

The Answer

SHELTERFORCE

Q: Didn't the housing crisis prove low-income people can't be successful homeowners?

A: NO

The facts consistently show that with **responsible loans**, modest-income working families can be perfectly successful at homeownership. In the two programs below, low-income owners had delinquency and foreclosure rates at or below that for higher income homeowners.

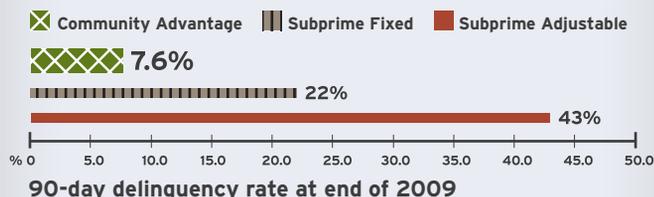
What the housing crisis did show is that without the right kind of strong consumer protections and financial

regulations, unscrupulous banks and mortgage companies will set borrowers up to fail. If families are given unfair loans with hidden terms that are not affordable unless they refinance out in a few years, and then housing values fall, those borrowers will be in trouble. This is not the same as those borrowers being categorically unable to be homeowners.

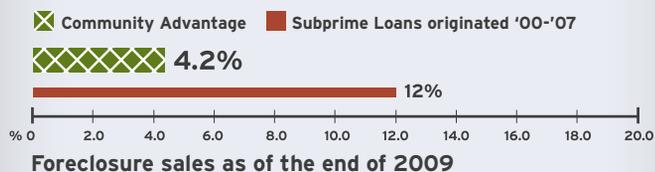
46,000 LOANS: COMMUNITY ADVANTAGE PROGRAM

Run by Self-Help.
Lending began in 1998.
Loans made in 48 states.

Delinquency Rates



Foreclosure Rates



Borrowers

- Median income \$30,792.
- 90 percent had at least one of: loan-to-value ratio over 90 percent, debt-to-income ratio over 38 percent, or credit score below 640, and did not qualify for a prime loan.

Loans

- 30-year fixed-rate, fair terms.
- 70 percent had downpayments less than 5 percent.
- Underwritten by local lenders and credit enhanced by Self-Help before sale to secondary market.

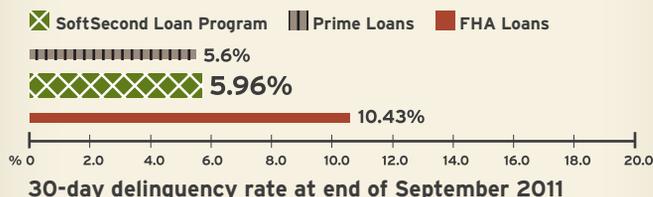
Support

- Substantive pre- and post-purchase counseling.
- Proactive servicing that reached out to distressed borrowers early.

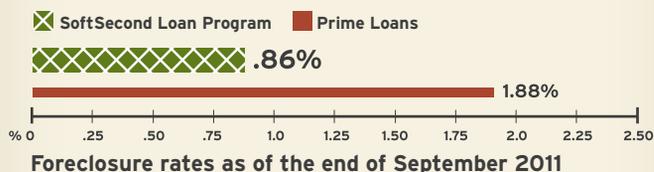
14,000 LOANS: SOFTSECOND LOAN PROGRAM

Run by Massachusetts Housing Partnership.
Lending began in 1991.
Loans made in Massachusetts.

Delinquency Rates



Foreclosure Rates



Borrowers

- 57 percent at or below 60 percent AMI.
- 68 percent nonwhite.

Loans

- Two 30-year fixed rate loans; Second loan is interest-only for first 10 years and has subsidy on interest rate. Some borrowers also qualify for subsidy on interest payments.
- 3 percent downpayment.
- No points, no PMI.
- Lenders retain 20 percent credit risk.

Support

- Substantive pre- and post-purchase counseling.

Source: University of North Carolina's Center for Community Capital and Massachusetts Housing Partnership.

The Answer is for you to use. Please distribute freely for non-commercial purposes as long as Shelterforce's credit remains on it and you let us know how you used it at theanswer@nhi.org. You can also download a PDF to print at www.nhi.org/go/theanswer. What do you find yourself explaining over and over? Send suggestions for The Answer to theanswer@nhi.org.

