



2013 Annual Awards Entry Form
(Complete one for each entry.)

Entry Name Soft Second Mortgage Program

Fill out the entry name *exactly* as you want it listed in the awards program.

HFA Louisiana Housing Corporation

Submission Contact Anna Dearmon

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Entry form with description, check(s), and visual aids (optional) must be received by NCSHA by **Monday, July 1, 2013.**

Use this header on the upper right corner of each page.

HFA _____

Entry Name _____

Communications	Homeownership	Legislative Advocacy	Management Innovation
<input type="checkbox"/> Annual Report <input type="checkbox"/> Promotional Materials and Newsletters <input type="checkbox"/> Creative Media	<input type="checkbox"/> Empowering New Buyers <input type="checkbox"/> Home Improvement and Rehabilitation <input checked="" type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Federal Advocacy <input type="checkbox"/> State Advocacy	<input type="checkbox"/> Financial <input type="checkbox"/> Human Resources <input type="checkbox"/> Operations <input type="checkbox"/> Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
<input type="checkbox"/> Multifamily Management <input type="checkbox"/> Preservation and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Combating Homelessness <input type="checkbox"/> Housing for Persons with Special Needs	<input type="checkbox"/> Special Achievement	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

“We know that promoting and incentivizing homeownership is key in revitalizing our neighborhoods across the city. This program will put Hurricane Katrina recovery dollars to use for their intended purpose—helping citizens of New Orleans to rebuild their lives and neighborhoods post-Katrina. It will also reduce blight and stimulate the local economy.”

-New Orleans Mayor Mitch Landrieu

Background: The Louisiana Housing Corporation (LHC) in partnership with the Office of Community Development and City of New Orleans has put \$52 million in CDBG funds provided by the State in the wake of Hurricanes Katrina and Rita to great use with a two-pronged Soft Second Mortgage Program initiative that both encourages the rehabilitation of blighted, historic properties and building on vacant lots as well as assists eligible first-time homebuyers to achieve the dream of homeownership.

Track 1: Affordable Home Development Program

\$18 million of the original \$52 million is reserved for the rehabilitation of blighted, historic properties and new construction on vacant lots throughout New Orleans. In the fall of 2012, 17 local home developers (both non-profit and for-profit) were selected to renovate blighted houses or build new homes on vacant properties throughout the City. The developers will select properties from the New Orleans’ Redevelopment Authority’s (NORA) existing inventory, which will be sold to them at below-market prices. It is anticipated that 240 homes will be produced through this portion of the program, with 111 built on properties owned by NORA and 129 on privately owned lots, which were originally Louisiana Land Trust or NORA lots that were sold to developers in the past year. The developers were selected through a competitive process and special consideration was given for areas targeted for redevelopment under the city’s place-based planning strategy, which encourages rehabilitation of blighted, historic properties and infill housing. Prices for the new and renovated homes will rub between \$90,000 and \$210,000.

Track 2: Direct Homebuyer Assistance Program

The second and equally important part of the SSMP initiative is a direct homebuyer assistance program that provides down payment and closing costs subsidies to eligible first-time homebuyers, bridging the affordability gap between the price of the home (including closing costs) and the maximum amount a homebuyer can borrow with a first mortgage loan. To date, the SSMP has infused \$19 million of much-needed assistance into the City of New Orleans. Making the transition from renter to homeowner can be tough in New Orleans, a city filled with workers in the hospitality and tourism industries that do not typically make a lot of money but find themselves spending a large percentage of their income on rent.

To apply for the Soft Second Mortgage Program, a homebuyer must contact a participating lender, realtor or housing counselor to start the process; after first mortgage approval, eligible homebuyers are referred to the City by lenders.

In conjunction with State resources, the City of New Orleans carefully thought through the program design in an effort to foster responsible homeownership. To qualify as a first-time homebuyer, the prospective buyer must not have held an ownership interest in a residential property within the past three years, with exceptions made for displaced homemakers. The household income may not exceed 120% of

the AMI. The homebuyer is required to occupy the home as his/her primary residence until the 10-year affordability period has expired. Buyers who move or sell prior to the expiration of the 10-year forgivable period are obligated to repay all or a prorated portion of the soft second loan. Most importantly, all homebuyers are required to graduate from a 12-hour Homebuyer Education course held by a Louisiana Homebuyer Training Collaborate-certified provider. If a homebuyer is purchasing a duplex, he/she is also required to complete Landlord Training Classes from one of the approved providers. Each homebuyer must contribute a minimum of 1% of the sale price or \$1,500 (whichever is less). In addition, he/she is required to have liquid assets in reserve equal to 2 months of proposed housing expenses after the payment of closing costs. Finally, homebuyers who qualify to receive Purchase Assistance via a Soft Second Mortgage Loan must maintain Homeowner's Insurance and Flood Insurance for the full-replacement value for the duration of the loan term and are required to list the City of New Orleans as "Loss Payee" on both policies (with proof required at closing).

Residents are offered a 10-year forgivable second mortgage with a 0% interest rate, no payment, and no pre-payment penalties or assumptions and no payment on the purchase of a newly constructed or renovated home anywhere in Orleans Parish. Households earning up to 80% of AMI may have access to \$65,000 in Soft Second Mortgage financing no matter where they purchase within Orleans Parish. Households above 80% AMI are provided with incentives for purchasing homes in Place-Based Strategic Areas, which include Mid-City, Pontchartrain Park, BW Cooper, Central City, Gert Town, Hollygrove, Lower Ninth Ward, New Orleans East, River View Landry, Seventh Ward, and St. Roch. If the buyer sells/moves before the end of the fifth year, he/she owes the full amount of the second mortgage. After the fifth year of occupancy, 25% of the mortgage is forgiven and 15% of the mortgage is forgiven each subsequent year until the grant is fully amortized in year 10. There are no pre-payment penalties or assumptions for the loan. The second mortgage cannot exceed 50% of the purchase price of the home.

Lenders are required to "max out" affordability on the borrower's first mortgage before determining the amount needed in a soft second loan. The "gross monthly income to house payment ratio" range (Housing Ratio) for a first mortgage product must be 30% TO 33%; if the first mortgage is under 30% or over 33% Housing Ratio, the 1st mortgage lender must provide a rationale/compensating factors in writing.

Innovative and Replicable: The SSMP is innovative in its two-pronged approach to homeownership. Funding from the same source is being used to tackle three problems at once—lack of decent, affordable single-family homes and inability of residents to get mortgages because of credit issues and other barriers. Another innovative piece of this program is the unique partnership between the state and local government in addressing such a massive disaster, that is still affecting New Orleans seven years later. This model could be put to great use in other areas hit by disaster and LHC is exploring replicating this model in other areas throughout the state.

Responds to an important state housing need: Homeownership was an important state housing need before the hurricanes and remains an equally important, if not more important need still seven years later.

Demonstrates measurable benefits to HFA targeted customers: The measurable benefits are quantified by the number of people placed into homes, but there are many intangible benefits to the SSMP. Not only does this program help people realize their goal of homeownership it's also bringing people back to a City they know and love.

Has a proven track record of success in the marketplace: One of the greatest success stories is that of Privilege Kudina, a native of Zimbabwe, who was living in a New Orleans shelter for abused women for 14 months. While there, she promised her two daughters every night that she would one day buy a home and they could each decorate their room. Kudina could not get a job because her immigration status was in jeopardy after leaving her abusive husband. Thanks to Kudina's testimony, her husband was convicted of domestic violence in 2009 and she was awarded a visa under a 2000 federal law. With visa in hand, Kudina got a job and moved her daughters into an \$800/month Mid-City apartment. Still set on buying a house, she enrolled in classes to improve her terrible credit score of 325. After two years of hard work, Kudina's credit score had reached 700 and she was able to use the SSMP to purchase a two-story home for \$140,000. Her monthly mortgage is \$714—less than her \$800/month Mid-City apartment.

Kudina's story is just one of many that has resulted from LHC/City of New Orleans' SSMP. To date, 302 of the 348 applicants for second mortgages have been approved and 259 of the mortgages have been closed. An additional 40 people have been approved and are awaiting state approval.

Provides benefits that outweigh costs: Programs like SSMP mean residents get to move back to their communities, family, friends and job. The City benefits from the economic development as a result of having more people in town. Any costs of the program are far exceeded by the positive economic impact from bringing people to and back to New Orleans.

Demonstrates effective use of resources: There are numerous initiatives that could have been implemented using these CDBG funds, but after working closely with the City, hearing from city officials and, after careful examination, saw a need for homeownership funding. As seen by the record of success, the resources for this program have been used effectively and continue to spur growth and development in the City.

Effectively employs partnerships: Key partners in this initiative include 28 approved lenders, 11 approved homebuyer training agencies and many real estate agents. Homebuyers are able to combine this program with other programs such as the Finance Authority of New Orleans' Bond Loan Program (with rates as low as 3.25%). The City worked with LHC and local stakeholders, including lenders and the New Orleans Metropolitan Association of Realtors (NOMAR) to gather feedback on the proposed program guidelines. A random poll was distributed to NOMAR members to gather quantifiable data about the pros and cons of the last soft second program.

Achieves strategic objectives: While the FY2013 Strategic Plan is still under development, this initiative adheres to core goals of that draft:

- Maintain and expand the current supply of affordable housing stock
- Dedicate resources to educate low/moderate income households to attain/maintain homeownership
- Implement programs to serve populations that are not currently served in the secondary market to transition them to responsible homeownership.

Conclusion: Government at the state and local (City of New Orleans) partnered to create a remarkable two-tier Soft Second Mortgage Program that has been successful in identifying and planning for the new construction/rehabilitation of vacant and blighted properties and in making homeownership a reality for a city still reeling from Hurricane Katrina seven years later.

Soft second mortgage program helps mother of two start over after years of abuse



Privilige Kudina and her daughters Rachel, 12, left, and Primrose, 7, stand in front of their home which she was able to purchase with the help of the city's soft second mortgage program. She spent more than a year in a shelter for battered women with her two daughters so the program has allowed her to start over, and giving her a new lease on life. (Photo by Kathleen Flynn, Nola.com / The Times-Picayune)

By [Richard A. Webster, NOLA.com | The Times-Picayune](#)

on May 10, 2013 at 3:13 PM, updated May 10, 2013 at 4:09 PM

Privilige Kudina said she promised her daughters every night during the 14 months they stayed at a shelter for abused women in New Orleans that one day she would buy a home, a safe place where they could each have their own rooms to decorate any way they wanted.

It seemed like an impossible dream at the time. Kudina, a native of the African nation of Zimbabwe, couldn't get a job because her immigration status was in jeopardy after she left her husband, Paul Kudina, following 10 years of physical abuse.

But slowly things started to come together.

After Kudina testified against her husband and he was convicted of domestic violence in 2009, she was awarded a visa under a 2000 federal law. The law grants residency to immigrants who were victims of a crime if they help law enforcement prosecute their attackers.

Kudina had come to New Orleans from Zimbabwe with her husband, who had a visa to study at Baptist Theological Seminary. She planned to study physical therapy at Dillard University, but "two days after I got here he laid his hands on me and said, 'That's not the plan,'" Kudina said. "He became more and more violent, and I had three miscarriages because of the violence. But I knew if I left him I would lose my immigration status."

After finally receiving her visa, Kudina got a job and moved her family into a [Mid-City](#) apartment she rented for \$800 a month. It was better than their previous life, but still not the one she had promised her children, she said.

With the goal of buying a house, she enrolled in classes in 2009 to help clear up her credit score, which was an abysmal 325. "Everything was in (my husband's) name, so I really didn't exist, and I knew without credit you cannot really achieve anything," she said.

Two years later, Kudina had improved her score to 700. Around the same time, New Orleans Mayor Mitch Landrieu [announced a new initiative](#) to help people purchase homes: a soft second mortgage program.

The \$52.3 million program, launched in October 2011, offers second mortgages valued at up to \$65,000 to families with limited incomes if they enroll in homebuyer training courses, qualify for first mortgages and have not owned a home for at least three years.

The loan, which can't be worth more than half of the purchase cost of the home, is partially forgiven after five years and completely forgiven after 10 years if the buyer is still living in the house.

The size of the loan depends on the family's income. People making less than 80 percent of the local median income, \$44,086 per household, qualify for the maximum amount.

The city has approved 302 of the 348 applicants for second mortgages, and 259 of the mortgages have been closed. An additional 40 people have been approved and are awaiting state approval.

The city has committed \$14 million in mortgages for people making less than 80 percent of the local median income, and another \$2.3 million for families making between 81 percent and 120 percent of the median income.

The program is funded through a statewide \$75 million Hurricane Katrina recovery fund.

"It's helped a lot of moderate-income folks, people earning around \$50,000 a year, make that transition from essentially paying too much rent to becoming homeowners and part of our neighborhoods in New Orleans," said Brian Lawlor, the city's director of housing policy and community development.

With the help of a \$65,000 loan from the city, Kudina purchased a two-story home for \$140,000. Her monthly mortgage payment is \$714, less than she was paying in rent for her Mid-City apartment.

Lawlor encourages people interested in the program to sign up as soon as possible because the money is limited. "We're talking to the state about whether there's other funding available, but in terms of how long the program will last, it's safely another year, and beyond that we don't know," he said.

A [second phase](#) of the soft second mortgage program was announced in November. It focuses on revitalizing troubled neighborhoods by offering developers an incentive to renovate blighted properties or build on vacant lots.

The city selected 17 local developers to bring 240 homes to the market. Of those, 111 will be built on properties that are owned by the New Orleans Redevelopment Authority and offered to the developers at 10 percent of their appraised value, Lawlor said.

The city set aside \$18 million of its \$52.3 million fund to guarantee soft second mortgages to people interested in these properties, which will range in price from \$90,000 to \$210,000.

"The developers have the comfort level of knowing they have a market of people who are income-eligible and have assistance to buy their homes," Lawlor said.

Kudina moved into her new home in 2012. Her older daughter, 12-year-old Rachel, painted her room blue with peace signs. Her younger daughter, 7-year-old Primrose, painted hers neon pink.

The first morning in her house, Kudina said, she woke up to birds singing.

"I used to think there's really no hope for me, that I have to take this abuse. I hope this gives people in the same situation the belief that there can be life after," she said.

17 local home developers to participate in New Orleans soft second mortgage program

By [Bruce Egger, NOLA.com | The Times-Picayune](#)
on November 09, 2012 at 8:15 AM

New Orleans Mayor [Mitch Landrieu](#) announced Thursday that 17 local home developers have been selected to participate in the city's new soft second mortgage program. The term "soft second" is used to describe a forgivable loan that is made by the city in tandem with a conventional or FHA mortgage provided by a traditional lender.



Attractive financing was a powerful motivation for Brian Brignac, 27, to buy this 1,400-square foot home in March near Delgado Community College. Brignac was able to qualify for the city's soft second mortgage program, which enables qualified buyers to get a forgivable loan of up to \$65,000.

Chris Granger, The Times-Picayune

The city's original soft second mortgage program was launched under Mayor [Ray Nagin](#) but never got off the ground and was put on hold after the Landrieu administration took office in 2010. Late last year, the city resumed the program, aimed at low-income first-time homebuyers, with \$52 million in post-Katrina federal aid.

Since late December 2011, 223 bank-

approved applications have been forwarded to the city and 199 commitments for soft second mortgages have been issued totaling \$10,716,983, the mayor's office said.

The 17 newly chosen developers will renovate [blighted houses](#) or build new homes on vacant properties across the city. Both nonprofit and for-profit developers are among those selected.

For more information, visit www.nola.gov/softseconds.

The soft second Affordable Homeownership Development Program is already giving hundreds of New Orleans families an opportunity to become first-time homebuyers through the Direct Homebuyer Assistance Program, Landrieu's office said.

The new homes will be available for sale to residents earning less than 120 percent of the area median income. In turn, the city will set aside enough soft second mortgage money to guarantee a subsidy for all qualified buyers.

In an effort to bring blighted and vacant properties back into commerce, the developers will select properties from the [New Orleans Redevelopment Authority](#)'s existing inventory. These NORA properties will be sold at below-market prices to the developers. The city has reserved \$18 million of the original \$52 million for the soft second program to run this new initiative.

"The soft second mortgage development program is an important component in both rehabilitating blighted, historic properties and building on vacant lots while assisting eligible first-time homebuyers to achieve the dream of homeownership," Landrieu said.

A total of 240 homes will be produced through this portion of the program, with 111 to be built on properties owned by NORA and 129 on privately owned lots. Many of the privately owned lots were originally Louisiana Land Trust or NORA lots that were sold to developers in the past year.

Landrieu's office said awardees were selected through a competitive process, with special consideration for areas targeted for redevelopment under the city's place-based planning strategy, which encourages rehabilitation of blighted, historic properties and infill housing.

New homes will be built on sites across the city from Village de l'Est to Hollygrove and the West Bank. Prices for the new and renovated homes will range from \$90,000 to \$210,000.

The subsidized forgivable "soft second" loan bridges the gap between the price of a home and the maximum amount a buyer can borrow with a first mortgage loan. The homebuyer receives the amount of soft second funding that is needed to close the affordability gap, as determined by need and annual household income. Families earning less than 90 percent of the area median income are also eligible to receive a small forgivable loan to help them pay closing costs.

Jeff Hebert, executive director of NORA, said, "Today's announcement is an important step in returning blighted and vacant properties back to commerce. Strengthening our neighborhoods is essential to building the city we want to become."

"The success of the soft second initiative demonstrates the value of collaboration and planning," said Brian Lawlor, director of housing policy for the city. "Today's announcement furthers the city's

commitment to strengthen neighborhoods by reducing blight, encourage development and increase homeownership."

The \$52.3 million for the soft second initiatives comes from federal Disaster Community Development Block Grant dollars provided for housing recovery after hurricanes Katrina and Rita.

The following developers were selected to participate in the Affordable Home Development Program: Armstrong N Construction, Association Neighborhood Development, Build Now, Clayton Ventures LLC, First NBC Community LLC/Southeast Louisiana Building Trades Council, Harmony Neighborhood Development, Iris Development, Liberty Community Development Corp., Make It Right, Neighborhood Restoration of Baton Rouge LLC, New Orleans Area Habitat for Humanity, Pontchartrain Park Community Development Corp., Project Homecoming Inc./Faubourg St. Roch Project, ProPowerhouse Construction & VOB Homes of New Orleans, Providence Community Housing, the St. Bernard Project Inc., and West Orleans Development (Peoples Community Subsidiary Inc.)

Mayor Mitch Landrieu says soft-second program will support up to 1,000 new homeowners

By **David Hammer, The Times-Picayune**

on October 27, 2011 at 4:50 PM, updated October 27, 2011 at 8:05 PM

New Orleans Mayor **Mitch Landrieu** launched a **long-awaited homebuyer subsidy program** Thursday that could help as many as 1,000 families buy new or restored homes in the next two to three years.



Times-Picayune archive

The city is today launched a long-promised \$52 million subsidy to help first-time homebuyers acquire affordable homes.

"This program's gonna work, and it's gonna work because we've finally figured out how to put all the ingredients together," Landrieu said.

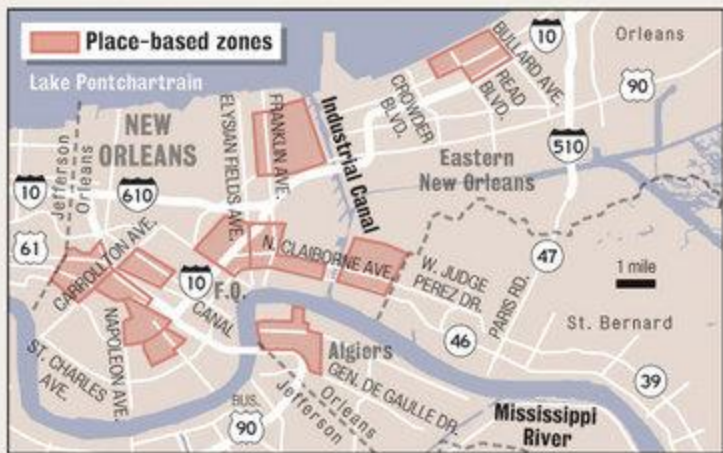
The \$52.3 million "soft-second mortgage" program has endured many starts and stops over the years. The program was approved nearly four years ago by the state and former Mayor Ray Nagin, but it never got off the ground.

The faith-based Jeremiah Group, however, continued to fight City Hall for the money until it finally became a reality.

"We're ecstatic, but now we're all eyes ... so we'll be watching," said Jeremiah organizer Jackie Jones.

SOFT-SECOND MORTGAGE PROGRAM

Mayor's place-based zones are the areas where the city is offering the biggest mortgage incentives to qualified first-time homebuyers.



The program offers second mortgages of as much as \$65,000 to families of modest means, as long as they participate in homebuyer training, qualify for first mortgages and have not owned a home for at least three years. The lower a family's income, the larger the forgivable loan they can get to help pay for a restored house. The most that can be forgiven is \$65,000.

People making less than 80 percent of the local median income, which works out to \$48,980 for a family of four, can get a \$65,000 no-interest loan that will be partially

forgiven after five years and completely forgiven after 10 years if the buyer stays in the home.

Families with slightly higher incomes can get \$25,000, \$35,000 or \$55,000 in assistance if they buy a rebuilt house in one of 11 "place-based" zones. A family of four making as much as \$73,320 would qualify for the \$25,000 soft-second mortgage.

Those making less than 90 percent of the local median income, or \$49,550 for a family of four, can also qualify for closing-cost assistance under the program.

The place-based zones include parts of Mid-City, Algiers, Hollygrove, eastern New Orleans, the 7th Ward, the Lower 9th Ward, Pontchartrain Park, Central City, St. Roch and Gert Town. Smaller forgivable loans are available for home buyers outside the zones.

A second component of the subsidy program, which will launch in the coming weeks, lets the city select developers to rehab blighted houses and build new homes on empty lots. As an incentive, the city will commit to pay up to \$65,000 to buyers of the homes as long as they meet the income and credit requirements.

Brian Lawlor, head of the city's housing and community development programs, said while the money won't go to developers, the city's commitment to pay buyers will help defray construction costs. The city will put out a request for proposals from developers in coming weeks, Lawlor said.

Information about how to get started in the homebuyer program is available at www.nola.gov/softseconds or by calling 504.658.4900.

The \$52.3 million is the city's piece of a \$75 million statewide Hurricane Katrina recovery program. That money was moved out of a failed rental property rehabilitation program in 2008.

Using another pot of federal Community Development Block Grant money, New Orleans had a smaller \$27 million soft-second program in 2008-09, and it was credited with helping 400 families get instant equity in homes rebuilt after the storm.

Lawlor's team has been meeting with real-estate agents, homebuyer counselors and the lenders who will administer the loans. So far, there are 10 participating lenders, 15 participating real estate agents and 12 homebuyer training agencies.

Organizers said they went to great pains to design a program that will foster responsible homeownership. They emphasized that buyers will still have to qualify for traditional first mortgages and undergo training.

"We're going to make certain these buyers are well-trained, well-educated and we're not going to force-fit people into mortgages," said Fred Johnson of the New Orleans Neighborhood Development Foundation. "So, for the public out there is saying, 'Oh, here we go again.' If you look at the history of foreclosure in this country, the people who are trained have fared much better."

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