National Community Stabilization Trust

September 11, 2019

Our Take on the New Zombie Foreclosure Data, Community Land Trust Housing Model Takes Shape, Implications of GSE Patch Expiration, Free Freddie Mac Workshop, and more!

Our Take on the New Zombie Foreclosure Data

by Kris Hoff, NCST

Communities continue to struggle with large numbers of vacant single-family homes and condos a decade after the financial crisis, but updated data suggests the cause and geographic distribution of vacancy is changing.

A recent report published by ATTOM Data Solutions notes that while 1.6 percent of the homes in the US are currently vacant, the number and share of "zombie" homes, which are in the foreclosure process but have been vacated and are no longer occupied, have been decreasing since peaking in 2010. As vacant homes number over 1.5 million, there remain less than 10,000 "zombie" homes nationwide as of Q3 2019, about 2/3 of which are concentrated in New York, Florida, Illinois, Ohio, and New Jersey.

This data indicates that far more of the remaining vacant homes are post-foreclosure homes, the category of properties with which NCST primarily works. The vacancy problem should no longer be characterized as a "zombie" problem. Our work at this juncture in time is to focus on making sure these properties get into the hands of individuals and organizations that can return them to productive use – namely, the Community Buyers of NCST.

It is the good work of our Community Buyers that will address this problem and we at NCST see our role as assisting you and targeting resources at the neighborhoods and post-foreclosure homes most in need of an intervention. Whether through technical expertise, policy, or advocacy, NCST and its partners are committed to furthering the mission of neighborhood stabilization in communities across the country. With your help we will continue to fight for our shared values and goals.

Kris Hoff serves as NCST's Business Development Analyst.

Buyer Spotlight
Bright Community Trust's Community Land Trust Housing Model Takes Shape in Hillsborough County

by Racquel Reddie, NCST

The timing couldn't be better for Bright Community Trust (BCT) to pursue an expansive approach of developing long term affordability using a Community Land Trust model. Many communities in Florida, especially in South/Central Florida are embracing shared equity approaches to housing that will remain affordable for years to come while also helping to provide more equity and inclusion for families that have not been able to find quality affordable housing options. BCT's leadership in this approach to affordable housing is catching on in places like Hillsborough County where average home prices have increased by 4.4% over the past year with additional increases into next year according to Zillow. The average home price in Hillsborough County is $223,700.

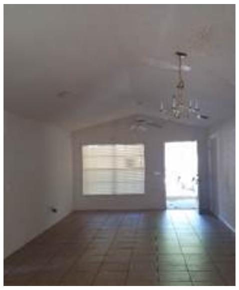
Originally formed in 2008, Bright Community Trust, as it's known today, is a 501(c)3 non-profit entity that was formed to address the shortage of affordable housing in Pinellas County. While BCT has grown beyond Pinellas County, the organization continues to use land trusts as a way to create long term affordability for its community of homebuyers as well as a way to help preserve the federal, state and local subsidies that either created or preserved the leases that essentially make affordable housing feasible. Bright Community Trust is a HUD certified housing counseling agency and active affordable housing developer based in Clearwater, FL with operations throughout Central and SW Florida with a mission of helping families find housing that is affordable.

Bright Community Trust has been an active NCST buyer since early 2015. They acquired an NSI First Look property earlier this year with a mission to rehabilitate the 4BD/2BA home for a qualified family at 80% or less of the area median income. The home is located in a moderate income tract within the city limits of a Tampa suburb of Palm River where the median family income was $42,123 in 2018. BCT used CDBG funding from Hillsborough County to complete the rehab which included just under $50,000 worth of repairs that included a new roof, new water heater and updated HVAC System.

Bright Community Trust also provided their homebuyer with beautifully updated bathrooms and kitchen, including a new appliance package, cabinets and countertops. Community Land Trust homes are affordable because the homebuyer gets a mortgage for the structure only, while the land to which the structure is attached is leased from the Community Land Trust under a long-term lease at a nominal cost. BCT's homebuyer is a grandmother of six who qualified for $15K in down payment assistance from the state of Florida's Hardest Hit Funds allowing her to reduce her housing expense from a $1400 rent payment to a mortgage for just under $1000. What a great example of a public-private partnership leveraging public dollars more efficiently for long term affordable housing. You can see more regarding this project here:

https://www.wtsp.com/mobile/article/news/local/local-nonprofit-tackles-affordable-housing-crisis-one-home-at-a-time/67-828637a5-277e-451c-8e0b-cd6613146a3f

Before



After



Many thanks to Marquaz McGhee, Director of Housing Services/Bright Community Trust for his assistance in preparing this feature story.

Racquel Reddie serves as NCST's Managing Director of Community Development.

Home Team Advantage™ - FREE One Day Training Event on Sept. 24

FreddieMac
We make home possible®

REGISTER TODAY

Get the Advantage on Designing and Financing First-Time Homebuyer Programs

Connect with lenders, real estate agents, housing counselors and housing agencies for their unique perspectives on how to gain success in affordable lending, product updates, and other solutions. You'll also learn about local initiatives that expand homeownership opportunities for underserved households and homebuyers in distressed markets.

Sept. 24, 2019: Birmingham, AL
Hyatt Wynfrey Hotel & Conference Center 1000

Riverchase Galleria, Birmingham, Alabama 35244

Click here to download a flyer with more details.

Event hosted by Freddie Mac and Nickerson Training.

Policy Corner
Implications of GSE Patch Expiration

by Julia Gordon, NCST

This summer, the Consumer Financial Protection Bureau (CFPB) issued an Advance Notice of Proposed Rulemaking (ANPRM) announcing that it plans to let the temporary Qualified Mortgage provision for loans eligible for purchase or guarantee by Fannie Mae and Freddie Mac – otherwise known as the GSE patch – expire in January 2021 even if the GSEs are still in conservatorship.

The expiration of the GSE Patch is of critical importance to anyone working on homeownership for underserved individuals or communities. Below is information about Qualified Mortgages, the GSE Patch, how the use of the Patch has supported homeownership, what the CFPB is planning to do next, and how you can weigh in on that decision.

What is a Qualified Mortgage?

The Dodd-Frank Act prohibits a lender from making a residential mortgage loan unless the lender makes a "reasonable and good faith determination based on verified and documented information that the consumer has a reasonable ability to repay the loan." To do so, the creditor must consider the consumer's credit history, current and expected income, current obligations, debt-to-income ratio or residual income after paying non-mortgage debt and mortgage-related obligations, employment status, and other financial resources other than equity in the dwelling or real property that secures repayment of the loan.

However, because this Ability to Repay standard references what are essentially a lender's subjective judgments, lenders fear finding themselves in a legal or regulatory dispute over whether they met the standard. To give lenders more certainty, Dodd-Frank also included a special category of loans called Qualified Mortgages (QMs) that protect the lender from liability. The statute defined qualified mortgage to mean any residential mortgage loan for which:

- There is no negative amortization and there are no interest-only or balloon payments;
- The loan term does not exceed 30 years;
- The total points and fees do not exceed 3 percent of the loan amount;
- The income and assets relied upon for repayment are verified and documented;
- The underwriting uses a monthly payment based on the maximum rate during the first five years, uses a payment schedule that fully amortizes the loan over the loan term, and considers all mortgage-related obligations;
- The loan complies with any guidelines or regulations established by the Bureau relating to the ratio of total monthly debt to monthly income or alternative measures of ability to pay regular expenses after payment of total monthly debt.

When the CFPB issued regulations to implement Dodd-Frank provisions, it used its authority under that last bullet to set a specific debt-to-income ratio of 43 percent for QMs. They also released Appendix Q, which contains guidance to lenders for how to calculate and verify debt and income for the purpose of complying with the 43 percent limit.

What is the GSE Patch?

When it issued the QM rules described above, the CFPB market also established a second, temporary category of QMs. This category did not have to abide by the 43 percent DTI limit or Appendix Q, but instead had to be eligible to be purchased or guaranteed by either Fannie Mae or Freddie Mac while under the conservatorship of the Federal Housing Finance Agency – which is why it is known colloquially as the GSE Patch.

Using the Patch, the GSEs have been able to buy and guarantee loans with DTIs above 43 percent and without requiring lenders to comply with Appendix Q. According to the Urban Institute, the GSE Patch has facilitated access to homeownership for approximately 3.3 million borrowers whose DTIs were over 43 but were otherwise creditworthy, which represents nearly 20 percent of the loans guaranteed by the GSEs over the last five years. Outside of the GSE and FHA channels, QM lending has been constrained by the perceived difficulty of complying with the hard DTI cap and Appendix Q, and non-QM lending is constrained by lenders wishing to avoid the risk of liability.

What is the CFPB Doing and How Can I Provide Input?

In its ANPRM, the CFPB announced that it plans to allow the GSE Patch to expire in January. It is now seeking input on whether the Qualified Mortgage definition should still include a DTI ratio or any alternative method for assessing financial capacity, or whether it should be limited to the statutory criteria alone. Responses to the ANPRM are due this coming Monday, September 16, 2019.

While we realize it is unlikely that anyone encountering this issue for the first time will be able to prepare a comprehensive response to the ANPRM, NCST has joined a number of other housing and consumer organizations on a coalition letter, which you might want to adapt for your own use.

The letter focuses on the harm that a hard 43 percent DTI would cause to potential borrowers, especially LMI borrowers and borrowers of color, who tend to have higher DTIs than the population as a whole. Specifically, we recommend that the CFPB remove the hard DTI cap from the Qualified Mortgage definition. We also recommend the CFPB reinforce that all loans – whether they are QM or non-QM – have to abide by the Dodd-Frank statutory requirement that lenders must assess a borrower's ability to repay the loan. You can see the letter here.

As always, please let the NCST policy team know if you have any questions about the topic of this column.

Julia Gordon is the President of NCST.

Industry News

- Trump Plan For Home Loans Rattles Watchdogs

https://www.npr.org/2019/09/06/758107994/trump-plan-for-home-loans-rattles-watchdogs

- How A Trump Tax Break To Help Poor Communities Became A Windfall For The Rich

https://www.nytimes.com/2019/08/31/business/tax-opportunity-zones.html

- A Rare Piece of Post-War American History Sits On A Shady Wyoming Street Corner

http://cincinnatirefined.com/arts-design/lustron-home-53-w-mills-avenue-american-history-world-war-ii-post-war-housing-cincinnati

- As U.S. Watchdog Retreats, Mortgage Firms Reprise Cozy Marketing Arrangements

https://www.reuters.com/article/us-usa-cfpb-mortgages/as-u-s-watchdog-retreats-mortgage-firms-reprise-cozy-marketing-arrangements-idUSKCN1VC1JO

- Consumer Watchdog Blasts Government's Loan Sales Program - Says It Has 'No Rules' In Place To Help People Save Their Homes

https://www.marketwatch.com/story/government-watchdog-delinquent-mortgages-sold-to-private-equity-firms-are-more-likely-to-go-into-foreclosure-2019-08-06

Staff, Phone or Email Changes?

NCST Community Buyers: Had a recent staff change? Or updated your email address or phone number? Please alert our Buyer Team to any changes so they can update your records. To participate in our purchasing programs, it's very important we have the correct contact information for you and your team.

Please email updates to: Buyer@StabilizationTrust.org.

NCST Email Addresses

Sending an email to an NCST team member? Please include the team email box. This ensures a timely response to your email in case your primary contact is out of the office.

- Desk@StabilizationTrust.org - property transaction questions and assistance
- ReoTrack@StabilizationTrust.org - post-closing questions and assistance
- Buyer@StabilizationTrust.org - questions about program guidelines, target areas, and additional programs
- NewBuyer@StabilizationTrust.org - for more information about becoming an NCST buyer