



March 8th 2019

Ms. Marjorianna Willman
Office of Community Development
1340 Poydras Street, 10th floor
New Orleans, LA 70112

Ms. Donna Pearson
Attention Planning & Resource Development Unit
1340 Poydras Street, Suite 1000
New Orleans, Louisiana 70112

VIA EMAIL

RE: 2018 Annual Action Plan Substantial Amendment

Dear Ms. Willman,

On behalf of GNOHA and the Louisiana Homebuyer Education Collaborative, we would like to thank you and your staff for including our membership in the City of New Orleans Homeownership Listening Tour. The *HousingNOLA 10 Year Strategy and Implementation Plan* prioritizes creating wealth building opportunities for the people of New Orleans and we applaud the administration’s decision to the dedicate of \$3 million CDBG funds to the Homebuyer Assistance Program. This demonstrates your commitment to making homeownership and wealth building opportunity accessible to historically underserved New Orleans families.

Unfortunately, GNOHA find that the terms and conditions of the new program reduce the likelihood that buyers will have success in the current housing market. We are also concerned that aspects of the underwriting criteria all but guarantee homebuyers becoming cost burdened. GNOHA strongly urges you to consider the unintended consequences of a blanket soft second mortgage program that prioritizes the quantity of buyers, over the specific needs of potential low-income buyers. The proposed \$35,000 cap on soft seconds and \$5,000 in closing costs configuration significantly limits a low-income buyer’s choices in our current housing market. Based on the 2018 MLS data, the median cost of a home in ‘Very Good’, ‘Excellent’, or ‘New’ condition exceed what a buyer under 80% AMI could qualify for (Figure 1). With a soft second mortgage of only \$35,000, low-moderate income buyers could be stretching beyond their means to keep up with a mortgage of a typical single-family home in good condition, at about \$175,000.

Given the CDBG Homebuyer Assistance guidelines for property eligibility, properties that are in average or below average condition are unlikely to comply with HQS standards. Therefore, the remaining ‘naturally affordable’ properties on the market would not comply with the conditions of the program. Further, with only \$40,000 in homebuyer assistance, the typical buyer under 80% AMI would be further limited in our housing market based on location. The median closing cost of a home in ‘Very Good’ condition in high opportunity zip codes, such as 70113 and 70119 are well outside the means of any buyer under 80% AMI.

In the listening session, many advocates advised OCD to consider giving greater subsidies based on the buyer’s neighborhood of choice or the perc percent below AMI, in order to buy down the cost of homeownership in gentrifying neighborhoods in New Orleans historic core and to avoid ad-hoc segregation of low income homebuyers. GNOHA strongly urges you to raise the cap on the soft second subsidies that are available through this program. If OCD were to offer \$60,000 in soft second subsidy and closing cost assistance to buyers in high opportunity, gentrifying neighborhoods, the

A Shared Initiative, Inc.
Alembic Community Development
Alliance for Affordable Energy
Asakura Robinson Company
Broadmoor Improvement Association
Committee for a Better New Orleans
Crescent City Community Land Trust
Desire Community Housing Corporation
Dillard University
Enterprise Community Partners
Family Resources of New Orleans
Finance Authority of New Orleans
First NBC Bank
Foundation for Louisiana
GCR Inc.
Global Green USA
Greater New Orleans Foundation
Green Coast Enterprises
GNO Fair Housing Action Center
Greater New Orleans, Inc.
Gulf Coast Housing Partnership
Harmony Neighborhood Development
Home by Hand, Inc.
Housing Authority of New Orleans
Iberia Bank
Iris Development
Jane Place Neighborhood Sustainability Initiative
Jefferson Community Action Programs
Jericho Road Episcopal Housing Initiative
Jerusalem Economic Development Corp.
JPMorgan Chase Bank
LA Association of Affordable Housing Providers
Louisiana Appleseed
Louisiana Association of Nonprofit Orgs.
Louisiana Homebuyer Education Collaborative
Louisiana Housing Alliance
Louisiana Housing Corporation
Lower 9th Ward Homeownership Association
McCormack Baron Salazar
Neighborhood Development Foundation
Neighborhood Housing Services
New Day Homeowner Services
New Orleans Area Habitat for Humanity
New Orleans Redevelopment Authority
Northshore Housing Initiative
Office of Housing Policy & Community Development
Perez, APC
Preservation Resource Center
Project Homecoming
Providence Community Housing
Puentes New Orleans
Rebuilding Together New Orleans
Redmellon
Renaissance Neighborhood Development Corporation
Renaissance Property Group
SBP
Service Providers and Professionals Assoc.
Spottswood CDC
St. John the Baptist Housing Authority
St. Roch Community Development Corporation
Tulane/Canal Neighborhood Development Corporation
Tulane City Center
United Way of Southeast Louisiana
University of New Orleans
Urban Focus
U.S. Department of Housing and Urban Development
Volunteers of America
Wells Fargo
Whitney Bank

program would still impact at least 50 buyers, and it would create opportunity for genuine affordability and equitable access to strong market, historic neighborhoods.

OCD's policy which requires buyers with the CDBG Homebuyer Assistance Program to maintain a 30-33% front end ratio is unsustainable and puts buyers at incredible risk. Over a third of New Orleans Homeowners are currently cost burdened. Given the unpredictable nature of the property insurance and flood insurance in our state and the fact Louisiana homeowners pay some of the highest insurance premiums in the country, first time homebuyers could see an increase in their escrow accounts of up to \$500 a month without warning. With a 30% minimum front-end ratio, this could place cost burden on a low-income earner suddenly and greatly impact their ability to stay in their home. In 2014, GNOHA wrote a formal request to the Office of Community Development, requesting that the front end ratio for the Soft Second Program be adjusted to allow a range between 20 % and 33%, and we would like to, once more, reiterate this request.

There is precedent for this policy amendment set by the Louisiana Housing Corporations' Housing Trust Fund Program, which has a front-end ratio policy with a range from 20-33% (Louisiana Housing Trust Fund- Final, P. 29). The benefits of amending the program extend well beyond the individual families assisted, but to tangible benefits to the community at-large including increased property tax revenue for the municipality, reduction of blight, and ultimately neighborhood stability. This recommended policy change would also move the Soft Second Mortgage Program back to its original intent: a mortgage buy-down program that best positions low-to-moderate income homeowners to retain their homes. It's widely recognized there are no real benefits to homebuyers, and their neighborhoods, unless they are able to remain homeowners.

Finally, GNOHA urges you to consider allocating a portion of the remaining \$1.2 million of CDBG funds or other available funding to support the Homebuyer Education agencies who support the homeowners all the way up to closing. The typical homebuyer counselor invests \$4,200-4,500 per client, yet most charge for \$150 to participate. The Louisiana Homebuyer Education Collaborative certified agencies prepared over 1,000 first time homebuyers to become prepared and informed buyers, and they supported all 27 beneficiaries of the soft second program last year. These agencies are essential to supporting first time buyers' success and will require some investment from the City, if they are to be able to continue offering the highest quality homebuyer education and support the outcomes of OCD's programs.

In summary, the members of GNOHA respectfully request that OCD considers the following adjustments to the Soft Second Program: 1) Increase the cap on Soft Seconds to an amount that is commensurate with the buyer's financial capacity and market value of the neighborhood they plan to purchase in 2) Amend the front-end ratio of the Soft Second Program and 3) Allocate funding to the homebuyer education agencies who serve the beneficiaries of this public program. We believe that this is necessary to fully realize the goals around creating the homeownership opportunities identified in by the *HousingNOLA 10 Year Plan* and will #PutHousingFirst.

Should you have any questions or desire to arrange a meeting to further discuss this matter, please do not hesitate to contact us, at (504) 293-2881, nicolebarnes@jerichohousing.org for Nicole Barnes; (504) 488- 0155, fredj@ndf-neworleans.org for Fred Johnson or myself at 504.224-8301, amorris@gnoha.org

Sincerely,



Andeanecia M. Morris,
President/Chair

cc: Nicole Barnes

Fred J. Johnson, Jr.
Ellen Lee

FIGURE 1. 2018 New Orleans Closing Price on Homes Sold by Condition of Property

Condition	Med. Closing Price	Avg. Closing Price
POOR	\$ 52,000	\$ 72,894
FAIR	\$ 70,500	\$ 107,788
AVG.	\$ 104,500	\$ 137,051
VRGD.	\$ 210,500	\$ 303,823
Excellent	\$ 342,500	\$ 450,558
New	\$ 364,900	\$ 493,897

FIGURE 2. 2018 New Orleans Median Closing Price by Housing Condition for Select Zip codes

Zipcode 70119: Midcity, Tulane Gravier, Bayou St. John, Tremé						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd.	Excellent	New
Median Closing Price	\$ 92,000	\$ 147,500	\$ 204,000	\$ 287,000	\$ 322,950	\$ 370,000
Number of Sales	1	5	3	7	11	14
Zipcode 70112: CBD, French Quarter, some Tulane Gravier						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd. *	Excellent	New
Median Closing Price	N/A	N/A	N/A	\$ 500,000	\$ 338,725	N/A
Number of Sales	0	0	0	1	17	0
Zipcode 70113: Central City						
Condition of Home Sold	Poor*	Fair *	Avg. *	Vrgd. *	Excellent	New *
Median Closing Price	\$ 65,000	\$ 148,883	\$ 170,000	\$ 120,000	\$ 305,000	\$ 1,090,200
Number of Sales	1	2	2	2	10	16
Zipcode 70117: 9th Ward, Bywater, St. Roch						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd.	Excellent	New
Median Closing Price	\$ 30,000	\$ 63,750	\$ 65,000	\$ 229,000	\$ 334,450	\$ 284,950
Number of Sales	2	12	9	15	26	8
Zipcode 70126: N.O. East, Desire, Gentilly						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd.	Excellent	New
Median Closing Price	\$ 91,000	\$ 28,000	\$ 91,600	\$ 88,000	\$ 165,000	\$ 174,750
Number of Sales	1	3	11	16	13	4
Zipcode 70127: N.O. East						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd.	Excellent	New
Median Closing Price	\$ 34,900	\$ 64,000	\$ 72,000	\$ 126,000	\$ 146,450	\$ 132,500
Number of Sales	1	3	3	9	6	1
Zipcode 70128: N.O. East						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd.	Excellent	New
Median Closing Price	\$ 49,763	\$ 70,500	\$ 105,750	\$ 125,000	\$ 167,250	\$ 198,000
Number of Sales	2	3	14	7	13	1
Zipcode 70131: West Bank						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd	Excelent	New
Median Closing Price	\$ 48,350	\$ 109,950	\$ 157,250	\$ 172,000	\$ 235,000	\$ 463,000
Number of Sales	3	8	17	19	28	2
Zipcode 70114: Algiers, West Bank						
Condition of Home Sold	Poor	Fair	Avg.	Vrgd.	Excellent	New
Median Closing Price	N/A	\$ 56,750	\$ 77,000	\$ 152,500	\$ 210,500	\$ 277,500
Number of Sales	0	6	7	17	13	3

*Value not statistically significant due to sample size

** Value not statistically significant due to limited sample sites