EDUCATIONAL SUPPORT FOR FIRST-TIME HOMEOWNER/LANDLORDS IN THE BOSTON LISC 1 - 4 FAMILY HOUSING INITIATIVE

by

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ABSTRACT

In response to the recent trends of neighborhood deterioration, Boston Local Initiatives Support Corporation, in conjunction with the Boston Community Loan Fund and local community organizations has developed a program titled the 1 - 4 Family Housing Initiative (FHI). Under this program, local CDCs will be given a line of credit with which they will be able to buy, rehabilitate and then sell multi-unit homes to first-time homeowners. The individuals that purchase the rehabilitated properties from the CDCs will be required to participate in a homeownership training program with the hopes that this will better prepare the homebuyer for the responsibilities associated with owning and managing their own home. The purpose of this thesis is to explore what type of training program would best serve the needs of the homeowners and work with the FHI.

Looking at the MANNA HomeBuyers Club in Washington D.C. and the training seminars offered by the Massachusetts Affordable Housing Alliance, I examine different factors that impact the type of training that is provided by the two groups. In looking at these two case studies, I determine that the training programs run by the CDCs would most likely all contain similar information, but that the way in which the information is portrayed needs to be customized to the needs of the CDC constituency.

Based on the lessons learned from the two case studies, I recommend that the program that would most likely serve the needs of the constituencies of the CDCs participating in the FHI will be one that follows the format of the MAHA program, but that lasts slightly longer, giving the participants more time to absorb the information. I suggest that the marketing of this program be two pronged, with the CDCs working to market the programs and the housing in their neighborhoods, but that the CDCs also tap into larger communities of homebuyers, drawing from the lists of organizations such as MAHA, and UNAC.

While the training programs can greatly assist the first time homeowners in their process towards purchasing their home, there are other things, that must be changed on a policy level to increase the efficiency of the assistance given to first-time homebuyers. The training needs to be completed, or nearly completed *before* the individuals enter the purchasing process. Otherwise, they will not get the full benefit of the training. Therefore, I conclude this work with the suggestion that the realtors and bankers be persuaded to alter their policies so that these types of training are delivered to the potential homeowner/landlords at an earlier stage of the process, enabling them to be more educated consumers and more efficient managers of their new homes.

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I. Introduction

Many of Boston's lower income neighborhoods are in a state of crisis. Recent trends in the economy coupled with "the failure of significant parts of the banking system have put many Boston area neighborhoods in a state of crisis that has not been seen in two decades." (Thall, p.2) Large numbers of multi-family houses have been left abandoned to deteriorate and pull the neighborhood down with them.

In an attempt to reverse these trends, Boston Local Initiatives Support Corporation (LISC) and the Boston Community Loan Fund (BCLF) are in the process of designing the 1 - 4 Family Housing Initiative (FHI). Using this program, LISC hopes, with the help of other non-profit groups around the Boston area, to rehabilitate homes and make them available to first time homebuyers.

With homeownership rates in Boston at close to 30% of all households, the potential benefits of this program are numerous. Rehabilitation of deteriorated buildings in the neighborhood, an influx of resident owners who "have a stake" in the area, and the increase of rental housing, to name only a few. Of course these benefits will all be contingent on the successful implementation and longevity of the program.

In any program with multiple players, issues of implementation and longevity become increasingly complex. Of specific relevance to this thesis, will be the piece of the program that relates to the first time homeowners that purchase the rehabilitated properties. Because these buyers will be first time, lower income homeowners, there is a whole host of issues and responsibilities that must be addressed. These issues become increasingly complicated when in addition, these first time homeowners, must also face the complexities of acting as landlords in what may be 2 or 3 family homes. The purpose of this thesis will be to explore the education and training of the first time homeowner/landlords participating in the Family Housing Initiative to help make them be efficient managers of their property.

This exploration will involve several steps. In the first chapter, I will frame the context of the FHI. The first step will be outlining the program goals and mechanisms by which the program will be run. Then, given this information, I will examine the scope of the issue of homeownership as a response to neighborhood deterioration, considering the program goals of the FHI. Because this is not the first time that Boston has seen a program such as the Family Housing Initiative, I will discuss two programs, the Boston Rehabilitation Program and the Homesteading Program to explore lessons that can be learned from these past efforts of dealing with neighborhood deterioration. With all these issues in mind, I will conclude the chapter by returning to the Family Housing Initiative and exploring issues that still need to be considered in the design of the FHI.

The third and fourth chapters are dedicated to case studies that highlight the effect that the characteristics of the target population have on the design of the homeowner training programs. The first case study will examine the MANNA Mutual Homebuyers Club (HBC), a homeowner education and support group located in Washington D.C. The second case study will concentrate on the Homebuyer Training Sessions run by the Massachusetts Affordable Housing Alliance (MAHA) Homebuyers Union. The Homebuyers Union actually runs two different types of seminars, one specifically for pre-ownership issues, and the other, recently begun, concentrating on post-ownership issues. I will look at the creation of these two programs, how they work and the types of populations they serve.

Chapter Five will summarize the strengths and weaknesses of different components of the two educational and training programs such as the length of the program, the population impacted by the program, and issues of implementation. The purpose of this will be to make recommendations of what program characteristics would be beneficial in working with the Boston LISC Initiative and to highlight different policy implications that this research has raised.

Chapter Six will conclude the thesis with a review of the issue of homeownership, the lessons learned from the two case studies, and the key components of the suggested model that will work with the LISC 1 - 4 Family Housing Initiative.

Methodology

Because this research is based largely in case studies, the bulk of my analysis is based on qualitative data. I attended the different training and education sessions of the different groups described in the cases, reviewed written material, and interviewed both participants at different stages of the homebuying process, and the facilitators of the homebuyer training.

In addition, I have reviewed certain demographic information to gain an understanding of the particular community that each group is serving. This was useful in evaluating what types of characteristics are easily translatable to the Boston LISC program.

It is not my intent to measure the overall "success" of either of these programs. This would be extremely difficult for several reasons. The first issue would be the definition of what constitutes a success. It is possible that a person who has gone through the educational process would make a decision not to purchase a home. People realizing, for whatever reason, that it is not in their best interest to purchase a home, should represent a "success" in the educational process. In the case of MANNA, sometimes, a member "moves up" in their type of tenancy, for example, a person may move from a shelter into an apartment. That too, would be a success. Unfortunately, these types of successes are rarely recorded in programs designed to promote homeownership.

Furthermore, many times, people go through these different programs, and then do not report back to the different organization about any progress that they have made. This means that if MANNA or MAHA is not directly involved in the purchase process, then they may not be aware of their graduates who are purchasing homes. The result of this fact is that the records kept by the different organizations may underrepresent the percentage of their graduates that go on to own.

Boston LISC will not be creating the actual homeowner training programs, but rather making decisions about what kind of training run by the CDCs will be appropriate in conjunction with the FHI. Given this fact, and the difficulty in evaluating the "success" of the case studies as a whole, my purpose in examining the different case studies will be to examine different specific components of the two programs, and reasons why the programs may differ. Of specific interest will be: identification of the population to be served and how that effects issues of implementation.

Considering the population to be served leads to several important issues: Given the needs of the population, how long should the program be? Where in the homebuying process are the individuals, and how will this impact the type of program that would serve them best?

In examining issues of implementation, I will consider both staff costs and the role of the staff in the program. How much staff is required to effectively run the different programs? What is the role of the staff in the programs? Is the effect in the specific case study replicable? What are the desired side effects of the different program and are they achieved?

In examining these issues in terms of the different case studies, I will then make recommendations concerning how the CDCs participating in the FHI should go about creating the design of their different homeowner training programs.

II. Boston LISC 1 - 4 Family Housing Initiative

Program Overview and Goals

The way in which Boston LISC hopes to reverse the trend of neighborhood deterioration in local urban areas, is through a Revolving Loan Fund that would be a line of credit for local Community Development Corporations (CDCs). The CDCs would use this money to buy, rehabilitate, and resell deteriorated housing units in targeted areas of lower income neighborhoods. Because of the general building type of Boston's housing stock, the majority of the renovated units would be multifamily houses containing two to three units. The new homeowner would rent out the remaining units. Therefore, this program would increase not only homeownership, but the availability of adequate rental housing as well.

The RLF is central to the FHI, because in these lower income urban neighborhoods, construction financing is difficult to obtain. However, the RLF is only one component of the total program. The actual program will begin with each group assessing the state of the housing stock in their target area, the cost of rehabilitating the units, the interest of potential buyers, and the ability of these buyers to obtain a mortgage. The second stage of the program will include the rehabilitation of the property and the lining up of an actual buyer. The final portion of the program concerns post-purchase homeownership/landlord support, to help the new homeowner with the transition from renter to owner/landlord. The general purpose and the goals of the program are as follows:

<u>Primary Goals</u>

- To provide CDCs with the technical and financial resources to reverse the spread of abandoned, blighted houses in their neighborhoods.

- To encourage strategic targeting of resources in order to achieve maximum neighborhood impact.
- To foster socially stable neighborhoods by increasing responsible owner occupancy, including responsible landlord tenant relationships.
- To achieve a highly efficient development process by fostering collaborations among LISC, other intermediaries and public agencies.

Secondary Goals:

- Encouraging CDCs to gain a comprehensive understanding of the housing stock and characteristics of their neighborhoods.
- Fostering ongoing relationships between CDCs and small minority contractors
- Building a stronger CDC constituency and a base of support among neighborhood residents not previously involved with or familiar with CDC activities.
- Identifying (and supporting) worthwhile and creative linkages between CDCs' rental management/ownership, tenant services and neighborhood stabilization activities.
- Demonstrating to lenders the viability of revolving lines of credit to CDCs for neighborhood stabilization programs.

Source: (LISC NSI Program Overview, Draft, October 1992)

It is the hope of the creators of the program that the primary goals will be accomplished with each participant in the program. The secondary goals, however, may not be realized by every group. In considering the primary goals, most of them will be fulfilled simply by the program going into effect.

The third goal concerning neighborhood stabilization works on the assumption that homeownership is a stabilizing force in a neighborhood. It is to this issue that I will now turn my attention.

Homeownership as a Response to Neighborhood Deterioration

Homeownership is an appropriate response to neighborhood deterioration because it begins to reverse some of the negative trends that plague lower-income neighborhoods. While I do not assert that the lack of homeownership is the cause of neighborhood deterioration, the decrease in homeownership is a symptom of several different factors that have been at work in the inner city neighborhoods, such as "white flight," the weak economy, the Second Mortgage Scam, and conscious choice made by potential homeowners.

When the more affluent, and many times white, members of the community move from the inner cities to the suburbs, this leaves neighborhoods with higher concentrations of 1) lower income people and 2) people of color. It lowers the tax base of an area and can start the downward spiral of neighborhood deterioration.

In terms of the economy, the recent changes in the housing market have effected the rate of home ownership. Between 1985 and 1989, the real estate market was booming, but then went into rapid decline meaning that people's houses were not appreciating in value. Because of this, until the market showed signs of turning around, housing was not a good investment because the house an individual may wish to purchase today would be cheaper in a few months. In addition to this, the recession which caused the slow income growth in lower income people "expanded the number of households unable to afford even minimally adequate housing." (Peterson, p.1) The drop in the housing market, combined with the lack of sufficient income growth contributed to the decrease in home ownership.

In 1991 foreclosure rates skyrocketed. Many people, particularly People of Color lost their homes. The cause of this trend was something known as the Second Mortgage Scam where banks or mortgage companies would give a homeowner a second mortgage, but at rates, or with conditions that the homeowner could not afford and therefore, the home would be foreclosed by the bank. In areas such as Upham's Corner, the number of annual foreclosures more than doubled. This trend greatly contributed to the decrease of homeownership in lower income areas in Boston.

The above-mentioned trends, all describe factors that contribute to the decreasing homeownership rates to the detriment of the neighborhood. These trends have a direct effect on how members from within and from outside the community view the neighborhood. Furthermore, they can create a "snowball effect," in that deterioration dissuades potential investors from coming into an area, which can lead to further deterioration.

One way of combating these trends is to support programs that foster home ownership. It is a commonly held belief that people who own their homes raise the quality of an area because, as compared with renters, they take better care of their property and show more interest in the well being of the neighborhood as a whole. In his article "The Social and Political Importance of Home Ownership," Leland S. Burns traces the value placed on homeownership back to the early immigrants who "crossed the Atlantic to find the opportunities for land ownership they had been denied in Europe." (Burns, p. 7) He then mentions the present day motivations for ownership saying that it changes a dwelling into an investment, and confers status. Ownership gives people the motivation to invest in the property. Finally, he notes that some of the characteristics that seem to come along with ownership are: satisfaction, upward mobility, self-realization, and community solidarity.

It is believed that through these characteristics, home ownership begins to reverse the trends of deterioration by increasing the residents' perception of, and interest in the neighborhood. If only to protect their investment, owner-occupants of a piece of property have a greater interest not only in the upkeep of their property, but in the preservation of the area as a whole. Given this motivation, community organizing and empowerment in an area becomes more feasible if the members of the community feel that they actually have a stake in that community. Furthermore, homeownership increases the tax base of an area which can have a positive effect on neighborhood characteristics such as trash removal, road repairs, educational structures... These characteristics set the tone for the neighborhood. These views were mirrored in "Making Home Ownership Work for Low-and Moderate- Income First-Time Buyers," an article in the Spring/Summer 1992 edition of Strategy Alert, which stated :

> Home ownership is also a positive force for communities. It stabilizes neighborhoods because home owners traditionally take better care of their properties than renters and participate more in local civic governance. It gives the neighborhood an identity and value reflected in opinions, internal and external, to the area (including lenders and investors). It contributes significantly to the economic development of the neighborhood by providing a major asset, generating jobs, stimulating an increased commercial base and higher levels of infrastructure maintenance. (Strategy Alert, p.1)

Homeownership has been incorporated into the American system of values as a goal that people should strive to accomplish. This results in the overarching attitude that those who can, own, and those who cannot, rent.

However, not all voices are singing the praises of homeownership There are some who feel that home ownership is an issue that needs to be reexamined--that the myth of "The American Dream," which includes owning one's home, should be questioned and challenged. Jim Kemeny, in his article, "A Critique on

Homeownership," asserts that the trend towards homeownership is not a natural one. That it is encouraged and controlled by people who benefit from the ownership of land. In considering policy changes, Kemeny believes that there should be "tenure-neutral" policies that do not punish those who are not homeowners.

Kemeny's point is even more relevant when questioning the initial assumption that everyone *wants* to own their home. It should be noted that at least some of the decline in home ownership may be due a thoughtful decision to rent instead of own. "With all the dispiriting news about young families failing to own their own home, some have wondered if there is not an element of voluntary nonownership at work--if young couples, in the spirit of the times, are not spending more money on video cameras, cars, vacations, and clothes, and indirectly choosing not to save for a home of their own" (Peterson, p.1).

If this is the case, then the some of the attitudes about the differences between renters and owners should be reexamined. We need to be aware of weight that society assigns to different tenure status, and once we are aware of this element, we should be willing to question its validity. In the second chapter of her book, Everything in its Place: Social Order and Land Use in America, Constance Perin examines the differences, whether real or perceived between owners and renters. She lists the results from surveys, illuminating the perceived differences between people of different tenure status, examining the social significance in our society that is attached to different types of tenure. In her opinion, the stability of "ownership" is questionable because the vast majority of home "owners" could not afford their homes without some sort of subsidy or mortgage. According to Perin, tenure "and its social meanings are tied to the manipulable availability of capital, land, and purchasing power. The less-valued social category of renter is, then, also a product of this artifice: it is not a given and it is not inevitable." (Perin, p77)

The critiques of homeownership are valid ones and should not be overlooked. Renters in American society enjoy a lower status, because of the stigma that society places on those who do not own their homes. While calling into question the widely held views of different types of tenure, these critiques do not diminish the positive impacts that the LISC FHI could have on a neighborhood.

The LISC Initiative addresses the issue of deterioration in Boston's lower-income neighborhoods by restoring deteriorated properties, increasing home ownership and increasing the amount of rental housing available in these areas. This will increase the tax base of the area and increase the amount of people who have a stake in that area and hopefully combat the trend towards deterioration.

Need for Service Provided by the Program

Furthermore, the program is significant because if LISC does not pursue this program, the renovation of these houses most likely will not be accomplished. Unfortunately, the cost to renovate the homes, in many cases, may be more expensive that the market price of the homes. This, combined with the stigma placed on the low income areas, makes the marketing (either to potential buyers or to potential lenders) of these properties particularly difficult. The houses that will be renovated by the FHI most likely, would have been left to continue deteriorating, taking the rest of the neighborhood down with them. This Initiative will provide a service that otherwise would not be provided.

Given the goals of the FHI, it is important to attempt to foresee any potential difficulty that there may be in the design of the program. Towards these ends, I will briefly examine some of the lessons learned from past programs, such as the Boston Rehabilitation Program (BURP) and the Homesteading Program. I will use the examination of these programs to highlight different issues that should be considered in the design of the FHI. Finally, returning to the FHI, I have separated the major issues of the design of the RLF into four categories: centralization, cost to value gap, CDC capacity, and support systems for new homeowners.

BURP Program

The Boston Rehabilitation Program, commonly referred to as BURP, was a program originated in 1967 to rehabilitate over 2,000 apartments in the Roxbury-North Dorchester area of Boston. Together, the Department of Housing and Urban Development (HUD) and the Federal Housing Administration (FHA) had orchestrated the acquisition of the buildings, and the selection of the developers to do the work. Working at lightning speed and out of the public eye, the developers and the government agencies completed all the preliminary work necessary for the rehabilitation of these units in slightly under two months. On December 3, 1967, Secretary Robert Weaver from HUD "arrived in Boston... to announce the allocation of $24.5 million in federal 221 (d) (3) funds for the rehabilitation of...2,074 apartments under the Boston Rehabilitation Program (BURP)." (Keyes, p.1) Weaver expected a hero's welcome with this announcement. What he received was harsh criticism from community leaders who were displeased with the way in which the program had been designed. It is the design of BURP that I will briefly explore here with reference to what lessons were learned from BURP that would be applicable to the LISC FHI.

There are several differences between the BURP program and the LISC FHI. BURP was focused only on rental units. The FHI will create rental units, but a higher priority of the program is the increase of owner-occupied housing. BURP was designed on a very large scale, rehabilitating close to 2,000 units while the final proposed output of the FHI is estimated at 150 houses composed of approximately 325 units (NCDI Workplan Revision, p.5). Many of the units rehabilitated under BURP were occupied, making relocation an issue, while the FHI will be rehabilitating vacant units. Despite these differences, BURP and the LISC FHI share some common threads. Both programs are focused on the rehabilitation of affordable housing units, and both programs are focused in the lower income areas of Boston. For our purposes here, BURP will serve as an example of some lessons to be considered when designing an affordable housing program in lower income neighborhood. It is not my intention here to outline all the different issues associated with the design of BURP, but to highlight some specific issues around community involvement, experience of the contractors, and volume of houses to be renovated that should be taken into consideration in the design of the FHI.

Community Involvement

One of the major criticisms of the BURP program is that it was designed under a veil of secrecy. Part of the reason for this was to increase the efficiency of the program and to keep the costs of the housing down, for if people had known the reason why the developers were acquiring their houses, they may have increased the sale prices. In their quest for efficiency however, the creators of the plan failed to include any members of the community in the decision making process, and furthermore, no Black developers had been involved. This made the community members feel that they were being overlooked and taken advantage of. These feelings were strong enough for many people to support ceasing the project as it was constructed despite the potential benefits to the community.

The LISC program has avoided this by designing the program with input from community based groups. By convening a Task Force to discuss the design of the program, engaging the local CDCs as the developers, and insisting that the Board of the CDC have members of the community that will be consulted on their development plans, issues such as community involvement should be minimized.

Reduced Red Tape

Another major selling point of the BURP model was that it severely reduced the red tape involved in the normal development process. For their purposes, because they were dealing with experienced developers, they saw this as a minimal risk to the project. However, time has shown that these cut corners have greatly effected the quality of the rehabilitated units. A report produced by the Urban Planning Aid in 1969 reported that the FHA "approved buildings which failed to meet their own standards...and has paid developers for substandard and incomplete work." (Keyes, p.146)

The FHI program overview also has as a goal "to achieve a highly efficient development process by fostering collaborations among LISC, other intermediaries, and public agencies." However, the process is being carefully monitored, and while increasing efficiency is a desired goal, it is important to remember that the developers in this case are the CDCs, and they will not be managing large volumes of work concurrently. While attempts will be made to reduce red tape and increase efficiency, a higher priority will be placed on the capacity building of the CDC and the removal of barriers to effective and efficient development.

Experience of Developers

The developers that were chosen for the BURP program were chosen because of their expertise in the rehabilitation of large quantities of units. Their expertise was one of the characteristics that was going to ensure the efficiency and effectiveness of the program.

The participants in the LISC program will have expertise for the amount of rehabilitation they will be doing--approximately 15 houses each. Furthermore, in most cases, the CDCs will be selling the properties, once they are developed, not managing them.

Fulfilling Need/Selection of Properties

The BURP program was designed with a targeted maximum mortgage amount of $12,000 which would include both acquisition and rehabilitation costs. Generally the developers acquired higher priced houses in need of less rehabilitation. There was no incentive for the developers to acquire cheaper buildings in need of more rehabilitation work. This brings into question whether or not the BURP program was renovating the units in the most need of development.

With the FHI, as will be discussed later, there will be a subsidy to fill the development cost to market value gap. Therefore, CDCs do not have a particular interest in only doing the less deteriorated housing. In fact, because the developers are community groups with an interest in the vitality of an area, they would have an increased interest in rehabilitating particularly troubled sites within their area. While LISC will be approving the target area and the houses presented, it will be the initial responsibility of the CDC to choose the house. The LISC Initiative, as will be discussed below is designed on a smaller scale than the BURP model, concentrating on specific deteriorated neighborhoods within the target areas of the different CDCs. This will localize and strengthen the effect that rehabilitation can have on an area as opposed to scattered site rehabilitation.

Homesteading Program

The BURP Program was useful in highlighting certain issues of program design such as community involvement, efficiency and experience. Another program, the Homesteading program will be useful in highlighting different issues of program design such as risk, marketing, overall program cost, and fulfillment of need.

Background

The housing market in Boston during the mid seventies was similar to the market today. The demand for housing was weak in the lower income areas and there were high rates of abandonment. Just as LISC's answer to this issue is the FHI, the Neighborhood Development Employment Agency (NDEA) created a similar answer called the Homesteading Program. Like LISC, the NDEA was in the position of having access to funds, but no ability to develop the real estate. Local CDCs were capable of doing the development, but did not have the financial means. The Homesteading Program formed a partnership between NDEA and the local CDCs.

The way the program worked was the NDEA would lend the CDCs an interest free loan to buy, rehabilitate and sell abandoned housing to first time lower income homeowners. The CDC would do 98% of the development, and the potential owner would then contribute 2% "Sweat Equity." This would include minor tasks such as painting. When the potential homeowner had completed his or her portion of the renovations, the CDC would sell that person the home. The construction loan would be repaid to NDEA at the sale of the property.

Similar to today's market, the development of this housing exceeded its market cost, creating the need for a subsidy to fill the gap. The NDEA provided this subsidy. If the development cost (including developer's fee) of the housing was $100 thousand, but the market would only support a sale price of $80 thousand, then when the CDC sold the house, it would repay the $80 thousand, and the remaining $20 thousand would be forgiven as the subsidy.

The program ran for approximately nine years beginning in 1976 During the first six years of the program, approximately 25 to 30 units were completed yearly. These numbers jumped in 1983, to approximately 70 units but then gradually decreased until 1986 when the program began to be phased out due to unavailable bank financing and Reagan budget cuts.

There are many similarities between the Homesteading program and the FHI. Both programs were addressing abandoned housing using CDCs as developers. Both programs were working on a smaller scale. The FHI is expecting to sell approximately 150 houses during the three years that the program is planned to run, which is similar to the output of the Homesteading Program. Both programs, as will be will be discussed in the next section, were designed to work in a weak market utilizing subsidies to fill the development cost to market value gap. Because of these similarities, it is worthwhile to examine some of the lessons learned from the Homesteading program before moving to examine the FHI. Of particular interest are the issues of risk, marketing, program cost, and impact assessment.

Risk

In any endeavor, there is an issue of risk. When more than one party is involved, the issue of how the risk is to be shared is of particular interest. There is a fair amount of risk involved in both the Homesteading Program and the FHI. Construction lending bears the risk of not having a buyer at the end on the process, leaving the developer with an un-sellable property on his or her hands. Rehabilitation adds to this risk because of the difficulty in predicting the actual cost of developing any given unit. While the Homesteading program and the FHI each contain these risks, the risk is shared differently.

With the Homesteading Program, the NDEA bore 100% of the construction risk. They put up all the money for the different CDCs to develop the properties. The problem with this scenario is that all the different players do not have equal motive for ensuring that the program runs smoothly. If the housing were developed, but not sold, then the house would just sit there acquiring carrying fees and increasing the amount of subsidy that the NDEA needed to provide. To this day, there are unsold Homesteading properties costing the city money in real estate taxes and carrying costs..

The FHI has addressed this issue by spreading the risk amongst the different players. LISC and the Boston Community Loan Fund are each providing 45% of the construction financing for each project. The remaining 10% is provided by the CDC. This ensures that all the different participants have an interest in seeing that the program runs smoothly and that the houses are turned over efficiently. Furthermore, in the case that a house is not sold, the Massachusetts Housing Finance Agency has agreed to provide home mortgage financing to the CDCs, thereby relieving LISC and the BCLF from the risk of not being repaid due to the lack of a buyer, and shifting that risk to the CDC. Having the risk shared in this way helps to ensure that the CDC as developer has a vested interest in the efficiency of the program. There may be concerns that because of this risk, some CDCs will want to avoid the more troubled buildings in the area, but because of the mission of the different organizations to uplift the neighborhood, but the missions of the different organizations should keep this from becoming an obstacle to the overall effectiveness of the program.

Marketing

The marketing of the rehabilitated units is an issue to be considered in both programs. Selection of potential buyers is rather complicated for several reasons. Because of the deterioration of the surrounding areas, it may be difficult to get potential buyers interested. Both programs were geared towards lower income buyers. The difficulty is in finding a buyer that is within the applicable income range, who can also qualify for a mortgage. Prolonged marketing periods extended the selling process and increased the program cost to the NDEA.

The FHI stipulates that before the CDC draws money to begin the rehabilitation, that they have a pool of at least 10 interested buyers who are likely to qualify for a home mortgage. While this may not guarantee that the property is sold immediately, it will increase the chances of this happening and help preserve the efficiency of the program.

Program Cost

Both programs rely on some sort of subsidy for the program to work. In both cases public money is used, whether it be state or federal. One of the problems with the Homesteading program was that program inefficiencies such as extended marketing periods and the lack of shared risk, ended up costing the NDEA thousands of dollars.

While there is no way to foresee all of the potential complications in any program, the precautions that LISC has taken in the design of the FHI, such as market research and the sharing of the risk, should increase the efficiency of the program and therefore decrease the total program costs.

Impact Assessment

Because of the slower pace that at which both of the programs proceed, there is an issue of how much of the need will/did these programs fill, and if the answer to this question is an insignificantly small one, then what kind of implications does this have for the overall value of the program.

The FHI will indeed touch only a small portion of the abandoned and deteriorated housing in the city's neighborhoods. It is estimated that each of the different CDCs will rehabilitate approximately 15 buildings during the length of the program. This would translate into at least thirty units of housing, if not more. The question to be raised here is, given the small scale of this output, what is the value of this program and are the short term benefits sustainable over longer periods of time?

The FHI is designed so that the different CDCs will target their development to an area no larger than "ten square blocks in which at least fifteen properties are abandoned or deteriorated or at risk of becoming so" (Boston LISC NCDI Workplan Revision, p. 9). By targeting their development efforts into a localized area, the CDC will be able to concentrate the benefits that rehabilitation and owner occupants can bring to an area. It will be extremely important that the CDCs choose the properties that they will rehabilitate carefully. While the CDC may not be able to rehabilitate all the abandoned housing in an area, if they choose which houses they can rehabilitate strategically, realizing which buildings anchor the neighborhood, their development efforts should work towards stabilizing the neighborhood.

The Homesteading program was extremely valuable both because of the work that it achieved and because of the lessons that it has provided for future programs. There are many similarities between the Homesteading Program and the Family Housing Initiative. Both programs share the goal of rehabilitating abandoned housing and selling the property to owner occupants. Both programs achieve this goal using CDCs as the developers of the property. Both programs operated in a time when subsidies were necessary in order for the program to work. Because of the similarities in the program goals and design, there are lessons to be learned from the Homesteading program that should inform the design of the Family Housing Initiative. Using this information as a backdrop, I will now focus on the program design of the FHI

Family Housing Initiative Program Design Issues and Questions:

As the final section of this chapter, I will now examine a few more issues concerning the design of the initiative, such as centralization, development cost gap, CDC capacity, and finally, the issue of homeowner training. Examining these issues will serve as the final step in familiarizing ourselves with the FHI as a program and serve as the foundation on which to evaluate the appropriateness of different types of homeowner training programs.

Centralized vs. Decentralized Services

Through FHI, many of the Community Development Corporations will be undertaking the same types of processes. Although they will be taking part in different parts of the city, each will have to acquire rehabilitation estimates, each will have to market the houses, interview potential homebuyers, do credit assessments, etc... Because they will all be working through the same program, there is a possibility that the FHI could provide an opportunity to centralize the services of the different CDCs. This would make the system more efficient, save the CDCs money and provide improved services to the potential homebuyers.

While, as will be discussed below, different CDC may not be in favor of centralization of all services, centralizing some aspects of the development process, such as the rehabilitation specialist or construction management would be cost effective to the CDCs because as the program begins, each CDC will be working on only one or two houses. Due to this low volume, it may be extremely costly for each CDC to employ a rehabilitation specialist to work on only one or two houses. One, centralized person could provide these types of services to all the CDCs at a fraction of what it would cost for each CDC to employ a separate person. Furthermore, having centralized services could make tasks such as record keeping easier because the forms for the different CDC would be uniform. Furthermore, if services such as housing marketing were centralized, the people who were looking for houses would be better served because they would be made aware of all the different options, not only the buildings that the CDC was working on at the time.

On the negative side of centralization, the organization of these centralized services may turn out to be more costly depending on how they were organized. Furthermore, many of the CDCs are hesitant to form these types of partnerships especially in the aspects concerning interaction with their constituency, such as homeowner training and or marketing of houses. The motivation behind this is the fact that the CDCs want to retain "ownership" of their constituency. The feel the need to preserve their place in the homeseeker's life as a source of support and information. As the Executive Director of Nuestra Communidad CDC put it:

> This is a tool for organizing for the CDC's these are the people we've provided a lot of services to--a lot of support for, you have a connection with and they are going to be your constituents and they'll stick with you for a long time. It's important to keep that up for the CDC. Then people will come in for other things

If the homeowner lives in the "jurisdiction" of one CDC and then ends up buying a home in the area of another CDC, that would be a constituent lost. Furthermore, if the homeowner were to live in the area, but have to travel outside of the area for the housing services, this could remove a possible "bond" that this person and their family would feel towards the CDC.

Realistically speaking, while the CDC's may like to control of all aspects of their own programs, the fact remains that as the program begins, the number of houses being rehabilitated will be small, and the smaller the number of houses, the larger the cost for the individual CDCs. Therefore, if for no other reason than a financial one, it may be more prudent for the CDCs to share certain components of the program, particularly components that do not directly involve potential constituents, such as rehabilitation specialists, and consultants.

In answer to the concerns of building a constituency, Jenna Windom, of the Dorchester Bay Economic Development Corporation responds that she has worked with the City on housing projects and that the members of the different programs have "transferred their loyalty" to the CDC quite successfully. Furthermore, she asserts that: "There has to be sort of a 'mindset hurdle' that we have to overcome and have a central marketing. It's that 'we're all for the common good'- type mentality which, with limited resources, is hard to do." This comment suggests that while the CDCs may prefer to work totally independently, they still may be convinced of the importance of centralizing some of the services is not impossible. The formulation of this part of the program will be difficult, for it will necessitate good deal of consensus on the part of the CDCs. They will have to agree on which components of the program should be shared, and which can be done independently without jeopardizing the efficiency of the program. For example, it may be beneficial for the services which do not include direct relationships with the CDC constituency be centralized. If necessary components, such as specification writing and general contracting were to be shared but then the actual marketing of the homes to people interested n buying in their areas were managed by the CDC, this would increase the efficiency of the program without forfeiting the CDC constituency. Once this "mindset hurdle" is overcome, this could be a beneficial aspect of the program.

Development Cost vs. Market Value

The next aspect of the FHI design to be examined is the gap between the development cost and market value of the houses that the CDCs will be developing. As was the case with the Homesteading Program, the FHI is taking place during a soft real estate market. Given this context, there seems to be little doubt that there will be a gap between the cost of rehabilitating the units, and the price that the house will take on the market. It is important to identify this gap in order to help ensure the successful implementation of the program , for if this gap is too large to be filled, it will severely effect the FHI. According to the Boston LISC Executive Director,

> LISC will not be able to proceed with this program unless there is a commitment from someone of the necessary subsidy dollars to fill these gaps. We know that there are subsidies that are going to the buyers but we need to get a better handle on what the typical gap--what is the range of gaps-- and how is that going to be filled.

The challenge here is twofold--first, the assessment of the amount of the gap and then how that gap will be filled. An exploration of this issue is necessary to help insure the efficiency of the FHI. While the housing market differs between neighborhoods of Boston, for our purposes here, the figures that I will present are from the Neighborhood of Affordable Housing (NOAH), a group located in East Boston that is about to begin their work with the FHI. Please refer to appendix A for the cost analysis.

Establishing the cost of rehabilitating a unit within a certain standard of error is fairly straightforward. The difficulty arises in unforeseen costs that could not have been seen until the rehabilitation begins, such as wiring or plumbing that could not have been detected until the actual work begins. This is the reason that construction budgets must contain a contingency--to finance these unforeseen problems.

The second step in this assessment, determining the amount of the gap between the development cost and the sale price is also a difficult task. Given the soft state of the real estate market, particularly in the lower income communities, it is very difficult to quantify the gap between the amount of funds needed to rehabilitate the house, and the price that the house will bring on the market. In a normal market situation, a feasibility analysis could be conducted, however there are complications in this situation that make this process more difficult. In many of these neighborhoods, the volume of sales is so low, that it would be very difficult to estimate what a reasonable asking price would be. Furthermore, the inactivity of the market in these areas, in combination with the trends discussed in the first part of this paper, negatively effect how an appraiser values a home. If the appraisal is too low, the homeowner may not be able to get enough financing from the bank.

To further complicate matters, the likelihood of there being one "typical gap" is rather slim. More reasonable would the expectation of a few different ranges of gaps. These ranges would correspond to the levels of rehabilitation needed in the unit, the type of unit, and the location of the unit. Two houses needing the same level of rehabilitation, may have significantly different market values, due to the housing type and/or location of the unit. For planning purposes, NOAH has determined typical rehabilitation costs for a two family and three family house in East Boston as being $120 thousand and $180 thousand respectively. While the actual figures will vary, these numbers will serve as a guide to the average costs of rehabilitation.

In terms of determining the sale price of the home, sales from comparable properties can be used as a guide, but this leaves a good deal of room for error because of the soft real estate market in these areas (and sub-areas), and the possibility of undervalued properties. In terms of the undervalued properties, one method of combating this issue is to work with the banks and in effect, educate them on the value of the renovated homes. Because NOAH wants to provide lower income people with the housing that they develop, they estimate the sale prices of their properties at $95 thousand for a two family home and $120 thousand for a three family home. Taking into account rental income, these sale prices will make the units affordable to people earning between approximately $20 thousand and $25 thousand annually.

These prices are considerably lower than the development cost of the homes. Once it is determined what the gap is, the second question is how will that gap be filled? NOAH has received a subsidy commitment from the Public Facilities Department of between $20 thousand and $35 thousand per unit. Without this subsidy it is doubtful that the unit would sell and if it did, it would most likely not be to a lower income person. The subsidy allows the CDC to fully renovate the houses and to provide the housing at market rate prices. While it may seem that a program requiring this amount of subsidy should not be pursued, according to Moira Danehy, the director of New York LISC's Homestart program, subsidy is a normal, and necessary part of these types of programs.

> In every case that I've seen so far, there's subsidy.... In some cases its been sometimes as much as fifty percent of the cost of acquisition and renovation of the house and these are low cost homes.

NOAH has been fortunate to receive funding to fill the development cost market value gap. Other CDCs wishing to participate in the FHI will need to receive similar commitments either from state, local or private sources, for the lack of this type of funding will severely effect the efficiency and effectiveness of the Family Housing Initiative.

CDC Financial and Technical Capacity

Another issue in the design of the FHI is the capacity of the different CDCs. The reason that the FHI stipulates a "slow start" in the rehabilitation and re-selling of the houses is that there is a concern that the CDC staff may not have all the capacity needed to undertake such endeavors. For example, in a small organization, where the employees are most likely already pushed to their limits, will the agency have the time, let alone the expertise to carry out all the steps of the proposed plan? This plan calls for some rather specific types of training, such as rehabilitation estimates, general contracting, housing marketing, and home ownership training to name a few. In a small organization, it is possible that one or more of these roles would be carried out by someone who is not extremely experienced, and that could potentially make the project run less smoothly. While one of the goals of the Initiative is to build CDC capacity, it is hoped that starting with a low volume of houses, combined with continued work towards centralizing parts of the program will minimize the effects of the "learning curve" experienced by the CDCs.

The second issue in terms of capacity concerns financial capacity. The plan for the RLF requires that the different CDCs contribute their own equity to the project. This was designed so the CDCs would share some of the risk in the project. Unfortunately, there is a question as to whether or not all the CDCs will be able to afford to make this investment into the project. Some may feel that their time, energy, and rather low return should be their investment into the project. While a portion of this contribution can be in-kind, which means counted in terms of labor, this stipulation of the program may still be problematic. It means that some CDCs may have to contribute approximately 30K of their own money. This is money that they may not have. This stipulation may be enough to dissuade some CDCs from participating in the FHI. To combat this possibility, LISC may wish to relax this stipulation and try to incorporate other sources of funding into the RLF.

Support for New Homeowners/Landlords

Part of the FHI insists that the new homeowners be given some sort of homeownership training. Because the participants in this program will face not only home ownership issues, but a host of other issues that concern being a landlord, this support needs to be made more substantial than a simple meeting or two. Some sort of longer term support structure would make the chances of the first time homebuyers much improved in the program and hopefully combat the threat of foreclosure. By educating potential homeowners on the rights and responsibilities included in home ownership, such as budgeting, saving, and tenancy laws, the individuals will be better prepared to answer the challenge of homeownership and be less likely to lose the property due to mismanagement.

The issue of homeowner support and training will be the focus of the remainder of this thesis. In the next two chapters, I will examine two homeowner training programs, the MANNA HomeBuyers Club in Washington D.C. and the pre and post ownership training programs offered by the

Massachusetts Affordable Housing Alliance (MAHA). The purpose of examining these two programs is to highlight different types of components that would be beneficial in programs that would work in conjunction with the LISC FHI. Because of the variety of groups that are expected to participate in the FHI, it would not be efficient to design only one program to work with the Initiative. Each different community group is dealing with a different constituency whose needs may be best met in different ways. Because the goal here is not the design of one program, my purpose in viewing these two case studies, is to highlight characteristics that should be considered in the development of any homeowner/landlord training program. Of specific interest will be training content; identification of the population to be served by the training; and implementation in terms of staff of the different programs, and the potential secondary goals of the training process.

The identification of the population to be served by the training will inform decisions concerning the length of the program, the size of the groups and the way in which the material should be presented. Issues concerning implementation will address the staff time required to run a program and the specific role of the facilitator of the program. Finally, the secondary goals of the program will be concerned with the desired beneficial externalities of the participants going through the program, specifically having to do with their new role in their communities.

III. MANNA

Housing for people, not for profit--that is the slogan of MANNA, Inc., a nonprofit housing development organization headquarted in the Shaw neighborhood of Washington D.C.. MANNA" is not an acronym, the name was chosen with the phrase, "manna from heaven " in mind. In some respects, this name represents the work of the organization. They provide housing for people who, without their help, would not be able to afford homes. The main activity of "MANNA has been buying up derelict and abandoned properties and transforming them into homes, cooperative buildings, and transitional housing for the homeless."(MANNA Inc., 1987))

Creation of MANNA

MANNA grew out of a vision of Jim Dickerson, the co-director and founder of the organization. Dickerson was working with a program in the area titled For the Love of Children (FLOC). FLOC is a transitional housing programs that worked towards stabilizing and preserving the family unit. "Part of the program included 17 revolving housing units where families could recuperate after their stay in a homeless shelter and take time to stabilize their finances and families." (Littlejohn) The families could live in the housing for up to two years, before they were expected to move out and live on their own. Dickerson began to notice a "revolving door" effect, in that people would go through the program, but then come right back in. He realized that the problem was affordability. Without an affordable alternative to the transitional housing, the families were doomed to continually revolve through the program. In answer to this, Dickerson decided to create some affordable housing, with the hope that providing the families with affordable options to own a home would contribute to their stability.

With the financial help of a family member, Dickerson built, and sold an affordable home. Then he built another one, and another. In 1982, MANNA, Inc. was founded to create housing for low income people. Because of the needs of the area, and the number of good housing deals to be had, Dickerson chose the Shaw region of the city to locate the headquarters his organization. What began as a "one-man show," has now evolved to a $2 million organization with 45 employees and several volunteers. To date, MANNA Inc. has produced over 100 units of housing..

While in its growing stages, Dickerson would hire out different members of the development team on a consultant basis. In some cases, piecing together a project with different consultants or craftsmen can greatly increase cost of the entire development process. Slowly, Dickerson has brought many of these skills "in-house" and greatly reduced the cost of development. MANNA employees carry out almost all aspects of development, from architectural design, to contract management, through the marketing and the sale of the home. Subcontractors are still brought on to do things such as plumbing and wiring.

Creation of the Homebuyers Club

By 1983, Dickerson, and his now co-director Kay Shultz realized "that the housing was ready, but that the people weren't ready. " (James Spann 1/4/93) Many of the families had never owned a home and were coming from a history of renters. They had never been instructed in the responsibilities of owning, managing, and sustaining a home. The MANNA Mutual Homebuyer's Club (HBC) was created to answer the need of the new homebuyers and potential homebuyers. It's purpose is to prepare them for the process of purchasing a home, and the skills necessary to keep the home, once purchased. The program begins with the credit assessment of the different homeowners and ends when the homeowners no longer feel the need to attend the meetings. The average length of membership is two years, although this number can vary depending on the level of need of the different club members.

Demographics

Presently the HBC contains seven chapters around the D.C. area and over one hundred members. Seventy-eight percent of the members of women, and of these women, over 50 percent of them are single heads of households. The ages of the HBC members range from 22 to 67 years of age. with the average age of the members resting near 35 years old. The range of incomes is similarly broad, stretching from $4,500 to $45,000 per year. At least 95 percent of the members are African-American, with 2% Hispanic and the remaining 3% white.

Initially it may seem that such a diverse population would be rather difficult to serve. For example, a person making $4,000 a year, has a much farther journey than a person making $30,000. However the structure of the HBC tries to serve all these people simultaneously by acknowledging the different situations of the HBC members. It might be overly optimistic to expect someone making a very low salary to be able to afford a single family house. Through the counseling of the program, the different members work to set attainable goals for themselves, instead of setting unrealistic goals and then becoming disheartened and dropping out of the program. If someone's final desire is to own a home, the first step might be working towards renting an apartment. After that goal is attained, perhaps the next step would be to move into a cooperative, working and saving an budgeting until the goal or owning a home would not be such a giant leap.

Structure of the Program

There is a minimal registration fee of $5 for people joining the HBC, which does not make a significant contribution to the club's finances, but is used to show the dedication of the potential homebuyers towards the program. Admission into the club, and the placement into a chapter is the responsibility of the facilitator. After filling out a brief questionnaire, each potential HBC member is interviewed either by the director of the HBC, James Spann, or Robin Ransome, his assistant. The interview process is used to determine the level of dedication of the potential HBC member, get an idea of where that person is in the homebuying process, and begin to identify the types of goals that the new member is working to achieve. During this interview, in addition to gathering information from the interviewee, the facilitator also makes clear the responsibilities of each HBC member. All applicants are expected to:

- Read everything they are given
- Do every homework assignment thoroughly
- Help encourage other members; and
- Attend all meetings (HBC manual, p.6)

Once it is decided to admit the new member, an equally important decision must be made by the facilitator. James Spann must decide which chapter would be the "best fit" for the new member, making every effort to place members into chapters with people with similar, or complimentary dedication and motivation. Presently, there are eight chapters, that meet in various neighborhoods around Washington D.C. The size of the different chapters is limited to fifteen members and varies between seven and the maximum. The small size of the groups allows the facilitator to give special attention to the specific needs of the different participants. The chapters have two meetings monthly--one required meeting and one "field trip" in which members visit different neighborhoods and/or different types of housing sites. Wherever the meeting is, the HBC manual stipulates that there always be two rooms. One room for the meeting itself, and another room for child care, which is provided by the Club.

There are three types of membership in the HBC program. the Initial Membership, Covenant Membership, and Graduate Membership. These levels reflect the members' position in the homebuying process. Initial Membership applies to those members in their first six month period who are exploring their interest in and potential for home purchase. During this period, the new member obtains a credit report, establishes financial goals and begins working to meet those goals. Initial members may not miss more than one meeting during this six month period in order to qualify for the next level of membership--Covenant Membership.

Covenant Membership applies to those who are committed to their goal of home ownership and the mutually supportive structure of the HomeBuyers' Club. Having successfully completed the Initial Membership, these individuals receive a free, thorough financial analysis from MANNA. Furthermore, these members have priority for properties made available through MANNA. New members with at least $1000 savings, may skip the initial membership and become Covenant members. The mix of the types of members in any chapter does not alter the monthly curriculum of the meetings described below.

Finally, those who have purchased a home, hold a Graduate Membership. Many graduates continue to attend the HBC meetings, for the continued support they receive from the group, and to serve as an inspiration to those still working towards their purchase.

Curriculum

Although flexible, to fit the individual needs of the members, the basic curriculum of the HBC is designed for 25 meetings. The outline for the meetings and topics are as follows:

EMPLOYMENT

1. A Stable Income
2. Calculating the Income Needed for Home Ownership

BUDGETING

3. Why Budget Your Money?
4. Where Money Goes and How it Can be Saved
5. Choosing a Savings Goal
6. Paying Ourselves
7. A look at Properties and Financing Options
8. Continuing to Reduce Debt

CREDIT

9. What is Credit?
10. Understanding your Credit Report
11. Creating a Six-Month Plan
12. More Work on Credit

SAVING

13. Saving and Savings Institutions

SELECTING A HOME

14. All About Loans
15. Good Consumerism
16. Homes You Can Buy
17. Utility and Maintenance Costs

18. Insurance and Fire Prevention
19. Floor Plans: Pros and Cons

THE HOME PURCHASE PROCESS

20. Thirteen Steps
21. Local Assistance Programs
22. Terms of Home Buying
23. Contracts
24. Applying for Mortgage Loan
25. Buying your Home

As is apparent in the meeting topics, the HBC training starts with the individual. Before a Club member learns the intricacies of the home purchase process, he or she must become more "bank-able" by clearing up unfavorable credit reports, learning to budget, and to build up their savings.

Each session, there are different topics to be discussed. The manual has a hand out for each session that has the title of the topic, goals of information to be covered, issues that should be understood before the member leaves the meeting, a space for personal objectives, and homework assignments. These forms are useful because they outline the topics to be discussed, and they give an opportunity to personalize these issues, so that the member can begin to think about the personal importance of the different topics as they relate to his or her homebuying process.

The meetings are very interactive, almost like a forum discussion with the facilitator acting as moderator. Because there are people in each group at different stages of the homebuying process, many times, the topics to be covered, such as how to read a credit report, or figuring out where money is spent, can be explained by Club members who have already learned these things. This helps the newer members learn, and reinforces the lessons already learned by the more experienced members.

The process itself is a very long and hard one for the majority of the members. For many of them, because of past credit history, or spending patterns, it is extremely difficult to save money for a down payment. At times, the thousands of dollars necessary for a downpayment may seem unattainable. Outstanding bills, unemployment, poor spending patterns and/or illness are just a few of the things that can deter the members from saving.. While the process many times is extended for the Club members, the benefit of this long and cautious journey is that the HBC members are much better prepared to handle the responsibility of homeownership when they do purchase.

James Spann HBC Director

It would not be terribly difficult to recreate the structure of the MANNA Mutual HomeBuyers Club. The materials and goals are all very clearly outlined. However the force that brings these materials to life is the group facilitator. James Spann is the individual at MANNA credited with making the HBC what it is today. Spann is a highly motivated individual and has an excitement about the homebuying process that is highly contagious. The following two comments, made by a graduate member and a covenant member of the HBC, typify responses given when asked about the director's role in their purchase process:

> James is a guru. He's there to answer our questions and walk us through the process and he loves working with people, and he's always there. All his good will and his patience and his knowledge provides us with the inspiration to keep us motivated. He has the kind of spark to keep it interesting for He has a real strong faith in people, and in US that we can do it.
>
> ***
>
> James is a person with tremendous energy. he's always under tremendous stress. one of the things that inspires me is seeing what he does for you. He's there all the time. I know he experiences a great deal of frustration but he never shows it. He's a positive individual.. He has a we can do attitude!

Within these two responses are many of the characteristics of a good HBC Leader. When replicating this type of program in Boston, it is imperative to find an individual with the same type of drive, dedication, and motivational skills. Without these characteristics, the HBC would not serve its members nearly as effectively.

Benefits of the Program

Members of the HBC have a first priority on houses developed by MANNA Inc.. One criticism that some members voiced concerning the housing provided by MANNA is their regulation that they will only sell a unit that is a "perfect fit" to the size of the family. Therefore, if there are three members in the family, MANNA will not sell the family a unit with more than three bedrooms. This has not proven to be a huge issue because by the time the members complete the program, many of them, having saved their money and cleaned up their credit, and are able to buy their homes on the open market. When they do purchase on the open market, many times, MANNA will still assist them in the process.

The benefits of the HBC to its members goes beyond the skills and knowledge learned in the meetings. For many of the members, the HBC serves as a source of support and improves their self esteem, and motivates them to take more active roles in their communities.

Facilitator Support

In addition to the educational component of the program, the HBC is a source of great support and encouragement for the members. James Spann and Robin Ransome keep the members motivated and working towards their goals of homeownership. Spann has an enthusiasm that he spreads among the different members of the Club. One club member said that the HBC meetings "recharge" her enthusiasm for buying a home when she starts to get discouraged about the length of the process. Outside the meetings, it is not unusual for HBC members to call the office, and many times, Spann will go with different members to look at properties, or meet with members personally.

Within the meetings, in addition to sharing information and making the meeting a place where people can feel comfortable learning, they do a lot of encouraging and "hand-holding." As one HBC member put it, "MANNA gives you that support group. When you get bogged down they prod you and keep you going." This "prodding" can include" almost anything in their power that will keep the members coming to the meetings. The process starts with a monthly written reminder of the meeting. Then, the evening before the different chapter meetings, each member gets a phone call to make sure that they will still make it to the meeting. Once at the meeting, dinner is served and child care is provided. After the meetings, many times, they give people rides home from the meetings.

Peer Support

In addition to the guidance and support that the HBC members get from the facilitators, they also find support from the other members of the Club. Although by no means a homogeneous group, the HBC members have brought themselves together to work towards similar goals, and this helps them to identify with each other, and gives them a sense of community. The process itself is a very long and hard one for the majority of the members, for they have a long road ahead towards homeownership. The benefit of this long and cautious journey is that the HBC members are much better prepared to handle the responsibility of homeownership when they do purchase. They learn through the sharing of experiences and information, and they also work to keep each other motivated. The members are held accountable for their different savings and budgeting goals by the entire chapter, not just the facilitators and their "buddy." Each meeting begins with every member writing down their goal for the next month, and whether or not they made their goal for the previous month. This process serves as an inspiration, for if for whatever reason a member falls short, they will have to explain their shortfall to the other members. This accountability is a positive way that the members keep each other on track.

Just as the members help to keep each other "on track" they also share in the delight when one of the other members purchases a home. This adds to the inspiration of the other members and makes their own dreams seem that much more attainable. James Spann, the director of the HBC tells a story of a woman who had been in the club for almost a year, but not taking the responsibility seriously until a friend of hers purchased a home. Then the woman realized, "Hey, if she can purchase, I can purchase!" From that point, the woman began to truly apply herself to achieving her goal. Seeing true success stories is the best motivation.

Results of Program

The MANNA Mutual HomeBuyers' Club has been hailed as one of the best in the country. The Neighborhood Reinvestment Corporation, in conjunction with MANNA has produced a HomeBuyers Club Group Leader's Manual, so that this program can be replicated across the country. The members and the graduates of the program hold the program in a very high esteem, but it is still difficult to measure results. Many of the results are extremely difficult to quantify. People who join and graduate from the HBC, enjoy not only an increased amount of knowledge, but they have a new found sense of confidence that comes with taking control of one's life and making positive change. They also, regardless of where in the city they live, have a community of friends with similar goals and aspirations that they can turn to for guidance and support.

Furthermore, realizing that they can make a positive change in their own lives, many of the HBC members are inspired to make larger changes in their neighborhoods. Through the help of MANNA and the HBC newsletter, the HBC members are informed about different types of policies that will effect their lives, and are encouraged to take actions. When the city was considering re-opening a program that assists low income people in buying their homes, members of the HBC went and testified at the meetings and wrote letters. The program was reopened. Motivation and self esteem are very difficult results to measure, but they are characteristics present in the HBC members as they move closer and closer to realizing their dream of homeownership.

Summary--Implications for the LISC FHI

The MANNA HBC serves as a good introduction to the issues that must be faced by the CDCs planning to provide homeownership training as a part of the LISC Family Housing Initiative. Of particular interest in terms of the LISC program is not so much the specific material that is learned by going through the process, but the reasons why the program is formulated in the way that it is. The MANNA HBC grew out of a need to serve a specific group of potential homebuyers--people in transitional housing. As the program has grown, a larger population is being served, but they are all on the lower end of the income spectrum with little or no experience in homeownership. The people who enter the program are a self selected-group of people who are pursuing their dream of one day owning a home. In the context of this population, we can see how the program size, length and format are all reflective of the needs of this population.

Because the majority of the HBC members are new to the issues of home ownership, they need more guidance through the process. The small groups meeting for extended periods of time, facilitate this learning process. By limiting the size of the groups, the different members will all get the personal attention they need. By extending the meetings over two years, the members are not overwhelmed or rushed into the process. Nor are they simply given the basic information to learn on their own. They are slowly walked through the process at a comfortable rate. The CDCs participating in the LISC FHI need to carefully evaluate where their constituency is in the homebuying process. this information should inform the length and the size of their program.

The needs of the population which effect the size and length of the HBC program, indirectly effect the interaction within the different chapters. Because the HBC members are meeting for an extended period of time in small groups, and sharing personal information, it is not surprising that there are friendships formed. This circumstance, in addition to the effect of the facilitator, has a direct effect on the atmosphere within the Club meetings. The meetings are very personal and friendly. People feel comfortable discussing their sometimes frustrating experiences that come with trying to purchase a home.

An atmosphere such as this one takes more than just long periods of time spent together, the second contributing factor to this characteristic of the HBC is the personality of James Spann, the Club facilitator. Spann shows great skill in drawing people into the group and making them feel comfortable in sharing their experiences. His leadership style makes the learning process less intimidating which makes it easier for the Club members to learn.

In terms of the CDCs working in the LISC FHI, the selection of a facilitator is crucial. Given the needs of the population, the facilitator will need to be an individual who not only knows the information, but who also is capable of providing it in an effective and informative way, creating a space where people are comfortable learning. As it is presently constructed, the HBC requires two staff people. CDCs in the LISC FHI most likely would not begin with a program containing eight chapters and therefore would not need more than one staff member to run the program..

The MANNA Mutual HomeBuyers Club is one example of a home ownership training program created to educate lower income first-time homebuyers. I will now move to another program, the Massachusetts Affordable Housing Alliance's homeownership training seminars.

IV. Massachusetts Affordable Housing Alliance Pre and Post -Ownership Training

Introduction

As the MANNA Mutual HomeBuyers Club grew out of the housing development of MANNA Inc., the Pre-Ownership Training Sessions housed and run by Massachusetts Affordable Housing Alliance (MAHA) grew out of a history of community activism which began with the Home Buyers Union.

Home Buyers Union/Community Investment Coalition Campaign

In the late 1980's as the real estate market was taking off, there was an increasing shortage of affordable housing in Boston. The number of families on waiting lists far exceeded the amount of available, affordable housing. In response to this market, the Massachusetts Affordable Housing Alliance (MAHA) created the Home Buyers Union (HBU). Until this point, MAHA had been a member organization, acting as a link between different groups interested in affordable housing. This new organization was created as an experimental community group whose purpose would be to pressure banks and public officials to do more for homebuyers--particularly lower income homebuyers who were not being served by the market. To solicit members into the HBU, the people at MAHA sent out a flyer to 1000 people on housing waiting lists:

> Priced out of the Housing Market?
> Tired Of Sitting On Waiting Lists?....
>
> We are a group of families who want to own homes, but who have found ourselves priced out of the outrageously expensive housing market in Massachusetts. We are tired of sitting on waiting lists and playing games that we can't win. We are working with the Massachusetts Affordable Housing Alliance (MAHA) to make the American dream of homeownership in decent neighborhoods a reality for us and for all of Boston's low and moderate income residents. We have identified lost of things that the city and state governments can do to solve the housing crisis. We have joined together to fight for more houses that working families can afford to buy....

The bottom of the flyer was an interest form to be filled out and returned. Approximately 200 people returned the form and the HBU was born. In the first year of existence, members of the HBU met with city and state officials to try and convince them of the need for different types of programs. In 1989, the federal report confirming the racial disparity in lending practices of banks was leaked to the public. As one HBU member stated, "We knew it was happening, but we didn't know how intense it was." According to Tom Callahan, Executive Director of MAHA, this was the political leverage that the HBU needed to achieve some of its goals. Armed with this information the HBU was in a position to make specific demands regarding bank branch and ATM locations, and what types of services were needed.

The HBU was not the only organization attempting to implement these types of changes. Several other community based organizations all had similar goals. Knowing that as a united front they could be more effective in their dealings with the banks, many of these groups came together to form the Community Investment Coalition Campaign. (CIC) By joining together, they hoped to force the banks to be receptive to their needs and demands.

In addition to pressuring the banks through negotiations, CIC also began to test the newly strengthened CRA laws by challenging some of the proposed expansion of different banks. For instance, State Street Bank had filed an application to open a branch in Japan. CIC petitioned the State Banking Commissioner to deny the application until the bank invested in the community. State Street bank invested $1.5 million in a cooperative in Roxbury through the purchase of low income housing tax credits.

After slightly over a year of rigorous lobbying and debating, "CIC, city officials, and bankers achieve (a) breakthrough in negotiations and announce $30 million in below market mortgages that the city's banks...will offer to first time homebuyers." (CIC chronology of Events, MAHA) These below market loans came to be known at the Soft Second Mortgage Program.

Soft Second program

The Soft Second Mortgage Program was a major breakthrough in the provision of affordable housing. It was designed to serve lower income potential homebuyers. To guarantee that this target population is served, there are income limits set on the eligibility requirements. The income limits are as follows:

Household size	Maximum Income	Household size	Maximum Income
1	$27,000	5	$37,900
2	$30,900	6	$40,100
3	$34,750	7	$42,400
4	$35,700	8	$43,000

The goal of the soft second program is to increase the "amount of house" that lower income people can afford. It accomplishes this in several ways:

- **Two mortgages:** The homebuyer receives two mortgages--the purpose of this is to reduce the amount of the first mortgage so that the homebuyer does not have to pay mortgage insurance. The first mortgage amounts to 75% of the purchase price of the house. The second mortgage covers 20% of the cost of the house. The remaining 5% is provided by the homeowner. In certain cases, the homeowner may receive 2% of this downpayment through downpayment assistance so that the buyer only ends up paying 3% of the price of the house up front.

- **Lower interest rates**--Both mortgages are available at 1/2% below the market rate.

•**Graduated payments**--The homeowner pays the full amount of the first mortgage payment. The second mortgage is interest only for the first 10 years. During this time, the owner pays an increasing percentage of the interest and the state pays the rest. For example, for those who show a need, the repayment schedule would work as follows:

Years 1-5	State pays 75% interest, owner pays 25%
Year 6	State pays 60% interest, owner pays 40%
Year 7	State pays 45% interest, owner pays 55%
Year 8	State pays 30% interest, owner pays 70%
Year 9	State pays 15% interest, owner pays 85%
Year 10	Owner pays 100% interest
Year 11	Owner pays 100% interest and principal

This payment assistance on the second mortgage is the source of the term "Soft Second." In addition to the subsidy, the benefit of this payment schedule is that it eases the homeowner into the full payments, giving him or her an opportunity to perhaps build up their savings or reinvest money in their property.

•**Reduced closing costs**--The banks will charge only their costs of providing services such as lawyer fees and title checks. This usually reduces the closing costs by 50% leaving them somewhere in the neighborhood of $1,500 - $2,000.

•**No points**--Banks have agreed to charge no points on these loans.

•**Flexible credit requirements**--The banks have agreed to be flexible in how they measure credit history. In some cases, people without credit cards have been approved credit with either the regular payment of utility bills and/or rent checks.

Risks of the Soft Second Program

The Soft Second Program has many benefits. Its flexibility allows it to reach a population that may not have been able to afford housing. There are certain risks in terms of liquidity. Due to the nature of the housing stock in Boston, it is possible for a person with an extremely low income to afford a triple decker house, due to the amount of rental income. This arrangement is extremely risky because this owner would have no cushion in the case of vacancy or need of repair, and in these instances, may face losing the property. Therefore, the overall mortgage payment cannot be more than 50% of the sum of the buyers gross income and income from one rental unit. Hopefully, this will protect the homeowner from a situation that could jeopardize their ownership.

Pre-Ownership Seminars

In January of 1991, the first Soft Second loan was closed. It's recipient was Florence Haggins. She bought a duplex in Dorchester. As a member of the Homebuyer Union and then as a homeowner, Haggins was very active in the expansion of the HBU. As more people were receiving the Soft Second Loans and moving into their homes, members of the HBU realized that first time homeowners needed a certain level of support that they were not necessarily getting. For many, there was no history of home ownership in their families, and the shift from renter to owner was a dramatic one. They were wishing that they had been warned of some of the pitfalls that they were facing, and wanted to prepare future first time homeowners. Towards these ends, the Homebuyers Union decided that the creation of pre-ownership seminars would be useful to potential homeowners, regardless of whether they participated in the Soft Second program or not. Many banks are now requiring this type of training for first time homeowners. While anyone interested in learning about homeowership issues is welcome to attend, the program is designed for people who are eligible for either the Soft Second program, or other below market rate loans.

Creation of Homebuyer Training sessions

With the financial support of the Boston Company, the Homebuyers Union and MAHA started to put together pre-ownership training seminars. Initially the sessions were to meet once a week for two hours for four consecutive weeks. According to one of the trainers, Insan Sauti, this arrangement was a bit "over-enthusiastic" because of all the material that needed to be covered in those meetings in that short amount of time. Through "trial and error" the seminar schedule was changed to five weeks with the group meeting two and one half hours weekly.

The seminars are located in different areas of Boston so that different populations can be served. For example, one five week session may be held in Dorchester, and then the next one in the South End. This is so that people in different areas can take advantage of these seminars. The marketing is done through advertisements in local newspapers and the distribution of flyers. As the program continues to be located in different areas of Boston, more and more participants are hearing of the training through work of mouth and referrals from banks or the MHFA.

The Training Program

Unlike the MANNA program that has a "rolling" admissions and graduation, the MAHA program is very finite. The training lasts for five weeks with weekly sessions lasting two and a half hours each. There is a registration fee of $30 which includes the first year registration fee into the Homebuyers Union. This nominal fee serves two purposes, to ensure that people who register will come to all the meetings, and to introduce the participants to the

Homebuyers Union. In the last session, the members who have successfully attended all meetings receive a MHFA certificate.

In addition to signifying their completion in the program, this certificate helps the potential homebuyers acquire more attractive mortgages. The training sessions run by the MAHA HBU are certified by the Massachusetts Financing Agency (MHFA). The MHFA reserves below market rate mortgages for lower income homebuyers who have completed certified programs. Furthermore, banks that require homeowner training, will accept this certificate. Therefore in addition to knowledge gained in these seminars, participating in the training increases the homebuyer's financing opportunities.

Who do these sessions serve?

According to Sauti, the participants that go through the program come from a variety of circumstances and are in very different stages of the homebuying process. Some have not even begun to seriously consider buying a house and others are on the verge of closing. Given this, participants have a variety of reasons for participating in the pre-ownership training workshops. As was the case with the MANNA HBC, the most obvious reason is that they eventually want to buy a home. In terms of MANNA, this was sometimes the only shared factor within groups-- people had different reasons for wanting to buy, and were at different stages in the buying process.

The MAHA program is slightly different in that there are more general reasons that people participate in their program. In many cases, in order for a first time homeowner to receive a mortgage on their home, they must go through some sort of approved homeowner training process. Because the pre-ownership training series provided by the MAHA HBU is certified by MHFA, many participant are motivated largely by the available mortgage packages available for graduates of these sessions. In fact, it is not unusual for buyers to be on the verge of closing on a property but attending the training to qualify for take-out financing. At the beginning of the first meeting, when everyone introduces themselves and says some of the reasons why they are in the seminar, a commonly heard reason, in addition to , "I want to learn about the process" is, "They (the bank) told me that I had to go through this process to qualify for a loan."

Because of the inspiration provided by the permanent financing, the vast majority of the homeowner training workshops attendees are people who qualify for these types of loans. Therefore, the general incomes of the participants fall within the ranges specified for the Soft Second program of 16K to 36K a year. The actual economic and racial composition of the different seminars depends on its location. Generally at least 50% of the participants are people of color. The only exception to this is with the most recent seminar series that is being held in South Boston. Approximately 75% of the participants are women. According to the seminar facilitator, most of the women are planning to purchase the house with another person, whether it be a spouse or friend. The remainder are single heads of households. The ages of the participants vary widely, from younger people wanting to settle down and start a family to grandparents wanting a place of their own to retire.

The Binder

The sessions are limited in size to between 25 and 30 people. This is so that all participants will have an opportunity to be heard. MAHA with the financial assistance of the Boston Company compiled the different information into a binder which is handed out at the beginning of the first meeting. Each meeting, different sections of the binder are handed out. By the end of the sessions, the binder will contain the following sections:

Section One **Are you Ready?**
The pros and cons of homeownership.

Section Two **Budgeting**
The basics of budgeting

Section Three **Credit**
How to read a credit report and types of credit

Section Four **Pre-qualify for a mortgage**
How much of a mortgage can you afford?

Section Five **Finding a Home**
The process of finding a home that is right for you

Section Six **Application Process**
The steps involved in applying for a mortgage.

Section Seven **Financing Options**
The different types of mortgages available

Section Eight **Closing process**
The closing paperwork and what it means.

Section Nine **Notes**
Blank pages to take your own notes.

Section Ten **Glossary**
A listing of commonly used mortgage terms.

Within each section, in addition to having general information, there are questions for the potential homebuyer to answer, or charts to fill in to determine how the given topic relates to the individual. For example, in the budgeting section, in addition to having "Steps to Successful Budgeting," There are also charts for the participant to fill in to help him or her determine exactly where their money is going. In the Prequalifying for a Mortgage section, there are worksheets so the individual can figure out their gross monthly income, cash and assets, and do the calculations to determine the estimated mortgage they would qualify for. Participants find having the information pre-printed, and having a binder to store all the information together quite helpful. Barbara Cox, an HBU member who participated in the second pre-ownership training asserts that she still refers to the materials in the binder. "I rely on the materials that I received. I review it quite often, so when I get ready to sit down, (and buy my own house) I'm ready."

In addition to these sections, in the front of the binder there is a form requesting a complimentary credit report. The members are asked to send off for this immediately so that they will have received the credit report by the session that teaches how to read it.

Format of the sessions

In designing the program, the members of MAHA decided that instead of one person learning the vast array of information necessary to teach these kinds of programs, they would bring in different experts each session to discuss the topic. In most cases, an attempt is made to use professionals from the local area in which the meeting is being held so that after the meeting, the homeowners have a local network from which they can work. Different types of speakers include home inspectors, underwriters, and real estate brokers. The speakers are not paid. Many speakers have an interest in participating because the participants are all potential clients. This raises the risk that the speakers may be more interested in promoting themselves than discussing the topic. This is generally avoided in several ways. First, the facilitators inform the class of the speakers occupation, general role in the homebuying process, and potential incentives for participating in the pre-ownership training. This makes then informed consumers of any information shared in the session. Secondly, the speakers are evaluated after every session and less popular or ineffective speakers are not asked to return for future sessions. Bringing in different professionals gives the participants a chance to gain a fuller understanding of the entire process making them better prepared when they begin their purchase process.

The facilitators of the seminars are very clear from the outset that they do not expect the series to be run as a series of lectures. The size of the sessions is kept small to foster dialogue between the facilitators, or speakers and the participants. The meetings begin with an introduction of the evenings topics and speakers. The speakers will then take the floor and discuss their specific topic as it realties to the homebuying process. Following the discussion format desired by the facilitators of the program, questions are asked throughout the presentations, it is not a lecture style format. Questions that are highly specific and perhaps not as relevant for the rest of the group are held over until after the meeting, or during the break. Each meeting ends with the participants turning in an evaluation form so that the facilitators get immediate feedback on how the participants reacted to the session. This is helpful not only in focusing the topics that are discussed, but in evaluating the guest speakers that are brought to the meetings each week.

Creation of landlord training sessions

The landlord training sessions were created in much the same way that the homeowner training workshops were created. As HBU homeowners began to move into their multifamily houses, they began to learn first hand of some of the trials and tribulations of home ownership and the adjustments of the shift from having a landlord to being a landlord. Realizing that the purchase of the home is not the final step, but the first step in an entirely new process, members of the Homebuyers Union began to discuss the creation of a post-ownership training seminar for owner/landlords. This was not the first time that this idea had been considered. Given the recent foreclosures in the Boston area, many different people had been considering ways in which first time homebuyers could be "stabilized" in their new properties. Unfortunately, there is not the same "draw" for post-ownership seminars. The banks do not require them, and many first time homeowners do not feel as motivated to go to seminars once they already own their home. The inherent benefits of becoming more educated on the issues of homeownership and landlord responsibilities are outweighed by inconvenience and a lack of an immediate feel for the need. Unfortunately, many times, it is not until homeowner/landlords face some sort of crisis that they begin to look for this type of support.

There was no one in MAHA, or the Homebuyers Union with experience in running post-ownership seminars, therefore MAHA approached the South Shore Housing Development Corporation (SSHDC) located in Kingston, Massachusetts for assistance in creating their training sessions. SSHDC had a great deal in both pre and post ownership seminars, and agreed to train the staff at MAHA and to co-lead their first seminar. These seminars were slightly different in form than the usual SSHDC which deals mainly with single family homeowners, in higher income brackets, but many of the topics remained the same.

Landlord training sessions

MAHA, once again with financial support from the Boston Company, sponsored their first Post-Ownership Seminar in January. Seven people completed the program. Considering that this was the first seminar, and that there is not as great a demand for post ownership seminars in general, this small number did not concern the sponsors of the program. The first pre-ownership seminar started with similar sizes.

The training sessions are modeled in form after the Homeowner training sessions. The marketing was done in a similar manner, advertising in local papers and distributing flyers in the area in which the seminar was to be held. Also like the pre-ownership seminars, the post-ownership seminars meet weekly for five weeks. Each week, different professionals from the community come to discuss their specific fields. The schedule for the seminars was as follows:

Seminar I

Overview • Settling In • Protecting Your New Investment • Getting to Know Your New Home • Maintaining Your Home • Housing Costs and Standards

Seminar II

Financial Planning • Household budgeting • Tax Planning • Property Taxes • Capital Gains Deferment • keeping Records • Using Your homeowner's Equity • Refinancing • Prepaying Your Mortgage

Seminar III

Property Management • Massachusetts Sanitary Code • Massachusetts "Lead Law"

Seminar IV

Tenant Selection • Setting Up a Good Tenancy • Types of Tenancies • Building Strong Tenant Relations • Landlord Access • Changing the Terms of Tenancy • Eviction • Medication • Counseling

Seminar V

Rental Assistance Programs • Drugs/Substance Abuse Issues

While MAHA has not created a binder as they have with the pre-ownership training, they do distribute different materials in the sessions. Part of the registration fee covers a book by the SSHDC which is a compilation of different types of rights and responsibilities of both landlords and tenants.

Beneficial externalites of the post ownership training

In addition to the basic information that the post-homeownership seminars provide, there are other intentions of the meetings. One of these is community building. The graduates of the pre-ownership sessions have a structure in place in the Home Buyers Union. While there is no "Landlords Union" in place, the members of MAHA and the creators of the post-ownership seminars have long term goals of community building among homeowners. MAHA is already tied into certain services such as the Boston Builders Materials Cooperative. The hope is that bringing homeowners together to learn from each other will result not only on the sharing of information, but also in the sharing of skills. One homeowner may have had a good experience with a certain craftsman and share this experience with others, but taking this sharing one step further, perhaps the participants will begin to exchange skills and favors. For example, if one may know how to clean gutters, but need child care. These types of exchanges an save money and benefit all concerned.

Summary

The Massachusetts Affordable Housing Alliance has been instrumental in the recent changes that have taken place in mortgage lending in the Boston Area. Through the Home Buyers Union and The Community Investment Coalition Campaign, MAHA helped contribute to the creation of the Soft Second Mortgage Program, which provides below market rate mortgages to lower income homebuyers. One of the results of this mortgage program was the realization that there was a need for pre-ownership and then post-ownership training for first time homeowners and landlords. Through their five week seminars, the MAHA HBU has certified over 300 potential homeowners and counseled 7 present-day landlords. The benefit of these programs is that they help to stabilize the buyers in their new houses by educating them about home purchase, management and maintenance, and the responsibilities involved in being a landlord. Without this information, it is possible that some people may lose their investment and end up foreclosing their homes.

Implications for the FHI

As is the case with the MANNA HBC, the seminars provided by MAHA reflect the needs of a targeted population. The training programs were born out of a community activism movement to force the banks to be more receptive to the needs of lower income people. The people who participate in these programs are lower income individuals, usually earning between $16,000 and $36,000 annually. While they all want to learn about the homebuying process, the first inspiration for many of them is to obtain the certificate so that they will qualify for a lower interest loan. As a matter of fact, many participants are far along in the homebuying process (with some having signed a Purchase and Sale Agreement) when they join the program but need the MHFA certificate in order to qualify for a loan. In the context of this population, we can see how the program size, length, and format are all reflective of the needs of this population.

Because the majority of the training participants are people who have already started their homebuying process, the MAHA program is more a source of information than a support mechanism such as the MANNA HBC. This is apparent in the structure of the meetings. The length of the program is a mere five weeks. While it may be beneficial to make the meetings longer, the staff at MAHA fears that if the length of the sessions wee extended, fewer people would be interested in the program. The group itself is limited in size to approximately 25 so that all people can be attended to, but the size of the group is by no means intimate. While the post-ownership group is still in its starting stages and pretty small, the program is designed to serve groups of between 25 and 30 people. This places a limit on the amount of individual attention that the different participants can receive. if the CDCs participating in the LISC FHI find that their constituency needs less support, then the programs that they create might want to mirror the size and length of this program which serves many people at the same time.

The role of the facilitator in the MAHA programs is much different than it was in the MANNA program. Given the needs of this population, the facilitator can work with larger groups that do not need as much personal attention. This fact, coupled with the format of the seminars--one that brings in outside informants, as opposed to the facilitator providing all the information, means that the facilitator plays a less pronounced role in how the seminars function. This in not to say that the role of the facilitators in the MAHA programs is unimportant, only that the necessary skills for a person in this position is different. In this case, the facilitator needs to be well informed, as in the MANNA case, but the strengths of this facilitator fall in his or her ability to moderate the different speakers and focus the discussions on issues of interest to the participants.

At this point, I will now examine how different aspects of the MANNA and the MAHA HBU programs may be interpreted into a program that could working conjunction with the LISC Family Housing Initiative.

V. Recommendations for LISC 1 - 4 Family Housing Initiative

I have looked at two homeownership training programs--MANNA HomeBuyers Club and the home ownership training seminars of the Massachusetts Affordable Housing Alliance. Both programs were created to ease first-time lower income homebuyers into home ownership. Both programs cover the basics of budgeting, credit, and the home buying process. There is little disagreement between the two programs as to what information is critical in the homebuying process. A program that would be acceptable to the LISC 1 - 4 Family Housing Initiative should include this basic information.

Where the MANNA and MAHA programs vary is in how the information is conveyed. The programs run for different lengths of time, using different program formats. The reasons behind these variances can be explained by looking at each program in context. The differences between the MANNA and the MAHA programs reflect the differences in the needs of the communities that they are serving.

With the Family Housing Initiative, there will be several different CDCs all providing homeownership training to first-time homebuyers. As the training programs of MANNA and MAHA reflect the needs of their constituencies, the program designed by the CDCs participating in the FHI should also reflect the needs of their target populations. Drawing on the experience learned from the two cases, I will now make recommendations concerning the design of home ownership training programs that would work in conjunction with the Family Housing Initiative.

Home Ownership Program

Due to the concern of many of the different CDCs of retaining their constituency, I am assuming that the majority of the groups will wish to conduct their own homeowner training programs. The following recommendations are directed towards these CDCs. Those CDCs that do not have the desire or capacity to provide this type of training should form joint service agreements with groups that do.

The program that I outline below will serve two purposes for the CDCs: to educate different potential homeowners on the homebuying process, and to create a pool of potential homebuyers for the purpose of marketing the properties that they will be developing through the Family Housing Initiative. In outlining the different characteristics of this program, I will first concentrate on the design of the program itself and then move to issues of marketing, and landlord support with special attention paid to issues of centralization. I will conclude by briefly discussing some of the policy implications of my recommendations.

Content

Looking at the MANNA and the MAHA programs, there was little variance on the issues that were discussed. Both programs stressed the importance of saving and budgeting, and both programs outlined the different steps of the homebuying process. I recommend that any program that hopes to train first time homebuyers include these materials. The more relevant issue is the format through which this information is shared.

Identification of Population / Program Design

Looking at the two cases, we saw that the MANNA and MAHA program are serving different constituencies. Both programs are geared towards lower income buyers. However, the MANNA program reaches some people with considerably lower incomes, than the average MAHA participant. While the majority of the MAHA participants make between $16,000 and $35,000 a year, there are several members of the MANNA HBC who earn less than $10 thousand annually. As may be expected, the individuals earning less money, may have a harder time saving to buy a home and/or becoming "credit worthy." As was shown, these difficulties place more distance between the individuals and their goal of owning their own home, and effected the size, length, and format of the different programs.

In considering a homeownership training program that would work with the Family Housing Initiative, I believe that a program modeled in format after the MAHA program would be more appropriate because of the incomes of the constituency, the time constraints of the FHI, and the role of the facilitator.

Due to the projected sale prices of the homes, the income levels of the potential homebuyers will be approximately $25,000 annually, which is more similar to the income of the average participant of the MAHA program. While a higher income level does not insure an easier path to home ownership, it can be shorten the amount of time that an individual needs to save for a downpayment.

Furthermore, the proposed six month development period of the units that the CDCs will be selling demands a shorter training period than the length of the MANNA program. Because the CDCs will want to market their newly developed homes to the training participants, it would not be in their best interest to create training programs longer than their development process.

Finally, I have decided to follow the MAHA model because I believe that the role of the facilitator is replicated with more ease in this program. Because the bulk of the information rests on the different speakers, and less on the facilitator, this program will be more easily replicated by CDCs needing to fill this position in their homeowner training workshops.

Because of the income level of the participants, the development period of the units that the CDCs are producing, and the replicable role of the facilitator, I recommend that CDCs working with the FHI create a format similar to the MAHA program, with two and a half hour, weekly meetings in which professionals who are experts on different aspects of the homebuying process come and speak to the participants.

One variation on this format that I suggest is increasing the number of meetings to eight, which would lengthen the sessions to two months. This will give the participants more time to cover topics more thoroughly. Furthermore, increasing the number of meetings may provide more opportunity for community building amongst the training participants, which is something that does not often occur in the present structure of the MAHA program.

The negative side of having more meetings in one training period is that fewer sessions could be held during one year and the length of the training may lead some homeowners to choose other, shorter programs. The two month span of the meetings may not be the optimal length for all the potential homeowners, but after speaking with several people who had gone through the pre-ownership training and expressed the desire that the meetings last longer, I have come to the conclusion that two months will allow the material to be covered more thoroughly without dissuading many people from attending the meetings. For the participants who may wish a longer length, the CDCs may want to consider allowing people to repeat the program at a reduced cost or for free.

Staff Requirements

I am assuming that one person will do the training and the marketing of the units produced by the CDC. Because staff availability is usually an issue, the CDC may need to hire an individual to carry out these duties. This of course begs the question of how this individual will be paid. The CDC will need to explore different sources of funding. Some possible sources are LISC, banks, and foundations. Another possibility, given a steady flow of developed houses, is to attach a portion of the person's salary to the development cost of the buildings.

Marketing of Training Program

Because many banks require pre-ownership training, first-time homeowners, whether they feel they need the information or not, are compelled to attend the meetings whether they are interested in buying property from the CDC or not. Because of this bank requirement, I recommend that the CDCs that provide this service become certified to teach the sessions by the MHFA. This will ensure that the basic information is being covered, it will make the CDC program competitive with other training programs in that members who may not buy CDC properties will still be fulfilling the training requirements of the banks, and furthermore, it will save LISC and the BCLF from having to evaluate the pre-ownership training programs of each different CDC that joins the initiative.

Marketing of the Housing

When the different CDCs come to LISC and the BCLF with a house that they would like to rehabilitate, they must be able to prove that there is a market for this particular property. LISC and BCLF have agreed to accept the identification of at least five households who are interested in the property as a proof of a market. Some of these potential buyers may come from the homeownership training sessions, but particularly as the program begins, there may be a shortage of interested buyers. This shortage could slow down the revolving process of the funds in the revolving loan fund, and retard the development of future houses. Therefore, it is important that the CDCs be able to find buyers for their properties.

To help ensure the efficient flow of their development process, there needs to be a mechanism for the CDCs to draw from the pool of interested buyers in their neighborhood and from the larger market consecutively. This means that there needs to be a certain amount of cooperation between CDCs and different organizations such as MAHA, the Public Facilities Department, and Union Neighborhood Assistance Corp--all groups with substantial lists of people who wish to purchase a home. If the CDCs could, in addition to their own marketing efforts, advertise their properties through organizations such as these, it would widen the pool of potential buyers from which to draw, without diminishing their own client base. In fact, selling homes to people who had gone through different homeowner training programs could increase their constituency.

Landlord Training

Learning from the experience of MAHA, the issue of landlord training is more complicated than that of homeowner training. Potential homeowners are extremely enthusiastic about gaining information on the home purchase process because for the vast majority, this is the biggest investment that they will make. This coupled with the bank requirements makes it easier to fill pre-ownership seminars with potential homeowners. However, according to Florence Haggins, the facilitator of the MAHA post-ownership training sessions, when people are in their homes, they are less interested in post-ownership issues until they have a specific problem that they need help resolving. While the first post-ownership training session was well attended for a first session, the second session was recently canceled. That session had approximately three participants.

This low level of landlord interest raises the question of whether or not it would be worthwhile for the CDCs to design and offer a landlord training session. At this point in time, I believe that it is not necessarily the most efficient way to educate the landlords. If the CDC has staff that are capable of relaying the information, and have the time to do so on a case by case basis, then following the topics outlined in the MAHA post-ownership training, I would recommend that the CDCs undertake this effort. However, it is more reasonable to work under the assumption that the CDCs may not have surplus staff time to devote to this endeavor, therefore, I would recommend that the CDC "tap into" an existing program such as the one offered by MAHA. While the CDCs are reluctant to work in collaborations such as this one, there are several reasons why in this situation , this plan of action would make the most sense.

As stated earlier, the low volume of interest would make it inefficient for the CDCs to run a program as extensive as the MAHA program. Furthermore, this would not necessarily effect the constituency of the CDC. Landlords who come to the CDCs for assistance will not be moving out of the neighborhood, and if the CDC is the source of information such as where to get landlord support, this too is a way of building the relationship between the CDC and the community. The same holds true for individuals seeking information who do not yet own their own home. The CDC may fear that this could be a constituent lost, however, this may be a case of making false assumptions for there is no guarantee that the individual would have purchased in the CDC service area, nor is there a guarantee that receiving information on landlord issues from outside the neighborhood will convince the potential constituent to purchase elsewhere.

Policy Implications

The largest problem with both the pre and post-ownership training is not based in the program design undertaken by the CDCs, but when the potential homeowners are receiving the information. In terms of the pre-ownership training, many of the participants go through the entire homebuying process but then must complete the training program in order to receive their mortgage. While the information is definitely valuable, it is basically too late to teach people how to negotiate the sale price on their home, or that they need a home inspector after they have signed a Purchase and Sale agreement. For these people, the training sessions serve as a forum to highlight the things that they did well, or not do well, and prepares them for the next time they buy property.

In terms of the post-ownership, because there is no requirement for the homeowners to take post-ownership training, the demand is quite low until a landlord is presented with a problem that he or she is unsure of how to handle, once again meaning that the homeowners are learning from their mistakes, not being forewarned and avoiding mistakes. In each type of training, policies should be changed to effect when the homeowners get the different information, therefore making them better prepared for the responsibilities involved with owning and managing their own homes.

Pre-Ownership

One vehicle through which policies could be changed to help ensure that potential homeowners get the training they need before going through the homebuying process would be through realtors. The realtors come into contact with the potential homeowners very early in their homebuying process. If realtors would make buyers aware of the homeowner training that will most likely be required eventually by the lending institution, the homeowner could become a more educated consumer of housing. Unfortunately, it may not be in the best interest of the realtors for the buyers to fully understand the process. For example, when homebuyers learn to negotiate down the price of housing, that decrease is represented in the commission of the realtor. Therefore, there may be opposition on this idea. To counteract this opposition, it may be necessary to work on some sort of legislation that would require that the realtors have this type of information posted where the buyers will see it. This may be a type of lobbying issue that the MAHA HBU could address.

Post-Ownership

It seems inconsistent for the banks to require first time homebuyers to participate in pre-ownership training but to fail to require post-ownership training, particularly for owners of multi-unit homes who are facing the issues of being a landlord for the first time. I recommend that the banks be pressured to require post-ownership training for all of their mortgagees who reside in multi family dwellings. One way that they may wish to entice the homeowners to participate in this type of training is to offer the lowest rates only to those who have gone through post-ownership training. For example, the soft second is available at one point below the prime rate. If the banks offered that interest rate only to owners who had completed post-ownership training, charging all others a slightly higher rate, that would add incentive for the homeowners to go through this type of training most likely even before buying the house so they could start with the lowest possible interest rate. Furthermore, it would be in the interest of the bank, because the loans that they made to post-ownership participants would become less risky due to the preparation of the owner, and on the loans of those who chose not to participate in the program, the banks would make more money.

The negative side of this plan would be the increased complication of standardizing or qualifying post-ownership training programs to ensure that the homeowners were all receiving at least the basic information. However, given the example of MAHA, it should not be too difficult to outline the basics of a post-ownership training. Perhaps given their experience with pre-ownership certification, the Massachusetts Housing Finance Agency would be the best organization to do the certification.

Summary

In looking at the MANNA and the MAHA programs, and comparing their constituencies with the constituency of the homeowners that will be buying houses developed through the Family Housing Initiative, I have found that the MAHA program design, extended slightly in length, would be the most appropriate program for the training of the first time homebuyers in the Initiative. Using the basic information shared in the MANNA and MAHA programs but meeting weekly for eight weeks will give the participants ample opportunity to learn from the different speakers and from each other.

The marketing of the program and the homes being developed through the Initiative should be approached on two levels. The CDC should work on the community level, doing outreach to members of the community. At the same time, the CDC needs to be associated with one or more groups that have extensive buyers lists. This way, they are increasing their pool of potential buyers and also serving a larger community.

In comparing the pre and post-ownership training programs, the difference in demand for the training service effects my recommendation on how the CDCs should proceed. Because of the low demand, I recommend that unless the CDC has the capacity both in skill and staff time, that the CDC channel those people in need of post-ownership training into programs such at the MAHA program

Finally, taking a step back and examining the two types of programs as a whole, believe that people are receiving the training later than would benefit them the most. Therefore, I have made suggestions on how policy changes concerning realtors and banks could effect this issue and bring people to training sessions earlier in their homebuying/home managing process.

VI. Conclusion

The "boom" and "bust" of the real estate market in Boston in the late eighties and early nineties, compounded by the Second Mortgage Scam and the recession are among just a few of the elements that have contributed to the neighborhood deterioration that is being felt in the lower income neighborhoods in Boston. The numbers of foreclosed and abandoned properties are on the rise and the neighborhoods are feeling the effects. Abandoned buildings lower the tax base of an area and are often "magnets" for illegal activities. These types of trends can multiply if people see it as a warning to stop investing in the community.

While there are a variety of possible approaches to combating neighborhood deterioration, the focus of this thesis has been to examine a program being undertaken by the Boston Local Initiatives Support Corporation and the Boston Community Loan Fund. Together, these two groups have formulated the 1 - 4 Family Housing Initiative, a program that will provide a line of credit for local CDCs to buy, rehabilitate and sell multi-unit housing to first-time owner occupants. It is the hope of these organizations that renovating the present housing and selling it to owner occupants will combat the recent disinvestment in these neighborhoods.

One of the many determinants of the success of this program will be the longevity of the homebuyers in their new property. If the CDC sells the housing to individuals who are unprepared for the responsibility of home ownership, they could find themselves re-renovating the same properties in a few years. Because the buyers of this newly renovated housing will be first time homeowners and first time landlords, they will face a host of issues concerning their rights and responsibilities in this new role. Providing the homebuyers with pre-and post-ownership training will help prepare them to meet these new challenges successfully. The purpose of this thesis has been to examine the Family Housing Initiative, and then to make recommendations concerning what type of homeowner training would be most appropriate given this program. The first step towards this goal included putting the program into context by looking at the attitudes upon which the program was based, the historical context of this type of program, and finally by examining some of the specific issues concerning the design of the program.

I have explored the assumptions that homeownership contributes to the stabilizing force of an area, and despite some criticisms of homeownership, I found this opinion to be a valid one.

Working from this point of view, I proceeded to compare issues concerning the design of the Family Housing Initiative to the past programs of BURP and the Homestead Program. These programs dealt with issues of abandoned housing and rehabilitation in lower income neighborhoods. Using those programs as a backdrop against which to compare the FHI, I examined some of the issues that must be considered in the design of the FHI, such as community involvement and sharing of risk. Examining these programs offered an opportunity to learn from the experiences of past programs and highlight, with the hope of avoiding, some of their pitfalls. Moving forward from the experience of similar programs should increase the efficiency of the FHI.

The final step towards the examination of the FHI was the discussion of program issues such as centralization, gap financing and the need for first-time homeowner training.

With a full understanding of the Family Housing Initiative program design and relevant issues, I then turned my attention towards determining what type of homeowner training program would be most appropriate for the different CDCs to provide. My research included two case studies. The first case study was the MANNA Mutual Homebuyers Club, based in Washington D.C.. The second case study was the training sessions run by the Massachusetts Affordable Housing Alliance. In looking at these two case studies, I determined that the training programs run by the CDCs would most likely all contain similar information, but that the way in which the information was portrayed needed to be customized to the needs of the CDC constituency. For those CDCs who felt that their potential homebuyers would be very close to purchasing a home, the programs could be shorter in length and less supportive in nature than the programs of CDCs with constituencies that faced a longer road to home ownership.

Based on the lessons learned from the two case studies, I recommend that the program that would most likely serve the needs of the constituencies of the CDCs participating in the FHI will be one that follows the format of the MAHA program, but that lasts slightly longer, giving the participants more time to absorb the information. I suggest that the marketing of this program be two pronged, with the CDCs working to market the programs and the housing in their neighborhoods, but that the CDCs also tap into larger communities of homebuyers, drawing from the lists of organizations such as MAHA, and UNAC.

In terms of the landlord training, because of the low demand, I recommend that unless the CDC has the staff time and capacity, that this service be provided by a central organization. While many CDCs are unsupportive of centralized services, in this case, it would be the most efficient means of training people, and not necessarily negatively impact the CDC constituency.

While the training programs can greatly assist the first time homeowners in their process towards purchasing their home, there are other things, that must be changed on a policy level to increase the efficiency of the assistance given to first-time homebuyers. The training needs to be completed, or nearly completed *before* the individuals enter the purchasing process. Otherwise, they do not get the full benefit of the training. Therefore, I will conclude this work with the suggestion that the realtors and bankers be persuaded to alter their policies so that these types of training are delivered to the potential homeowner/landlords at an earlier stage of the process, enabling them to be more educated consumers and more efficient managers of their new homes.

The LISC 1 - 4 Family Housing Initiative is expecting to develop approximately 150 houses constituting approximately 325 units during the life of the program. The vast majority, if not all of these homes will be sold to first time homebuyers. The process of buying and then managing a home can be extremely complex and many times misleading. Pre and post-ownership training, before the buyers begin their purchase process, can help insure the new owners' stability in their investment and also the stability of the neighborhood.

Appendix A

A. NOAH Development Budget

			III. PROJECT FINANCING	
Number of Units			2	3
Acquisition			22,000	27,000
Hard Costs				
	Construction	$37 K Per Unit	74,000	111,000
	Contingency		7,400	11,100
			=========	=========
	Sub total Hard Costs		81,400	122,100
Soft Costs				
	Rehab Specialist/Estimator		851	1,159
	Lender's Inspection		2,750	3,250
	Builder's Risk Insurance		750	1,000
	Legal		1,800	1,800
	Title Fees		250	350
	Appraisal		1,000	1,200
	Survey (Plot Plan)		250	250
	R.E. Taxes During Construction		328	546
	Construction Loan Int.		1,718	2,429
	Loan Financing Fees		200	200
	Marketing		incl in project management costs	
Project Mgmnt. Costs				
	Pre construction			
	Sponsor		1,162	1,162
	Consultant		2,250	2,250
	Construction			
	Sponsor		759	1,162
	Consultant		1,300	2,100
	Soft Cost Contingency		1,537	1,886
			=========	=========
	Sub Total Soft Cost		16,905	20,744
5%	Developer Fee		6,015	8,492
			=========	=========
	TOTAL DEVELOPMENT COSTS		126,320	178,336
	Per Unit		63,160	59,445

NOAH-- Neighborhood Stabilization Project
Owner/Renter Affordability Analysis

		2-Family House		3-Family Ho
Total Development Cost		126,320		178,336
Subsidy		31,320		58,336
Sale Price		95,000		120,000
Owner's Equity	5%	4,750		6,000
Required mortgage		90,250		114,000
Monthly debt service @				
8.00% 30 years		662		836
Insurance/mo		100		150
R.E. taxes /mo		150		225
Utilities (a)		235		317
Rental vacancy reserve	35	42		84
Repairs Reserve		50		75
TOTAL OWNER COST		1,239		1,687
- Rental income				
Unit 1:		(600)		(600)
Unit 2:		n.a.		(600)
Net Owner Monthly Cost		639		487
Income level of Owner @				
30% of income for hsg. cost		$25,569		$19,500
Renter income level @				
30% of income for hsg. cost:				
$600 /mo			$24,000	
600 /mo			$24,000	

(a) Assume Owner pays water on all units plus heat and elec. on owner unit only

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