

Housing Acquisition & Rehabilitation Program (HARP)

Vermont Housing Finance Agency (VHFA)

INTRODUCTION

VHFA established the **Vermont Housing Acquisition & Rehabilitation Program (HARP)** in June 2009 to:

- **Decrease the number of foreclosed/derelict properties** in areas of the state determined to have the greatest need, consequently, **raising the value** of all properties in these neighborhoods;
- **Increase the stock of affordable homeownership units** in the state with the goal of creating **perpetual affordability** for future owners; and
- **Provide jobs** for Vermont builders and remodelers

The program puts to use \$7 million in U.S. Department of Housing and Urban Development (HUD) stimulus funds allocated by the Vermont Department of Economic, Housing and Community Development through the Vermont Neighborhood Stabilization Program (NSP) to:

1. **Acquire real estate owned (REO)** in six targeted counties and another 23 cities and towns;
2. **Make much needed renovations** to the properties, with special attention given to green building and energy efficiency; and
3. Partner with the state's NeighborWorks® HomeOwnership Centers **to resell those properties** at reduced prices to income-eligible Vermonters with limited equity arrangements in place to **assure the property remains affordable** for future owners.

SUCCESSSES

Transaction statistics

HARP is achieving its intended results: Vermont is one of the few states to have converted nearly every HARP dollar into property, well in advance of our Sept. 30 deadline. Four homes have completed the HARP process and are now occupied by new owners. Another 30 properties are owned by VHFA: Renovations are complete on 12 of those, which are currently available for sale, of which four have purchase and sale agreements in place and are waiting to close with buyers; renovations continue on the 18 remaining. Finally, VHFA is about to acquire five more properties.

All properties are in HARP-targeted areas. (See Fig. 1.)

Tops in New England; accolades from HUD

Vermont holds first place among all New England states for NSP performance with respect to obligation and expenditure, and volume of acquisition and renovations of single-family homes; and has received accolades from HUD regionally and nationally for its success with HARP.

(Source: Vermont Agency of Commerce & Community Development)

Renewing old housing stock

By converting rundown properties into new homes, HARP responds to an important need in Vermont, a state whose occupied housing was, on average, built in 1967 (Source: U.S. Census Bureau—Census of Population and Housing, 2000 Summary File 3 Tables H35 and H37); and where 6,641 units lack complete plumbing facilities (Source: U.S. Census Bureau—Census of Population and Housing, 2000 Summary File 3 Tables H47 and H48). Converting existing structures into decent, affordable housing units is key in helping to solve Vermont's acute affordable housing shortage.

Job creation

We estimate HARP has created approximately **185 jobs** in the building trade, and anticipate many more will be created as the bulk of our HARP homes proceed through the pipeline.

Thankful homeowners

Dory Venable (Fig. 2 & 3) of North Clarendon, Vt., is one of VHFA's first HARP success stories. "I wouldn't have been able to buy a house, if I hadn't gone through HARP," she says. "Never."

"I'm a social worker — I love what I do — but I never would have been able to afford my own home," she adds, "Even renting was hard."

With the help of HARP, Dory was able to purchase her 3-bedroom 1950s ranch house for just \$105,000, 25 percent below the town's 2009 median price for single-family homes (Source: Vermont Department of Taxes).

INNOVATIONS

Perpetual affordability

VHFA's key innovation to this program is the incorporation of shared equity provisions. Vermont's one of only a few states — and perhaps the *only* state — emphasizing perpetual affordability in HARP.

Vermont's HARP-funded grants help keep properties affordable from owner to owner so homes can sell well below market value. A local nonprofit steward ensures the homes continue to serve low- and moderate-income households forever while offering asset creation opportunities for owners.

Perpetual affordability is the key to VHFA's making HARP's benefits outweigh its costs.

Dory's home, like many going through HARP, was made affordable in large part thanks to a \$75,000 grant. When she sells her home, this grant, plus a portion of any increase in appreciation, will be passed on to the next buyer.

Vermont organizations such as the Champlain Housing Trust (CHT) helped develop this Community Land Trust model decades ago. In 2008, CHT won a United Nations World Habitat Award for this innovation, and it's since been used as a template for perpetual affordability

worldwide. VHFA embraced this opportunity to work with local land trusts across the state to make HARP even more effective.

An added benefit is the land trust model has been shown to result in fewer foreclosures while still offering owners respectable returns on their investments.

A recent nationwide study shows homes with Mortgage Banker Association prime loans were 4.3 times more likely to be seriously delinquent — 90 days or more — than homes in Community Land Trusts, and 5.9 times more likely to be in the process of foreclosure. (Source: “Outperforming the Market: Making Sense of the Low Rates of Delinquencies and Foreclosures in Community Land Trusts,” National CLT Network, June 2010.)

Furthermore, the Champlain Housing Trust analyzed all of its transactions over 25 years, and found the average CHT owner earned less than 70% of AMI and would have been hard pressed to access homeownership. But with the assistance of CHT, these households were able to purchase and when they sold after 5½ years, they recouped his/her original \$2,300 downpayment and received a net gain in equity of nearly \$12,000. Two-thirds went on to purchase a house on the market. (Source: Lands in Trust, Homes That Last, CHT, 2009.)

Partnership with HomeOwnership Centers

VHFA recognized the NeighborWorks® HomeOwnership Centers of Vermont are ideal conduits to help market HARP properties, so enlisted their help to publicize the program and educate buyers. All HARP buyers undergo training to assure their continued success as homeowners.

Marketing

VHFA has put the power of the Web to work on both ends of HARP:

1. Lenders can submit REOs for consideration for purchase at the VHFA Web site (www.vhfa.org/homeownership/reos.php); and
2. We’ll soon begin marketing renovated properties we have for sale at our site. (See Fig. 4 & 5 for screenshots of the Web site, not yet live.)

All Web components were developed in-house, as were print materials for direct marketing to lenders (Fig. 6, 7 & 8).

INTO THE FUTURE

By recycling income from the sale of HARP homes acquired to date, VHFA anticipates we’ll leverage the original \$7 million upwards to approximately \$10.5 million over the next two years of the program. Doing so will convert more than 50 foreclosed and substandard houses into safe, decent, highly energy efficient homes made perpetually affordable for the future.