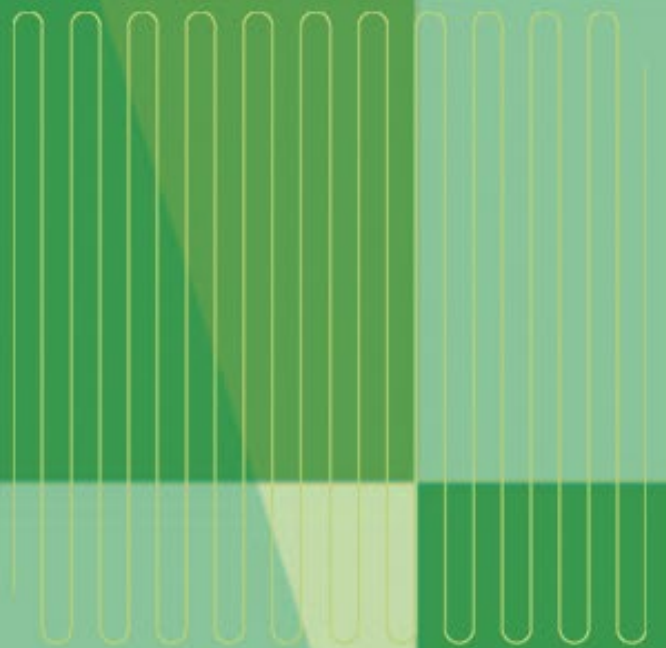


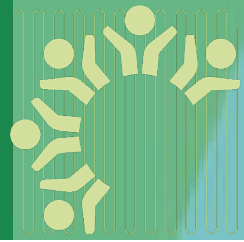
Homeownership

Jonathan Burch, Assistant Village Manager/
Neighborhood Services Director

October 8, 2024

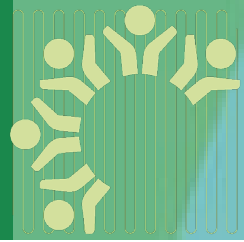


Overview

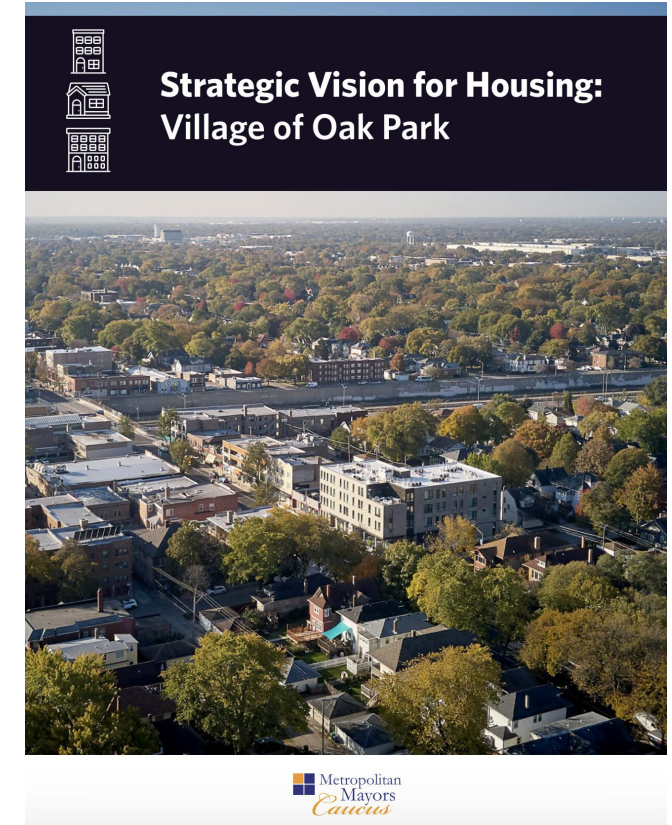


- Policy grounding
- Education and counseling
- Downpayment
- Shared equity
- Discussion

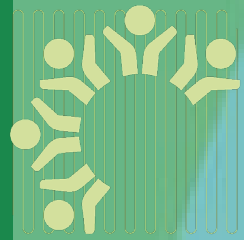
Strategic Vision for Housing



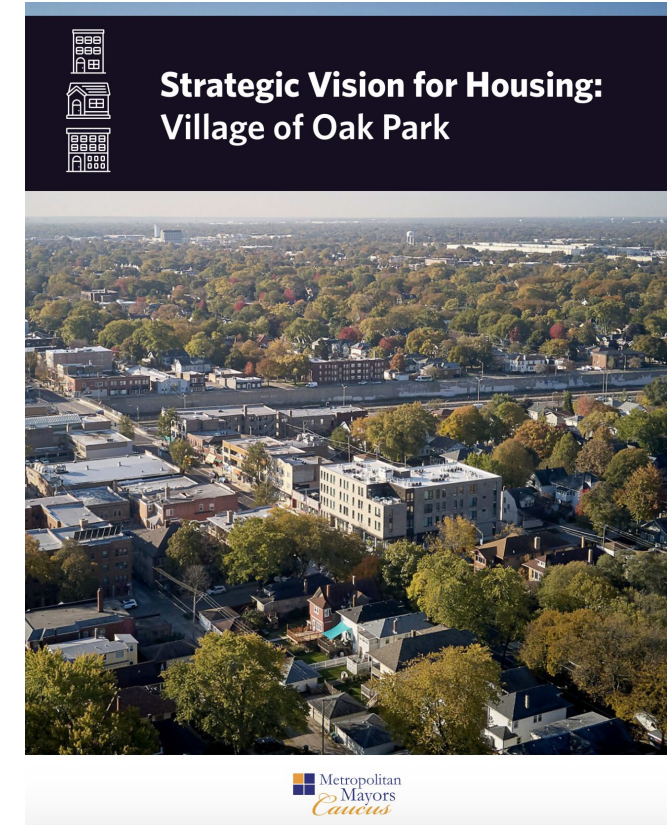
- Expand The Variety Of Homeownership Opportunities
- Respond To Racial Disparities In Access To Homeownership



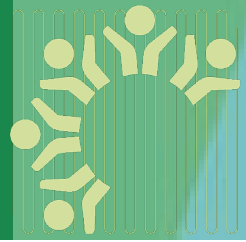
Strategic Vision for Housing



- If Homeownership Assistance is Pursued, Design Any Program to Address Racial Homeownership Disparities.
 - Explore whether Housing Trust Fund changes are needed to support home ownership.
 - Explicitly address historical barriers to homeownership that continue to impact Black households



Gap in ownership

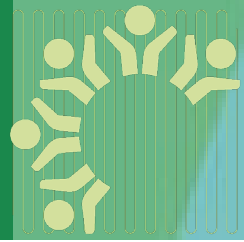


Homeownership Rate	Oak Park	Chicago Region	United States
All Households	60%	65%	65%
White Households	70%	73%	73%
Black Households	35%	41%	43%
Hispanic or Latino Households	53%	56%	50%
Asian American Households	56%	63%	62%
Multiracial Households	52%	56%	54%

Figure 10.
Homeownership Rates by Race and Ethnicity, 2022.

Source: US Census Bureau American Community Survey, 2018-2022 5-year Estimate.

Systematic ownership barriers



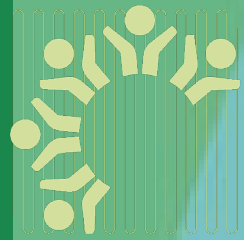
- Credit
- Incomes
- Wealth
- Knowledge of the home buying process
- Affordable homes to purchase

How Much Can
Downpayment Assistance
Close Homeownership
Gaps for Black and Hispanic
Households?

MARCH 2023 | DANIEL MCCUE, RAHEEM HANIFA, CHRISTOPHER HERBERT



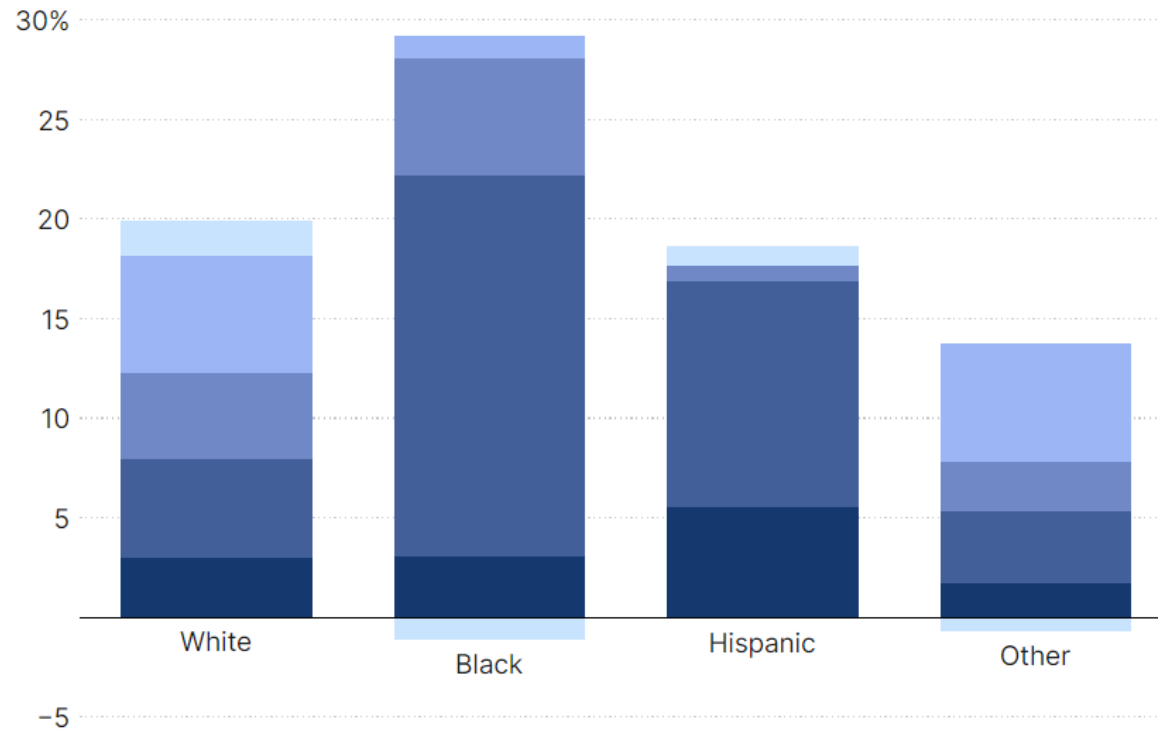
Drivers of wealth growth



Growth in Black wealth has been driven by housing values

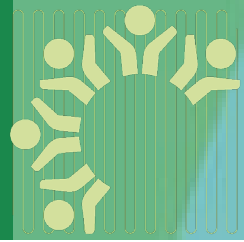
Percentage increases in average total wealth by asset class, race, and ethnicity

■ Other Wealth ■ Net Housing Wealth ■ Business Equity ■ Stock (Corporate Equity)
■ Liquid Assets



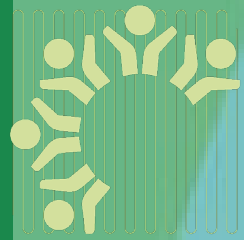
Source: Brookings Analysis of Federal Reserve's Survey of Consumer Finances, 1989-2022

Value of ownership



- Wealth building:
 - Homeownership is a major contributor to wealth building for Black households, making up almost 60% of their total net worth.
- Multigenerational wealth
 - Homeownership can help build wealth across generations through the transfer of resources, such as homes.
- Housing stability
 - Homeownership can help improve housing stability for Black families.

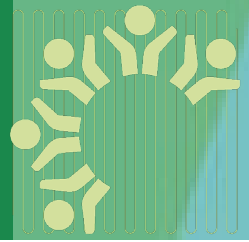
What's on the Market



323 units sold February to August 2024

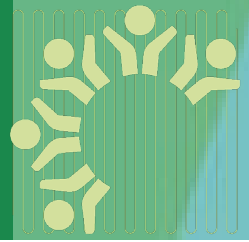
	Condos	Townhomes	Single-family homes
Median sale price	\$201,650	\$475,000	\$599,999
# Sold	124	22	177
Below \$200k	48%	5%	1%
Below \$300k	77%	5%	3%
Below \$400k	94%	27%	13%

Homebuyer education/ counseling



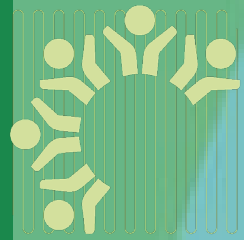
- Housing counseling
- Pre-purchase counseling
- Homeowner education classes
- Post purchase counseling

Homebuyer education/ counseling



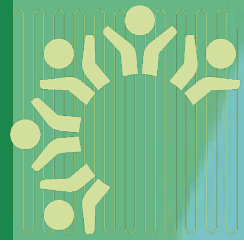
- Help household chart path to homeownership
- Repairing credit
- Locating cash for a downpayment
- Recognizing predatory lending practices
- Understanding fair lending and fair housing requirements
- Resolving a financial crisis
- Information about loan products and feature comparison
- Determining purchase procedures and estimating closing costs
- Selecting a real estate agent and the importance of home inspections

Homebuyer education/ counseling



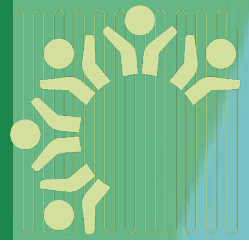
- Critical part of comprehensive response
- Number of existing providers in area
 - West Cook Homeownership Center
 - Spanish coalition for Housing
 - Northwest Side Housing Center
 - CEDA
 - NHS of Chicago
- Assessment of offerings with alignment with needs/goals

Area median income



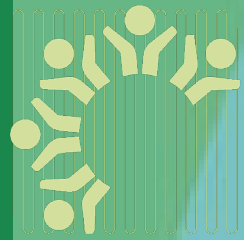
Household Size	Share of Area Median Income (AMI)			
	50%	80%	100%	120%
1	\$39,250	\$62,800	\$78,500	\$94,200
2	\$44,850	\$71,800	\$89,700	\$107,640
3	\$50,450	\$80,750	\$100,900	\$121,080
4	\$56,050	\$89,700	\$112,100	\$134,520
5	\$60,550	\$96,900	\$121,100	\$145,320
6	\$65,050	\$104,100	\$130,100	\$156,120
7	\$69,550	\$111,250	\$139,100	\$166,920
8	\$74,000	\$118,450	\$148,000	\$177,600

Homebuyer education/ counseling



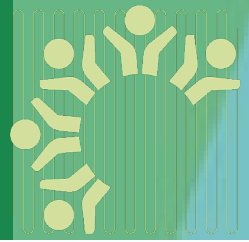
- Assessment of offerings with needs/goals
- Intentional affirmative marketing of Oak Park
- Intentional programming to link interested parties with services
- Connections to Welcome Center

Down payment



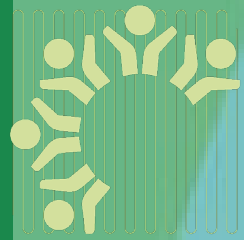
- Many programs
 - IHDA
 - Forgivable
 - Deferred
 - Repayable
 - Cook County
 - Federal Home Loan Bank
 - Private programs

Down payment



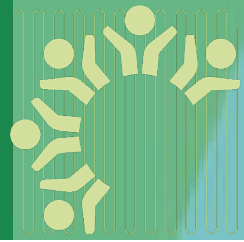
- Key features
 - Min credit score of 640
 - \$6,000-\$25,000 in funding
 - Mix of grants, forgivable loans, and second mortgages
 - Often not focused just on a group (first time homebuyers, first generation homebuyers, etc.)
 - Buyers can mix programs, typically up to \$25,000 available
 - Less \$ if higher income
 - Most common IHDA + Private
 - Only IHDA programs go above 80% AMI

Down payment



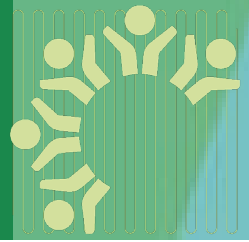
- Impact in Oak Park from IHDA
 - 53 households since January 2022
 - 25 are 80-120% AMI
 - 16 below 80% AMI
 - About 2.5% of sales

Down payment



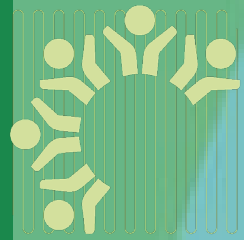
- OPHA Homeownership program
 - 15 year of operation
 - Minimum of \$20k in income
 - High prices in Oak Park make it difficult to operate
 - 5 vouchers available

Down payment



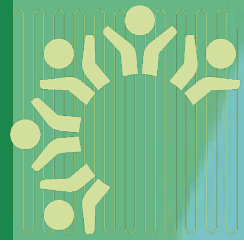
- Focus program on “first time homebuyer” or “first generation homebuyers”
 - First time homebuyer – have never owned a home or have not owned a home in the last three years
 - First generation homebuyer – parents or legal guardians never owned a home during the homebuyer’s lifetime
- Link to education/ counseling to access resources
- Flexibility in usage (down payment vs. closing costs)
- Intentional marketing

1b/1b Condo (1 person)



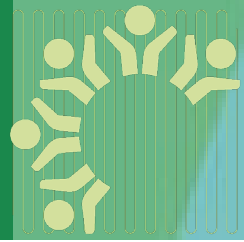
Sales Price			\$150,000	
Credit score			680	
Down payment (20% or 5%)			\$30,000	\$7,500
Payment % of income	50% AMI	5.875% Interest rate	44%	48%
	80% AMI		28%	30%
	100% AMI	7.5% Interest rate	24%	24%
	120% AMI		18%	20%

3b/2b Single-family home (4 persons)



Sales Price			\$484,000	
Credit score			680	
Down payment (20% or 5%)			\$96,800	\$24,240
Payment % of income	50% AMI	5.875% Interest rate	71%	80%
	80% AMI		44%	50%
	100% AMI	7.5% Interest Rate	40%	45%
	120% AMI		33%	38%

Shared Equity



What is Shared Equity Homeownership?



A one-time investment makes a home affordable for purchase by a working family with modest means, and the home remains affordable for family after family that purchases it.



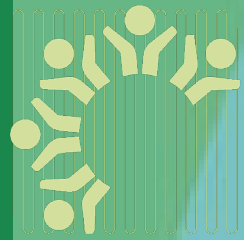
In return for being able to buy a home below its market-rate value, the family agrees to limit their proceeds when they sell so another family with a modest income can afford to purchase the home.



The first family builds wealth and then “pays it forward.” The affordable house is self-sustaining, and the use of public funds is prudent since that one-time public investment serves an endless number of families.

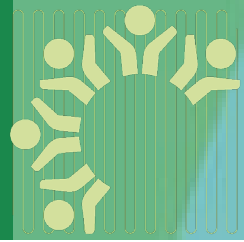
Source: Grounded Solutions Network

Shared Equity

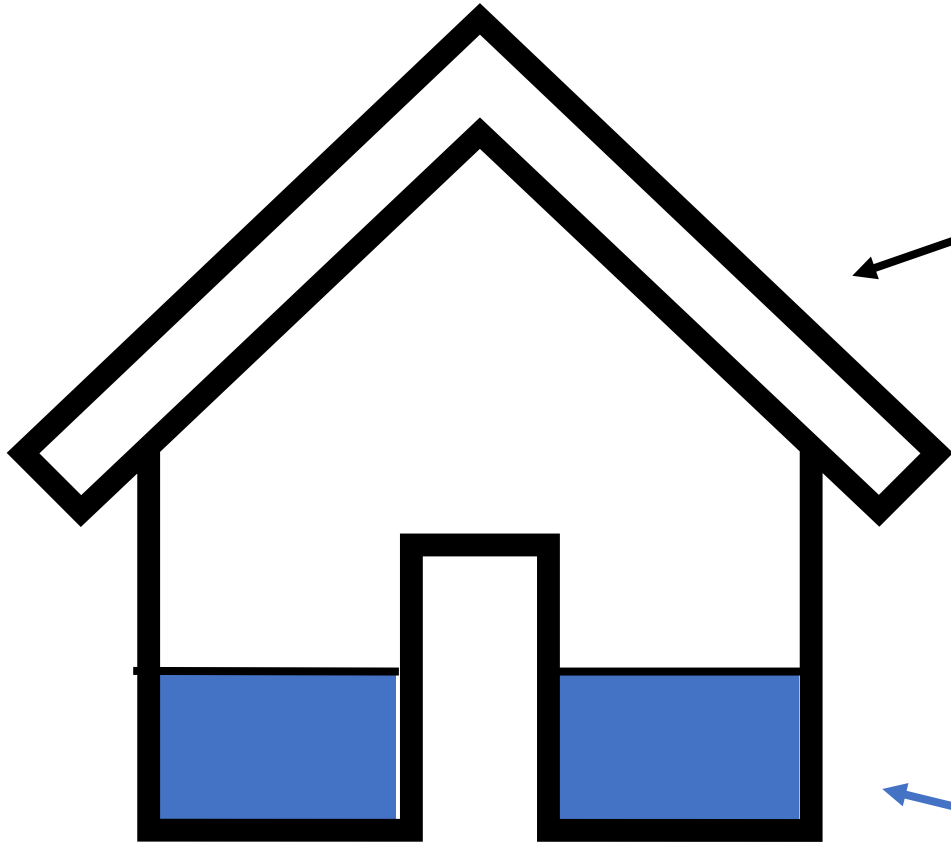


- Affordable limited equity cooperatives
- Below-market deed restricted programs
- Resident-owned communities
- Community land trusts

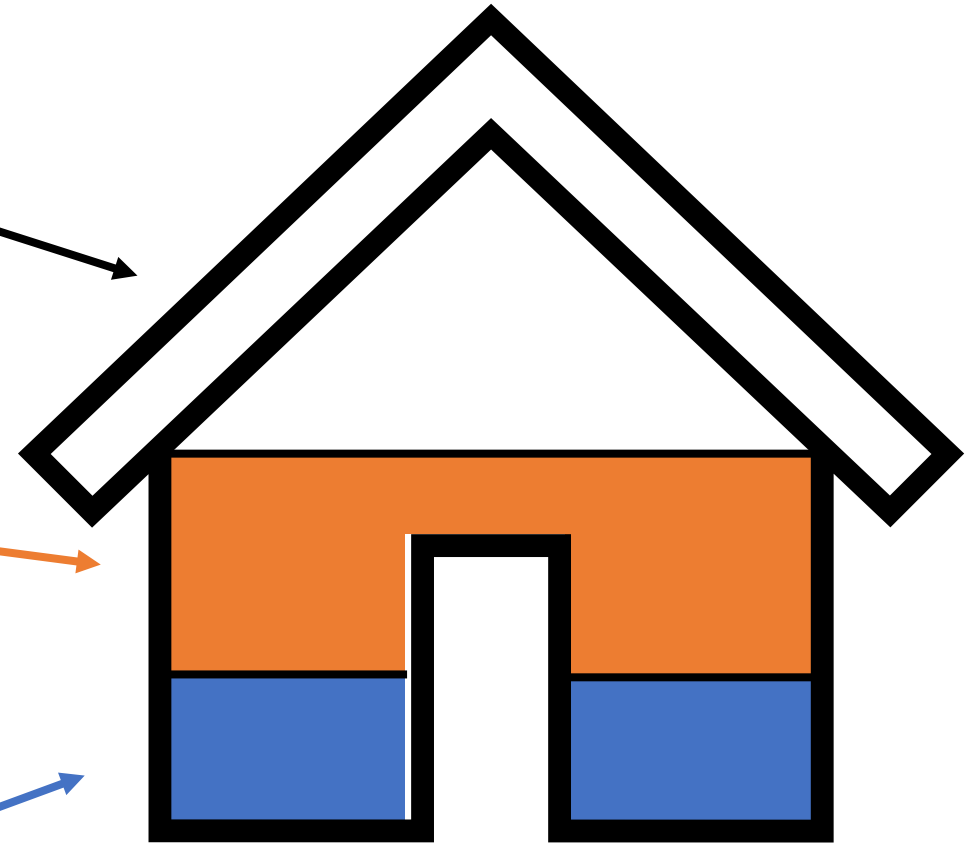
Shared Equity



Traditional ownership



Shared equity ownership

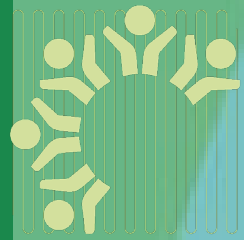


Mortgage

Shared Equity

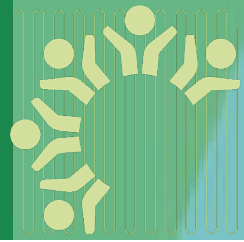
Homeowner equity

Shared Equity



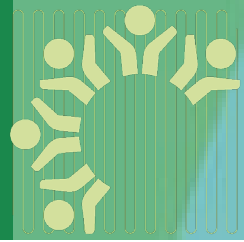
- Self-sustaining after initial investment
- Deeper income targeting potential
- Homes remain affordable permanently
- Greater up-front investment
- Fundable with CDBG

Shared Equity



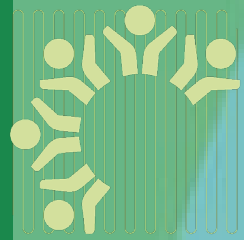
- Intentional program affirmative marketing
- Waitlist preference alignment with racial equity goals

3b/2b Single-family home (4 persons)



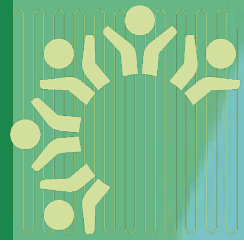
Sales Price			\$484,000	
Credit score			680	
Shared equity			\$250,000	
Down payment (20% or 5%)			\$46,960	\$11,740
Payment % of income	50% AMI	5.875%	46%	50%
	80% AMI	Interest Rate	29%	31%
	100% AMI	7.5% Interest	25%	28%
	120% AMI	Rate	21%	23%

3b/2b Single-family home (4 persons)



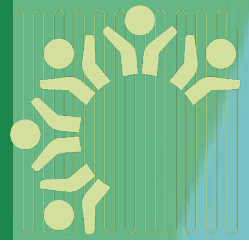
Sales Price			\$484,000			
Credit score			680			
Shared equity			\$250,000		\$0	
Down payment (20% or 5%)			\$46,960	\$11,740	\$96,800	\$24,240
Payment % of income	50% AMI	5.875% Interest rate	46%	50%	71%	80%
	80% AMI		29%	31%	44%	50%
	100% AMI	7.5% Interest rate	25%	28%	40%	45%
	120% AMI		21%	23%	33%	38%

Recommendations



- Support homebuyer counseling
 - Intentional marketing and programmatic ties
 - Explore needs for expanded resources
- Choose program designs that align with racial equity goals
 - First-generation homebuyers
 - Strong affirmative marketing

Recommendations



- Shared equity
 - Continue exploring viability, including need for non-profit partner to operationalize
 - Prioritize due to deeper and permanent subsidy
- Downpayment
 - Focus on condominiums
 - Extend up to at least 100% AMI
 - Develop in alignment with other common programs
 - Explore non-profit partner to operationalize
 - Forgivable loan benefits



Discussion

