

RESEARCH *Works*

Volume 6, number 7

A Bridge Linking Housing Research and Practice

Congress Acts to Boost Confidence, Stability in Housing Market

The Helping Families Save Their Homes Act of 2009 — a broad new law designed to help prevent mortgage foreclosures and enhance mortgage credit availability — represents a significant expansion of HUD's scope and responsibility. Congress passed the bill overwhelmingly on May 19, 2009 and President Obama signed it into law on May 20. "Specifically, this law improves the Federal Housing Administration's (FHA's) HOPE for Homeowners Program, making it a more flexible and attractive option for homeowners and lenders alike," said HUD Secretary Shaun Donovan.

During the signing ceremony, President Obama commented that:

"The Helping Families Save Their Homes Act advances the goals of our existing housing plan by providing assistance to responsible homeowners and preventing avoidable foreclosures. Last summer, Congress passed the HOPE for Homeowners Act to help families who found themselves 'underwater' as a result of declining home values — families who owed more on their mortgages than their homes are worth. But too many administrative and technical hurdles made it very difficult to navigate, and most borrowers didn't even bother to try.

This bill removes those hurdles, getting folks into sustainable and affordable mortgages and more importantly, keeping them in their homes. And it expands the reach of our existing housing plan for homeowners with FHA or USDA rural housing



The Helping Families Save Their Homes Act of 2009 ensures access to sustainable, affordable mortgages that will keep families in their homes.

Credit: U.S. Census Bureau, Public Information Office

loans, providing them with new opportunities to modify or refinance their mortgages to more affordable levels."

The Act expands the reach of the Making Home Affordable (MHA) program and, as it moved through Congress, incorporated the provisions of the Homeless Emergency Assistance and Rapid Transition to Housing Act that will be discussed in the September issue of *ResearchWorks*.

The new law makes the HOPE for Homeowners Program more flexible and attractive by reducing costs and easing eligibility requirements for homeowners and lenders. It helps consumers avoid foreclosure and refinance their mortgages; offers incentives to servicers, encouraging them to modify loans when people are at risk of foreclosure; boosts antifraud protections for mortgage consumers; and increases the flow of credit available to the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA). In addition, FHA will facilitate loan modifications and refinances

- Home Sharing Makes Housing Affordable pg. 3
- Affordable Housing Revives Historic Neighborhood pg. 4
- Making Fair Housing a Reality pg. 6



Congress Acts to Boost Confidence, Stability in Housing Market

(continued from pg. 1)

for federally guaranteed rural housing and FHA loans. The costs of program changes mandated in the legislation will be offset by reserving \$2.316 billion from the total \$700 billion in Troubled Asset Relief Program funds.

The Helping Families Save Their Homes Act builds on the MHA program, launched in February 2009 by HUD and the U.S. Treasury. MHA worked with a broad coalition of lenders and borrowers to provide modifications to avoid foreclosure. MHA also launched a consumer website, www.MakingHomeAffordable.gov, to help homeowners determine their eligibility for federal mortgage help. The website hosted more than 17 million visitors in its first 2 months online.

The Helping Families Save Their Homes Act provides incentives for HOPE for Homeowners-enabled refinances. Servicers will evaluate all applicants for eligibility and will apply tools such as loan modifications, principal write-downs, assignment of mortgages to the HUD Secretary, short sales, and other foreclosure-avoiding techniques. The Act expresses Congress' intent that mortgage companies should not initiate a foreclosure on a first mortgage of a principal dwelling until they have attempted mitigation in accordance with the HOPE for Homeowners Program and Homeowner Affordability and Stability plan.

The new legislation allows the HUD Secretary to establish a payment to lenders and shields them from liability if they remain in compliance with their fiduciary duties under the Truth in Lending Act. Households with up to \$1 million in net worth are eligible to participate. The Act increases the flexibility of rules that limit the program to a primary residence, making allowances for people who have inherited homes. It honors the leases of renters (as well as the rights of Section 8 tenants) who are living in properties that fall into foreclosure.

In other important provisions, the Helping Families Save Their Homes Act will help ease tight credit in banks and credit unions by increasing the borrowing authority of FDIC and NCUA. It makes permanent the temporary increase to \$250,000 in deposits insured by the FDIC and the NCUA. The law also carries out Congress' intent that the Secretary of

Treasury should purchase mortgage revenue bonds for single-family housing issued through state and local governments and their agencies.

The Act includes a number of consumer protection and fraud prevention provisions that:

- Establish the right of homeowners to know which company owns their mortgage and when/if the mortgage changes hands;
- Mandate that home equity conversion mortgages for the elderly guarantee an insurance period that is longer than the actuarial life expectancy of those who hold the mortgages;
- Incorporate antifraud tools to prevent lenders from using false or misleading marketing tactics; and
- Bar from the program companies whose personnel have engaged in fraudulent activities or are currently under HUD audit.

In addition, homeowners using the program must certify to HUD that they have not intentionally defaulted on a mortgage in the previous 5 years, provided false information, or been convicted of fraud during the past 10 years.

The new law establishes a Nationwide Mortgage Fraud Task Force in the Department of Justice that will ensure coordination of state and local entities, train officials in the detection and prosecution of mortgage fraud, and recommend legislation. The task force may also initiate and coordinate federal mortgage fraud investigations, establish a hotline for the public, and create a database of suspensions and revocations of mortgage company licenses.

You can view the full text of the Helping Families Save Their Homes Act of 2009 at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:s896enr.txt.pdf. Also, see the White House fact sheet, Reforms for American Homeowners and Consumers, at www.whitehouse.gov/the_press_office/Reforms-for-American-Homeowners-and-Consumers-President-Obama-Signs-the-Helping-Families-Save-their-Homes-Act-and-the-Fraud-Enforcement-and-Recovery-Act/. **HU**

Home Sharing Makes Housing Affordable

The low-profile practice of home sharing has sparked increased media attention in recent months, indicating a growing demand during a period of economic decline, rising foreclosure rates, and a shortage of affordable housing. Home sharing appeared as a formal component of social service programs in the 1970s, offering matching services for unrelated individuals wishing to share a home. Today, there are about 100 known matching programs in the United States.¹

Home sharing is not confined to any age, gender, or ethnic group; it meets the needs of single parents, disabled persons, widowed or divorced individuals, college students, foreign visitors, and even business travelers. According to a recent survey of programs across the country conducted by the Shared Housing Center (SHC) in Dallas, Texas, 7 of 10 home seekers have low incomes.² The appeal for these home seekers lies in access to affordable housing with the added benefits of a home environment, a sense of safety and privacy, and the social connection that a housemate provides.

The SHC survey found that 75 percent of home providers were women, many of whom own their homes but live on a fixed income at or below poverty level. Elderly homeowners in particular find that renting to a compatible housemate can be a highly satisfactory arrangement that makes fixed incomes



This woman does her housemate/homeowner's grocery shopping in exchange for reduced rent, per their home sharing contract.

go further and allows them to age in place, avoid isolation, enjoy companionship, and secure some assistance with home maintenance chores.³

Homeshare International (<http://homeshare.org>) reports that the United States has the most diverse types of arrangements among housemates. Terms might include cash rent, reduced rent for services, or free rent-service exchanges. Services in lieu of rent often include home maintenance, grocery shopping, personal care, transportation, and housekeeping chores. A written contract specifies how the home sharing arrangement will meet the needs and interests of both parties. The director of the New York Foundation for Senior Citizens, Linda Hoffman, recently compared this agreement to a "pre-nup, specifying such things as smoking policy, the amount the guest will pay as a household contribution, whether they can have overnight or other visitors, who is responsible for keeping the place clean and sanitary, and the amount of notice needed to undo the arrangement. If the guest is expected to help with chores, from taking out the garbage, to making small repairs, to shopping, that's also spelled out."⁴ Although the sums involved are below market rate — home share rents in Dallas, for example, range between \$250–\$400 compared with the fair market rental rate of \$678 — the financial relief to both parties is significant.

Program operators report that skillful screening is the key to successful matches.⁵ Hoffman, whose organization uses a computer program to match potential housemates on 31 different variables, reiterates the importance of prescreening. Face-to-face meetings and careful reviews by social workers are also necessary, says Hoffman. HomeShare Vermont reports that screening and matching is very labor intensive. After reviewing applications, the staff conducts interviews, home visits, criminal and abuse registry checks, three reference checks, trial matches, contract-writing sessions, and follow up services.⁶

Organizations that provide matching services between home providers and seekers come in many sizes and shapes. SHC's survey found large agencies that offer free matching as just one of an array of services, whereas other nonprofit home share programs stand alone as 501(c)(3) entities. Many request donations, charge nominal fees, or pursue grant funding. Most have small budgets and rely on a combination of volunteers, paraprofessionals, and one or two paid professionals. On average, these organizations make from 25 to 750 matches a year. After matching home

Home Sharing Makes Housing Affordable

(continued from pg. 3)

seekers with providers, some agencies offer conflict resolution services and support to housemates.

Measuring Success

Home sharing program success is measured in different ways — by the number of matches, match longevity, and housing cost savings. SHC's Dallas Homeshare program does all three. The Dallas Homeshare program is credited with 4,000 matches over its 20-year history. More than half of the matches made are now 2 to 7 years old, with another 20 percent lasting from 8 to 11 years.

Having served more than 8,000 home seekers and providers, Dallas Homeshare also considers its success in economic terms. Successful matches have saved homes, kept properties on the tax rolls, and pumped \$4.7 million into the local economy. There are savings to the public coffers as well. Dallas Homeshare files show that more than 85 percent of their clients have never used the welfare system, nor do they require rental assistance that would be based on fair market rents (which run 60 percent higher than the average home share rental rate in Dallas).

Finally, if self-reports of satisfaction with home sharing expressed by housemates across the country can also be viewed as a measure of success, then home sharing results in happier, healthier, more independent individuals who are civic and economic assets to their communities. Home sharing is therefore not merely a viable affordable housing option, but an attractive one with secondary benefits to the entire community. **HU**

¹ National Shared Housing Resource Center, www.nationalsharedhousing.org.

² Shared Housing Center, "Homeshare's Impact & Contribution to the Community, 1984–2004." Inquiries about this 2005 report can be sent to info@sharedhousing.org.

³ Deborah E. Altus and R. Mark Mathews, "Examining Satisfaction of Older Home Owners With Intergenerational Homesharing," *Journal of Clinical Geropsychology* 6:2, 139–47.

⁴ Eleanor J. Bader, "City Home Sharing Program Promotes Aging in Place," *The Brooklyn Rail*, May 2009, www.brooklynrail.org/2009/05/local/city-home-sharing-program-promotes-aging-in-place.

⁵ Barbara Basler, "Home Sharing Is Helping Retirees Save," *AARP Bulletin Today*, 19 September 2008, http://bulletin.aarp.org/yourworld/yourhome/articles/home_sharing_is_helping_retirees_save.html.

⁶ HomeShare Vermont, "Annual Report 2008," www.HomeShareVermont.org.

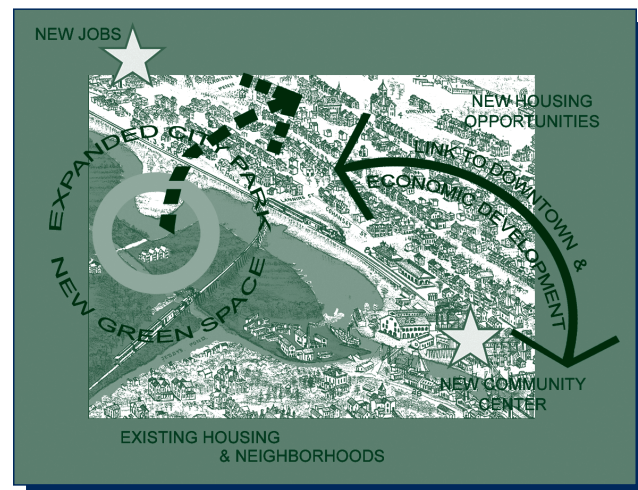
Affordable Housing Revives Historic Neighborhood

Using a 2001 HOPE VI grant as a base, the small Frost Belt city of Bridgeton, New Jersey began a revitalization project to give a distressed historic neighborhood a new lease on life. Eight years later, the American Institute of Architects and HUD Secretary Shaun Donovan recognized Bridgeton Neighborhood Revitalization (BNR) with a 2009 Excellence in Affordable Housing Design Award. BNR, a public-private partnership, is composed of the Bridgeton Housing Authority (BHA); architectural firm Torti Gallas and Partners, Inc.; and Ingerman Group, an affordable development and management firm.

The Bridgeton Situation

"Bridgeton is a small city with big city problems," remarked BHA executive director Raymond Maier. Once the county's industrial center, Bridgeton today is the second-poorest city in Cumberland County, according to Maier. The city's median household income is about \$33,000, less than half the state median of about \$69,000.¹ The unemployment rate in Cumberland County, which typically runs several points higher than statewide averages, stood at 12.2 percent in March 2009.²

Revitalization efforts focused on the northern and central areas of the city, the oldest part of Bridgeton, between East Lake and the Cohansey River. The initial planning and urban design efforts that pulled community and local stakeholders together were led by Lindemon Winckelmann Deupree Martin Russell



Credit: LDW/MR, 2001

From conception to construction, the Bridgeton Hope VI redevelopment plan took an entire neighborhood into account.

& Associates (LWDMR), laying the groundwork for an ultimately successful HOPE VI application, as well as the additional funding sources. “People had to rethink what it meant to provide well-designed, quality-built, and contextually appropriate affordable housing within New Jersey’s largest historic district,” commented LWDMR’s Eli Martin.

The local partners targeted three noncontiguous groups of blocks containing 217 acres of developable land. A low-income residential neighborhood with small retail businesses, the revitalization area was blighted with empty former industrial properties, such as the old Owens-Illinois glassmaking factory. Vacant lots and interruptions in the street and sidewalk grid discouraged pedestrian traffic and ordinary neighborhood interactions. Much of the housing stock was in poor repair or boarded up. Cohansey View, an existing public housing complex near the river, was outmoded and dysfunctional, ready for demolition.

The revitalization neighborhood, however, also possessed a major attribute: its notable architectural heritage. Bridgeton traces its history back to Colonial times, according to Martin. Like many other modest residential neighborhoods in the old cities of the Northeast, the area had blocks of streetscape with Victorian homes dating back to the late 19th and early 20th centuries. These were houses set in small yards — many of them duplexes that feature peaked roofs, deep porches, and fancy “gingerbread” detailing.

Revitalizing a Neighborhood

BNR took \$10.9 million in HOPE VI funds and added \$3.1 million in other HUD funding, \$862,000 in other public housing funds, and \$57.9 million in non-HUD public/private funds. Funders and supporters included the New Jersey Green Acres Program, the Bridgeton Urban Enterprise Zone, Cumberland County, and the city of Bridgeton. HOPE VI construction activities provided about \$8.6 million in business to firms located within the city. New housing was primarily built on infill sites or on BHA-owned property.

New construction in the redevelopment area had to meet several potentially competing standards. The homes (rental *and* owned) had to be affordable for the area’s moderate-income residents, with some units reserved for very-low-income residents. The 1,750-square-foot houses had to have specifications similar to market-rate housing, with generous-sized rooms, modern kitchens, and storage space. Materials had to meet demanding safety, sustainability,



Credit: The Ingerman Group

In Bridgeton, Hope VI homes combine affordability, durability, and energy efficiency while fitting into the adjacent historic area.

affordability, and energy-efficiency standards, with tight envelopes, high performance windows, and efficient furnaces. Building materials had to be inexpensive, readily available, and low maintenance.

The HOPE VI area lay next to and partly within Bridgeton’s historic district. All new construction was required to fit in with the historic architectural fabric and be vetted by community stakeholders, adding an additional layer of complexity to the process. Builders used period-style but mass-produced urethane and fiber cement products in place of the traditional high- upkeep wood in creating porch details, cornices, gables, window surrounds, and other decorative elements. At one point, the aesthetic mandate for new construction to harmonize with the upward sweeping lines of the older Victorian housing style came up against the practical need to keep wheelchair-accessible units on one floor. The architects found a solution in the Craftsman style, also commonly found in the historic district, characterized by one-story construction; low-pitched, gabled roofs supported by columns and pedestals; wide overhanging eaves; and half or full-width front porches. In addition, all the HOPE VI homes were outfitted with street-level entry and ground floor bathrooms to accommodate wheelchair-bound visitors, according to Maier. Another goal was to make the neighborhood more walkable by planting trees and improving the connectivity of streets and sidewalks. The scattered-site approach adopted by BNR diffused the benefits of redevelopment.

The first families moved into Bridgeton’s HOPE VI units (now called Bridgeton Commons) in 2005, with residents of Cohansey View receiving first priority. Construction and occupancy activities were completed

Affordable Housing Revives Historic Neighborhood

(continued from pg. 5)

in phases, with the final units occupied last year. Today, this affordable development offers 284 rental units, with BHA subsidizing 97 units to make them affordable for very-low-income families. There are 22 single-occupancy units and 18 residences for the handicapped. The nine original homeownership units have already been purchased. In addition, 50 rental units are option-to-buy homes, available for families to purchase after 10 years of residence.

Like other HOPE VI projects, the Bridgeton endeavor included a major programmatic element to foster work readiness, self-sufficiency, and homeownership among residents. Ingerman Group makes an onsite social worker available, along with classes on such topics as personal finance, resume writing, household care and maintenance, and preparation for homeownership. Children's programs include summer camp, outings, and antigang efforts. ■■

¹ Bridgeton New Jersey Real Estate Area Demographics: Summary, www.clrsearch.com/RSS/Demographics/NJ/Bridgeton/, accessed May 24, 2009.

² Bureau of Labor Statistics, www.bls.gov/bls/unemployment.htm, last updated May 8, 2009.

Making Fair Housing a Reality

The Fair Housing Act of 1968 and its subsequent amendments assure equal housing opportunities by prohibiting discrimination in the sale, rental, and financing of housing because of race, color, religion, national origin, sex, disability, or familial status. Despite this protection, discrimination persists, as evinced by the 40,288 fair housing complaints filed with the U.S. Department of Housing and Urban Development (HUD) and its partners from 2005–2008. The nature of these complaints and milestones in the law's enforcement both point to two persistent types of housing discrimination: disability and race.

Disability Discrimination

Although disabled persons were not protected under the original Act, the Fair Housing Amendments Act signed into law in 1988 prohibits discrimination against them. While this legislation requires that

disabled individuals be given the same housing opportunities as nondisabled people and have access to accommodations that enable them to live more independently, the majority (42%) of the complaints from 2005 through 2008 charged that disability discrimination interfered with a housing opportunity. Examples of such complaints include failure to accommodate needs (such as allowing residents to keep a service animal) and failing to make homes accessible to people with disabilities. One complainant, a man who relies on forearm crutches for movement, was repeatedly denied an accessible parking space at his private apartment complex and, as a result, fell numerous times in the parking lot and had difficulty entering the building. HUD's investigation found the manager and building owner to be in violation of the Fair Housing Act because they failed to meet the tenant's need for an accessible parking space. Without admitting guilt, the building owner and manager agreed to pay the man \$10,000, give him an accessible parking spot, and adopt a reasonable accommodation policy for the property. The manager further agreed to attend fair housing training.

To educate people about the Fair Housing Act (as amended) and promote compliance, HUD has periodically provided formal documentation and guidance.

- In 1991, HUD released *Fair Housing Accessibility Guidelines*, which recommends a number of housing modifications for disabled people such as accessible entrances, wider door frames (for improved wheelchair and walker access), accessible bathrooms and kitchens, and easily reached light switches and outlets.
- In 1996, HUD published the *Fair Housing Act Design Manual*. Still in use today, this guide incorporates the 1991 recommendations and provides HUD's interpretation of the Fair Housing Act's requirements, which help developers and builders know what actions will keep them in compliance with the Act.
- In 2002, HUD partnered with the National Association of Home Builders to educate and train housing industry professionals on their obligations under the Fair Housing Act. The partnership also encouraged national trade organizations to tell their members how to make multifamily housing accessible to those with disabilities.

Racial Discrimination

Despite the prohibition against unequal treatment in housing-related transactions, race discrimination persists. Race was the basis for 37 percent of the fair housing complaints lodged from 2005 through 2008. Illegal practices attributed to race include landlords imposing stricter policies on minority renters, charging minorities higher rents, and refusing to rent to minorities. In one instance, a landlady, on discovering that the new tenant was African American, refused to honor the lease and rented the apartment to a white woman for \$75 less per month. This action eventually resulted in a race discrimination lawsuit. The parties settled, and the landlady agreed to pay compensatory damages, attend fair housing training, post a nondiscrimination policy, and refrain from involvement in the resident selection process and direct management of her properties for one year.

Over the past 40 years, a number of judicial rulings arising out of similar illegal actions have set precedents regarding practices that limit housing options for minorities because of their race.

- In 1978, a federal district court ruled that the Fair Housing Act of 1968 prohibits “redlining,” which occurs when insurers or lenders will not provide services in certain neighborhoods, or will do so only at higher cost, because of the predominance of a protected status group in that area. Even though redlining is illegal, from 2005 to 2008, HUD and its partners received 38 complaints of lenders and insurers refusing to serve certain areas.
- In 1979, the Supreme Court held that racial steering practices are discriminatory because they have a negative impact on the diversity of local jurisdictions. For example, a real estate agent who limits the homes he or she shows to a white family to predominantly white neighborhoods — even though there are houses in their price range in other parts of the community — negatively affects the area’s racial composition and is therefore discriminatory.
- The Supreme Court further emphasized the illegality of racial steering in the early 1980s, when it ruled that people conducting tests to determine whether discrimination exists, as well as fair housing organizations, could file discrimination lawsuits because of such practices.

Although the Fair Housing Act has done much to curb housing discrimination, HUD is committed to further reducing discrimination and advancing

housing choices for minorities, as well as to promoting knowledge and understanding of the Fair Housing Act. For more information about fair housing and its challenges, see *39 Steps Toward Fair Housing* at www.hud.gov/offices/fheo/EducationDay/39_STEP_PAMPHLET.pdf; *The State of Fair Housing* reports for fiscal years 2007 and 2008 at www.hud.gov/offices/fheo/library/FairHousing-FY2007AnnualReport.pdf and www.hud.gov/content/releases/fy2008annual-rpt.pdf; the text of the Fair Housing Act of 1968 at www.usdoj.gov/crt/housing/title8.php; and the *Fair Housing Act Design Manual* at www.huduser.org/publications/destech/fairhousing.html (also available in print for a nominal fee by calling 800.245.2691, option 1). ■■

Fair Housing Word Finder

V N G L G V Z H L J K B C U C
 C N N Y T I L I B A S I D Z K
 R O I N T M S A U L F R G A C
 D I S C R I M I N A T I O N F
 Q G U T I C N O B O O G C N N
 K I O G A K F U E V I H U P Q
 W L H A F T D Q T M Z T U N D
 P E A T M V U G R R I S A G N
 Y R P I A A V S K I O Q L N J
 I I C W L E N D I N G P D D M
 U K O O E I B M V W P K P Q B
 V U L R G P M E R A H B A O X
 P K O I P L G A U O S O T F G
 N P R U M I C B F D O B E F J
 R O J R U E D A S D A V A A A

STATUS RIGHTS RELIGION
 RACE ORIGIN OPPORTUNITY
 NATIONAL LENDING HOUSING
 FAMILIAL FAIR EQUAL
 DISABILITY DISCRIMINATION COLOR

The solution to this puzzle is available at www.hud.gov/offices/fheo/FairHousingEducationDay/FH_Word_Find.pdf.

U.S. Department of Housing and Urban Development
HUD USER
P.O. Box 23268
Washington, DC 20026—3268

PRESORTED
FIRST-CLASS MAIL
POSTAGE & FEES PAID
HUD
PERMIT NO. G—795

Official Business
Penalty for Private Use \$300
Return Service Requested

In the next issue of ... **RESEARCH** *Works*

- Through Sections 242 and 232 of the National Housing Act, HUD's Federal Housing Administration provides mortgage insurance that keeps the financing of health care projects affordable because of reduced capital costs. These programs improve access to quality health care and support HUD's community development mission. In this article, we'll review the two mortgage insurance programs, their benefits, and new construction and rehabilitation projects in which they have had a role.
- While the impact of residential development regulations and of economic growth on housing markets has been studied extensively, the impact of housing supply on labor markets and local economic growth has not. *A Review of Regulatory Barriers to Employer Ability to Recruit/Retain Employees* examines how development regulations intended to govern residential construction might have secondary impacts on labor supply and demand. We'll examine the magnitude of the effects, the transmission mechanisms from regulations to market outcomes, and potential effects on different kinds of businesses.
- HUD economists maintain regional overviews of economic and housing market trends that provide a perspective on current economic conditions and their impact on the housing market. The data on employment, home sales and median prices, residential building activity, and rental housing markets are updated regularly and appear in the *U.S. Housing Market Conditions*, published quarterly by HUD's Office of Policy Development and Research. We'll focus on the first quarter 2009 report to illustrate the information available for all regions of the country.
- The Helping Expedite and Advance Responsible Tribal Homeownership (HEARTH) Act was recently signed by President Obama, as part of the new Helping Families Save Their Homes Act. This legislation reauthorizes the McKinney-Vento Homeless Assistance program, increases program flexibility, streamlines the competitive grant process, and increases resources and tools with which communities can prevent and end homelessness. We'll explore the benefits of the law for homeless families and their communities.

