity programs serve many first-time homebuyers, the mortgages originated under these programs perform well, with lower delinquency and foreclosure rates than other low- and moderate-income buyers (Temkin, Theodos, and Price 2013).

This study found that the nine subgrantees funded by CHIP are providing ownership opportunities for low-income applicants who typically have incomes that are about half of their AMI. These applicants are likely to have trouble purchasing market-rate homes without a subsidy. In addition to serving lower-income families, the shared equity programs in this study will recycle the subsidies they use to allow for homes to be resold at affordable prices in subsequent transactions. The subgrantees in this study offer buyers support services in the event of mortgage payment problems after purchasing a home. These stewardship activities, in which organizations establish an on-going relationship with buyers, distinguish shared equity programs from other sorts of subsidized ownership initiatives, which typically do not include on-going assistance to buyers.

Given the promising characteristics of shared equity programs (they serve lower-income families, recycle subsidies, and offer a set of on-going services to buyers), what policy and practical implications can be drawn from the experiences of the nine subgrantees that received CHIP funding for establishing such a program? The findings suggest three key elements (discussed below) are required to implement or expand a shared equity program:

1. Operational support is critical for groups that do not have sufficient program revenue to cover all operating expenses.
2. Identifying and accessing a source of homes that can be sold at below-market prices and retained in a shared equity portfolio is essential for the continued expansion of any shared equity program.
3. Working with area lenders to develop and offer mortgage products that allow wealth-constrained borrowers to purchase shared equity homes is vital for home sales.

Operational Support

The key informants interviewed for this study suggested that a shared equity program administrator requires a portfolio of at least 100 shared equity homes. A portfolio of this size will have enough sales volume to provide fee income to a program administrator that is in line with expenses to operate the program. As many shared equity programs do not have a portfolio that provides for a sustainable level of income, operational support is vital for operating a shared equity program. Given this need, the funding provided under CHIP was an important and, in some cases, a nonsubstitutable source of reliable operating funds that was used by the subgrantees to support their shared equity initiatives. Sustainability may also be affected by changing economic conditions, not just the number of units in an organization's portfolio. One subgrantee indicated that interest rates, which affect refinance activity and so any fee income derived from associated mortgages, also affect an organization's fee income.

Because shared equity programs can be operated without a large staff, local, state, and federal governments can assist shared equity programs with relatively modest grants; such support would allow organizations contemplating starting a shared equity program to begin operations and begin building a portfolio that allows for a sustainable income source.

In addition to offering grants, local governments can assist organizations that administer shared equity programs by engaging them to manage shared equity units that may already exist or are scheduled to be built. Such contracts allow shared equity program organizations to grow their portfolios without the need to raise funds to develop housing.

Subsidy for Shared Equity Homes

To be successful, shared equity programs must have access to homes that can be sold at affordable prices and with a substantial enough discount from their market value to attract buyers who agree to resale restrictions. Successful program operation requires a steady flow of housing units and also subsidies that make up the gap between acquisition, rehabilitation, and/or development costs and the proceeds realized from the initial sale of shared equity units. Given that the required amount of gap financing can be quite large (our estimates suggest that the subgrantees will likely sell units for about $40,000 less than their market value, though this varies considerably across markets), shared equity programs may be limited in their ability to sell homes due to a lack of gap financing.

Subgrantees used a number of strategies to increase the number of units under their management or to acquire homes at discounted prices. In some cases the subgrantees managed shared equity homes developed by third parties in response to local governments' requirements that developers include affordable units in new developments. This approach allowed subgrantees to generate fee income for managing shared equity homes without having to raise funds to acquire or develop these properties. Some of the subgrantees worked with local developers who would provide improved lots that could be used for shared equity homes. In addition, some subgrantees purchased REO homes, which were sold at prices that would not require as much gap financing as non-REO home purchases. (Champlain Housing Trust's experience with REO homes, however, was that the foreclosed homes purchased by the organization required substantial rehabilitation, which made them more expensive than other sources of homes.)

These methods highlight the potential role that local governments can play in assisting organizations in acquiring and/or managing shared equity homes. Local governments can enact inclusionary zoning or other incentives to encourage (or even require) developers to build affordable units. These units can then be placed into a shared equity program at no expense to the entity managing the program. Moreover, local governments can work with organizations to identify REO properties in their jurisdictional area and provide assistance to purchase such homes, which typically are sold at a discount to their market price.

Key informants noted that securing a reliable supply of housing stock and subsidies requires that shared equity programs successfully operate within their local political and economic context. Given that local real estate market participants are key stakeholders in any such program, local real estate industry participants and stakeholders must understand and be comfortable with any shared equity program operating in the area. Therefore, designers of shared equity programs should be cognizant of

the preferences of local stakeholders without compromising the objective of offering affordable ownership opportunities.

Working with Lenders to Develop and Offer Appropriate Mortgage Products

The information provided by applicants highlights a key challenge faced by any shared equity program: having a sufficient number of potential buyers who can qualify for mortgages under lenders' underwriting standards. Given that subsidized prices can be set so that applicants can afford monthly payments and have a down payment, creditworthiness is the most problematic issue faced by shared equity buyers when seeking a mortgage. The data provided by the subgrantees suggest that only about 25 percent of applicants, at intake, have a credit history or FICO score that meets lenders' underwriting requirements. As a result, providing credit counseling or credit-repair services may be an important component of shared equity programs to broaden the pool of potential applicants. Moreover, working with local lenders can be an important strategy so that these banks can design loan products with underwriting standards that allow as many creditworthy applicants to purchase shared equity homes as is prudent.

In addition, although shared equity programs have been in place for more than 30 years, the concept is still unfamiliar to many real estate and mortgage market participants. As a result, realtors may be hesitant to list shared equity properties or show them to their clients. Lenders often cannot originate their standard mortgage products for shared equity transactions, as such loans may not be salable to the secondary market.

Given the profile of typical shared equity applicants (relatively low incomes and low wealth), shared equity buyers would benefit from the more flexible underwriting standards used for FHA loans. This option is typically not feasible as FHA's implementation of its rules regarding shared equity loans makes it difficult for shared equity buyers to qualify for FHA-insured mortgages.

Conclusion

Despite the recent housing finance crisis, with its attendant decline in home values and a concomitant loss of wealth, families still want to become homeowners. This objective is out of reach for many low- and moderate-income families who lack the income or savings to purchase a home. Providing subsidies to such potential buyers is costly and requires substantial support from all levels of government.

Shared equity homeownership programs provide a promising approach to making homeownership affordable to low- and moderate-income families. Moreover, shared equity subsidies create a permanent stock of affordable owner-occupied units by limiting the returns that owners can earn when they sell their shared homes. This characteristic of shared equity programs results in recycled public subsidies, thereby reducing the need for such funds over time.

This report examines nine subgrantees selected by the Cornerstone Partnership to receive funding under CHIP to expand their shared equity programs. The experiences of the nine subgrantees demonstrate the challenges in operating shared equity programs, which must acquire and develop or rehabilitate properties that can be sold for prices that are affordable to low- and moderate-income buyers and also have a large enough pool of mortgage-ready applicants with incomes and savings that are sufficient to qualify for mortgages to purchase the homes.

The participating subgrantees emphasized the importance of change and flexibility—the programs need to be adaptable to shifts in market conditions and their funding streams and also to changes in client demand. A key challenge these programs face is sustainability. Only one-third of the programs had self-sustaining shared equity programs; the others continuously work to find sources of funding. Funding issues also had implications for the stewardship services offered by the programs. CHIP places a large emphasis on providing stewardship services to homebuyers, and although all programs require incoming buyers to complete a prepurchase homeownership course, the mix of services offered postpurchase varies across programs. However, programs were successful in working with lenders to develop mortgage products specific to shared equity. The relative unfamiliarity of shared equity programs requires staff to educate and build relationships with local lenders.

Given these challenges, it is not surprising that the expected sales volume for the nine subgrantees is below projections developed in 2011, when the subgrantees submitted their applications to the Cornerstone Partnership. However, since September 2012 about 211 families have purchased shared equity homes from the nine subgrantees. They are relatively young buyers, largely in their thirties and early forties, with a diverse racial and ethnic composition: less than half the applicants identify as non-

Hispanic White, just under a quarter identify as non-Hispanic Black, and just under a fifth identify as Hispanic. Although the majority of applicants are college graduates (70 percent) and employed full-time (80 percent), on average their incomes are 50 percent of their AMI, which underscores the potential for shared equity programs to make ownership possible for very low income families.

In our next report we will analyze information collected about the families who purchased shared equity homes as well as applicants who did not. These analyses will allow us to determine if shared equity programs make ownership possible for families who otherwise would be unable to buy homes, or simply accelerate the time frame for such buyers to become homeowners. In addition, our analyses will allow us to measure any benefits derived by shared equity buyers relative to nonbuyers living in neighborhoods that are safer, provide more amenities, and offer access to better schools.

The experiences of the nine subgrantees discussed in this report show the potential benefits of shared equity programs. The experiences also caution that shared equity programs are complicated, and stakeholders must recognize the time and effort needed to get such programs off the ground. This baseline report provides information about the experience of shared equity programs and the characteristics of applicants. In our follow-up work we will be able to analyze the types of homes purchased under each program, how buyers financed their homes, and the financial returns realized by sellers. In addition, we will survey applicants who did not purchase a shared equity home, which will allow us to determine if shared equity programs helped increase the number of homeowners rather than help families who would have purchased market-rate homes without the program.

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