

## Seattle Housing Levy

### Homeowner Stabilization Strategies

Technical Advisory Committee, October 30, 2015

Approximately 48% of all Seattle households are homeowners, and roughly one in five of owner households has an annual income less than 80% of area median. Senior households tend to have lower incomes, with 38% of senior households below 50% of median.

While some lower income homeowners may own their home outright and be able to afford maintenance and other expenses, others struggle to manage high housing costs. An estimated 12,250 low-income owners in Seattle are severely cost-burdened, paying more than half their income for housing costs. A large proportion of these are seniors. These households are at risk of being one crisis away from a housing default, which could eventually lead to a loss of stable housing. Homeowner assistance can stabilize low-income homeowners and preserve housing security for those at risk of displacement, helping them remain connected to jobs, services and communities of support.

### Current Homeowner Assistance Programs

OH provides the following homeowner assistance:

- OH's Homebuyer Assistance Program requires all first-time home buyers receiving City assistance to attend education programs that prepare them for successful ownership. In addition, OH receives \$216,989 in annual CDBG allocation to fund homebuyer education and counseling with HomeSight, a HUD-certified counseling agency.
- OH administers a Home Repair Loan Program, which provides 0% or 3% interest loans to low-income homeowners (80% AMI or below) to help them make critical home repairs. The maximum loan size is \$24,000, although a homeowner can qualify for a total of two separate loans up to \$45,000. This program is currently funded with program income from CDBG and local sources. Homeowners are not eligible for they are underwater (home loans exceeding home value) or have reverse mortgages.
- OH administers the HomeWise Weatherization Program, which provides free energy efficiency improvements to income-qualified homeowners to help them reduce energy bills and increase comfort and safety.

### Safety Net Housing Pilot Programs

As a result of the recent mortgage crisis, several pilot programs were launched to assist homeowners affected by subprime loans and falling house prices. Efforts have been launched statewide with Attorney General's Office Mortgage Settlement funds, and in Seattle with City funds, to help stabilize households at-risk of displacement. These programs tested several approaches to assist at-risk homeowners that could be models for future programs.

- HomeSight provides statewide mortgage and default assistance through the Washington Homeowner Stability Fund (WHSF.) Created in 2012 with a \$5.5 million grant from the Washington State Attorney General’s Office, the fund offers forgivable loans of up to \$30,000 at zero-to-2% interest, depending on household income. Loans can be applied to satisfy accrued defaults and also may be applied in loan modifications/loan reinstatements. Loans are forgiven if insufficient equity exists in the home at point of sale or refinance.

There are no upper income eligibility limits, but the program reports that the vast majority of recipients fall below 80% AMI. Homeowners are carefully evaluated on both cause of default and their ability to repay, with as many as 50% of loan applications declined. Underwater homeowners or homeowners with reverse mortgages remain eligible for loan assistance as long as a sustainable debt-to-income can be demonstrated. To receive funds, homeowners receive foreclosure prevention counseling from a HUD-certified housing counseling agency that refers owners to the program. Households are not eligible for rescue funds if they have previously received another rescue loan or loan modification.

To date, 132 loans have been issued with roughly \$2.5 million allocated. Loan activity statewide is brisk with 57 loans made in 2015 alone. Seattle activity has comprised roughly 20% of total loans made, or about 25 loans. HomeSight’s Washington Homeowner Stability Fund does not revolve. HomeSight currently anticipates that funds will be entirely expended within 12-24 months; roughly when the 2016 Levy would begin.

- Lifelong AIDS Alliance was awarded funding from the Attorney General’s office to create the Lifelong Safety Net Housing Program (LSNHP) to support people across the state who lost their homes due to foreclosure, caused by debt incurred from a chronic health condition. The program provided roughly \$1.2 million in direct financial assistance for move-in related costs, rental subsidies, case management, utilities, etc., to 107 households and 226 individuals. On average, enrolled households received \$11,000. This program served households statewide and sunset in December 2014.
- In 2014, OH launched a \$150,000 Homeowner Stabilization pilot to assist low-income homeowners at risk of foreclosure. With the help of partner housing counseling agencies, the pilot brought modest, but immediate grants to help pay overdue mortgages and make critical home repairs. The pilot included extensive targeted community outreach that alerted residents (both owners and renters) to free pre-foreclosure housing and legal resources. A key component of the pilot was a partnership with Habitat for Humanity Seattle-King County to provide immediate grant assistance to low-income homeowners for critical home repairs. One recent project repaired a broken waterline that caused a low-income, senior-headed household to be without any water. She recently took her first shower in her home in six months. All funding for the pilot has been committed, with grant activities nearing completion

## Proposed Homeowner Stabilization Strategy

Reasons for mortgage defaults and foreclosures vary widely. The Washington Homeownership Resource Hotline reports loss of income and medical issues as the leading reasons cited by callers statewide for their housing default. OH proposes creating a comprehensive homeowner program that builds upon the pilots described above and provides continued funding for at-risk, low-income Seattle homeowners. This could be a strong tool to combat the displacement of low-income homeowners.

### Seattle Homeowner Stabilization Fund:

- I. Foreclosure Prevention: OH would provide rescue loans to satisfy accrued defaults and/or to be applied in loan modifications/loan reinstatements. One of the early reflections heard from Seattle housing counseling agencies was that given the high cost of housing in Seattle, the \$30,000 WSHF loan was sometimes too little, too late for Seattle residents. A Seattle program could consider expanding eligibility by increasing loan amounts, providing earlier assistance, and possibly allowing assistance to applicants who received an earlier rescue loan or loan modification.

Medical issues and the debt that ensues are factors in many foreclosures. Given the known connection between health and housing stability, housing is clearly a critical need to provide stability for families dealing with illness. Additional support may be required for medical-related housing default. OH proposes that increased rescue loan amounts be available to support at-risk homeowners with a family member that has experienced a disruptive health condition.

**Estimate:** Up to 100 homeowners served (up to \$30,000/household) over 7-year Levy. Homeowners that have also experienced a disruptive health event would be eligible for up to \$50,000/household. Total = \$3,000,000, not including administrative costs/loan servicing.

- II. Critical Home Repairs: King County administers an Emergency Grant program to provide grants for up to \$6,000 for urgent or eminent life-threatening home repairs. However, owners living within the City of Seattle are not eligible for Emergency Grant program assistance. OH proposes the creation of a similar safety net for Seattle residents. Should a homeowner have greater needs than can be met by an Emergency Grant program, they would be referred to OH's Home Repair Loan program for additional assistance.

**Estimate:** 100 grants over 7-year Levy to support homeowners requiring immediate and critical home repairs. Total = \$1,000,000, not including administrative costs.

The above strategies would together total an estimated **\$4,000,000**. Additional research is needed regarding appropriate administrative and servicing costs.

### Discussion Question

1. Does this strategy prioritize the right combination of flexible assistance for homeowner stabilization?