

NSP Homebuyer Assistance – Creating Opportunities from the Challenges of Foreclosures Empowering New Buyers

Challenge and Opportunity

Purchasing a home in any market can be difficult for first-time homebuyers, nevermind during a housing and economic crisis that is crippling our state and nation. Neighborhoods throughout Rhode Island have been devastated by the high number of foreclosures and vacant properties that have resulted from a stagnant economy, the highest number of subprime loans and 2nd highest unemployment rates in the country. The foreclosure crisis has impacted communities throughout Rhode Island, many of which felt it earlier and harder than the rest of the nation.

Rhode Island Housing is now challenged with not only helping homebuyers become first-time homeowners, but with the devastating effects of a surplus of foreclosed and vacant properties in communities throughout the state. Many of these neighborhoods are those that we and our housing partners have spent years working to revitalize, now being undone by the impacts of the foreclosure crisis. Vacant, foreclosed homes invite crime and drag down neighboring property values. The problem does not exist in a vacuum; it impacts not just homeowners who lose their homes, but entire families and communities.

As distressed sales now make up more than half of reported sales, how do we help people entering the market to acquire safe loans that assist them with the purchase and rehab of these properties?

The Response

One of Rhode Island Housing's key immediate actions in response to the housing crisis is partnering with the state, cities and towns to help neighborhoods recover. Our Neighborhood Stabilization Program (NSP) Homebuyer Assistance program leverages federal funds to cope with the foreclosure crisis while helping both homebuyers and communities weather this storm.

The NSP, funded by the federal government, means that almost \$20 million is available to help Rhode Island neighborhoods recover from the impact of the foreclosure crisis. Administered through a partnership between Rhode Island Housing and the Rhode Island Office of Housing and Community Development, NSP provides critical funding to acquire and redevelop foreclosed and abandoned properties, homebuyer assistance for first-time homebuyers, and funding for demolition of blighted properties. Under the federal Housing and Economic Recovery Act of 2008, the program has been funded for the purpose of assisting in the redevelopment of abandoned and foreclosed homes while stabilizing communities. Rhode Island Housing's role is not only to ensure that this money is spent effectively and promptly, but to leverage the program with our other resources to get the best possible results for Rhode Islanders. This is a smart investment in strengthening our communities, putting more people to work in construction jobs, and bolstering the local economy.

Upon creation of this federal pool of money, Rhode Island Housing quickly created a program that takes advantage of the available financial resources while meeting the needs of homebuyers in the current housing market. Many foreclosed properties require anywhere from minimal to extensive repairs to make them habitable. The program's success stems from the fact that we quickly established clear program guidelines, widely disseminated information on the program, built strong relationships with federal, state and local partners to administer the program and implemented a quick roll out of the program. We're proud of the fact that we were one of the first HFAs in the nation to introduce our NSP Homebuyer Assistance program.

Program Details

Our NSP Homebuyer Assistance program is an excellent tool in our current challenging housing market. The program provides 20 percent of the purchase price up to a maximum of \$40,000 to income-eligible homebuyers purchasing qualified, foreclosed properties that are located in designated neighborhoods impacted by the foreclosure crisis. Funds are available to eligible homebuyers who are obtaining financing through Rhode Island Housing's FirstHomes program or other equivalent financing that is approved by Rhode Island Housing. (Adjustable rate mortgages do not qualify as other equivalent financing.) However, if a homebuyer is using a non FirstHomes program, they must receive counseling from the Rhode Island Housing HelpCenter. In addition, all non Rhode Island Housing loans are reviewed by our underwriting staff before the closing. This helps ensure that the NSP funds are used prudently and that the homebuyer is in a safe transaction.

The program targets persons earning up to 120% of Area Median Income (AMI). However, a minimum of 25% of the resources must be used to house persons at or below 50% of AMI. NSP funding can only be used to purchase and occupy, or purchase, rehabilitate and occupy foreclosed homes located in NSP-designated areas. Communities with the highest level of need were determined based on national foreclosure statistics and sub-prime lending activity. Funding levels were determined by each community's relative percentage of the State's total foreclosures. The program ensures that the sale and rental of redeveloped properties will remain affordable to individuals and families whose income do not exceed 120 percent of median income. Units originally assisted with funds under lower-income targeting will remain affordable to individuals and families whose income do not exceed 50 percent of area media income.

Education and Partnerships are Key to Success

Many Rhode Island families were victims of predatory lenders and did not understand the mortgage packages being sold to them, exasperating the number of foreclosures. It is critical that homebuyers of foreclosed properties are not placed in a position that they are unable to sustain. As an essential part of the program, every homebuyer must complete a minimum of 8-hours of homebuyer education conducted by HUD-approved counseling agencies. Funds have been reserved to support, on a reimbursement basis, the costs for conducting this counseling for persons who have acquired a unit assisted under the NSP.

As part of the program, we reached out to and partnered with our housing partners, lenders, realtors and potential homebuyers through a targeted and effective communications campaign. A combination of traditional ads in local media outlets, prominent displays on our website, e-news blasts and educational workshops allowed us to effectively communicate our message – with Neighborhood Stabilization Program (NSP) funds, our new FirstHomes 100+loans, and other community initiatives, it is easier than ever for Rhode Islanders to afford to buy - and keep - a home. We partnered with all four Rhode Island REALTORS boards – Greater Providence Board of REALTORS, Kent Washington Association of REALTORS, Newport County Board of REALTORS, Northern RI Board of REALTORS, RI Commercial and Appraisal Board of REALTORS – the first time all four boards were brought together for a program such as this.

By educating realtors on how their customers can take advantage of all the opportunities in today's real estate market, we ensured buy-in and understanding of the Homebuyer Assistance program early on in the roll out. Our housing partners, local lenders and realtors offer us one-on-one communications with potential homebuyers, allowing us to communicate our message directly to the consumer.

Impact to Date

Our NSP Homebuyer Assistance program is revitalizing neighborhoods threatened by blight, creating jobs, and providing safe, healthy homes. Clearly, it will take much more work and funding to completely turn around Rhode Island's economic and housing crisis, particularly in the neighborhoods that have been devastated by foreclosures. However, this funding is a significant step in helping to restore and rejuvenate

our communities. We are particularly hopeful that any additional stimulus packages developed by Congress will bring our cities and state the additional funding needed to recover and prosper.

Rhode Island Housing leverages this critical funding with other resources for maximum impact. For instance, the program leverages the Building Homes RI initiative, which created 810 affordable housing opportunities across the State in the past two years. With this funding plan, we anticipate creation of 100 additional affordable housing units. In addition, homebuyers may be eligible for other rehabilitation program assistance, including 203K loans, to assure properties meet code requirements. We also offer programs to help buyers purchase and rehab distressed properties. Our *FirstHomes100+* loan can be used with NSP Homebuyer Assistance to achieve even greater impact.

To date, we have closed on 41 loans, totaling \$4,136,000 with \$954,683 in NSP assistance.

A Home...at Last

Laura Marlane and her two teenage boys are counting the days until they can move into their new home in Pawtucket. Currently under renovation, Laura and her sons will soon have a beautiful nine-room Victorian to call home, thanks to the Neighborhood Stabilization Program (NSP) Homebuyer Assistance and Rhode Island Housing's *FirstHomes100+* mortgage. Laura was the first homebuyer in Rhode Island to take advantage of the NSP Homebuyer Assistance. The NSP funds, coupled with the repair funds she received through her *FirstHomes100+* financing, enabled her to purchase and refurbish the 1920 home – including installing a new furnace, painting the exterior, adding new fixtures and railings, and upgrading the kitchen and bathrooms. “From the beginning, I knew Rhode Island Housing was looking out for my best interests,” says Laura. “I still can’t believe how incredibly helpful they were. “This home is a dream come true for me and my children. We are going to create wonderful memories here.”

Why it is meritorious:

Innovative: Upon creation of this federal pool of money, Rhode Island Housing quickly created a program that takes advantage of the available financial resources while meeting the specific needs of homebuyers in the current housing market.

Replicable: HFAs benefiting from financial support through the NSP program can easily employ similar programs, utilizing program guidelines and forging similar partnerships.

Demonstrates measurable benefits to HFA targeted customers: In these trying economic times, increasing the availability and access to affordable housing is critical. Our NSP Homebuyer Assistance program provides funding and counseling support needed to recover and prosper. With 80% of business now focused on foreclosed homes, homebuyers need a program that meets their needs and responds to the current housing market.

Have a proven track record of success in the marketplace: The program responds to the market need as we have an exceptionally high number of foreclosed properties throughout the state.

Provide benefits that outweigh costs: Responds to an important state housing need and is an excellent tool in our current challenging housing market.

Demonstrates effective use of resources: By marrying NSP funds with our loan products, and state funding for affordable housing, the program funding becomes more powerful in today's market while utilizing available resources.

Effectively employs partnerships: the program's success stems from the creation of strong relationships with federal, state and local partners to administer and implement a quick roll out of the program.

Achieves strategic objectives: Responds to our strategic objectives regarding foreclosed properties:

1. serve and attract new buyers;
2. save and rebuild neighborhoods;
3. ease the pain of those suffering through this crisis