



ARLINGTON HOMEBUYER ASSISTANCE PROGRAM (AHAP) POLICY AND PROCEDURE UPDATE

CND Meeting
November 27, 2018

AHAP PROGRAM



- Grant-funded program to help eligible first-time homebuyers purchase a home in Arlington
- Funded with federal HUD HOME funds
- Housing Channel administers the Homebuyer Program
- Down-Payment Assistance (DPA) is provided with HOME funds up to \$7,500 city-wide and \$10,000 for homes in a target area or for persons with a disability
- Assistance caps have not changed since 2006

NEW HUD HOMEBUYER PROGRAM GUIDANCE



- HUD issued CPD Notice 18-09 on Aug 2nd requiring homebuyer programs to implement updated standards for homebuyer underwriting, varying amounts of down-payment assistance, responsible lending and other requirements
- Programs may not offer the same amount of HOME assistance to every household
- Programs must use underwriting standards to determine the eligibility of each household and the amount of HOME assistance needed to make homeownership affordable and sustainable on a case-by-case basis

PROPOSED CHANGES TO AHAP



- Amend AHAP policies and procedures to be consistent with HUD Guidance, and require the same changes of the Housing Channel
- Recommend changes to maximum amounts of assistance based on current market conditions in Arlington, experiences of AHAP administrator, and comparison to other area homebuyer programs

ARLINGTON HOMEOWNERSHIP DATA



- Median Home Price in Arlington
 - \$197,800
- Current Average Home Sale Price
 - \$198,000
- Median Income for a Family of Four
 - \$73,351
- Typical Mortgage Loan for Family of four is \$178,000
 - Based on FHA ratios of 23/40 of monthly income
 - Assumptions: PITI = 1,385, 4.88 interest rate and \$1,032 in monthly debts obligations

*Data as of September 30, 2018 from Zillow Research and ACS (American Community Survey)

HOMEBUYER SCENARIO FOR HOME-ELIGIBLE HOUSEHOLD

- Family of 4 at 80% of Area Median Income in Arlington
 - \$60,150
- Monthly income
 - \$5,012
- Household monthly debt (example)
 - \$1,032
- Maximum Mortgage Loan for Family of four at 80% of AMI is **\$134,549**
 - Based on FHA ratios of 23/40 of monthly income
 - Assumptions: PITI = 1,123, 4.88 interest rate

GAP Analysis

\$177,000 – Max HOME Sales Price Limit

-\$134,549 – Est. mortgage based on 80% AMI for family of 4

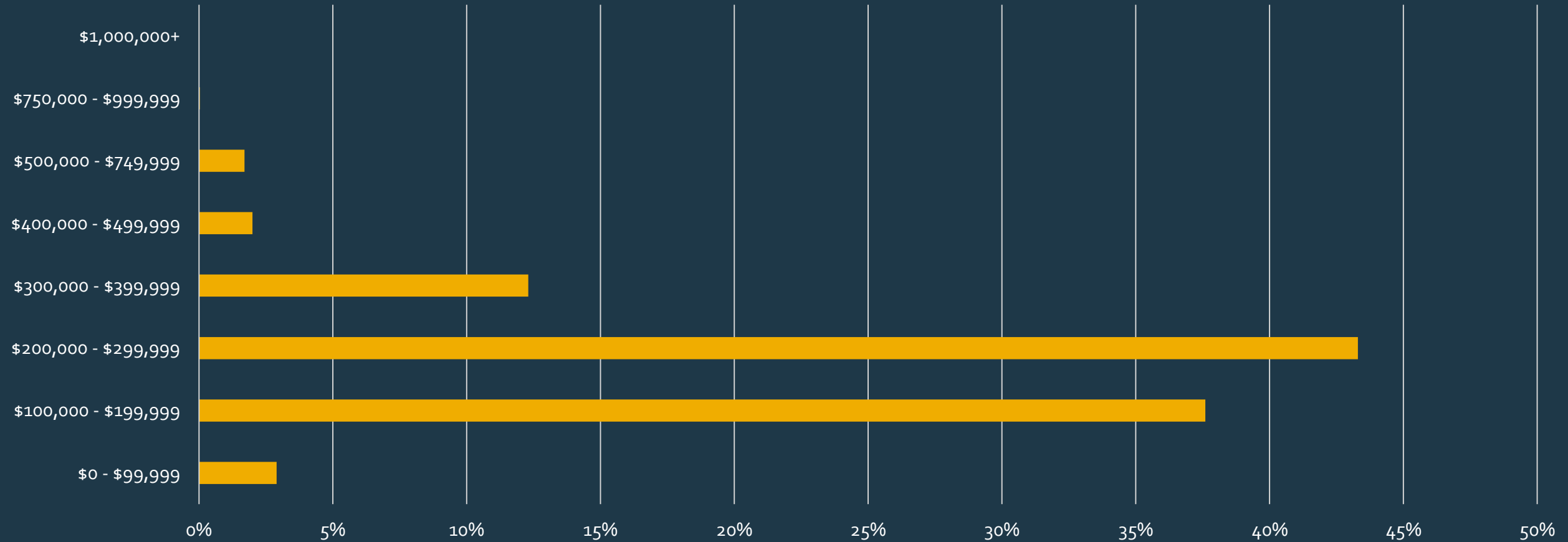
= \$42,451 - Max Affordability GAP

Note: Households at 80% AMI typically seek homes with a sales price below the HUD maximum

ARLINGTON HOUSING SALES PRICE DATA

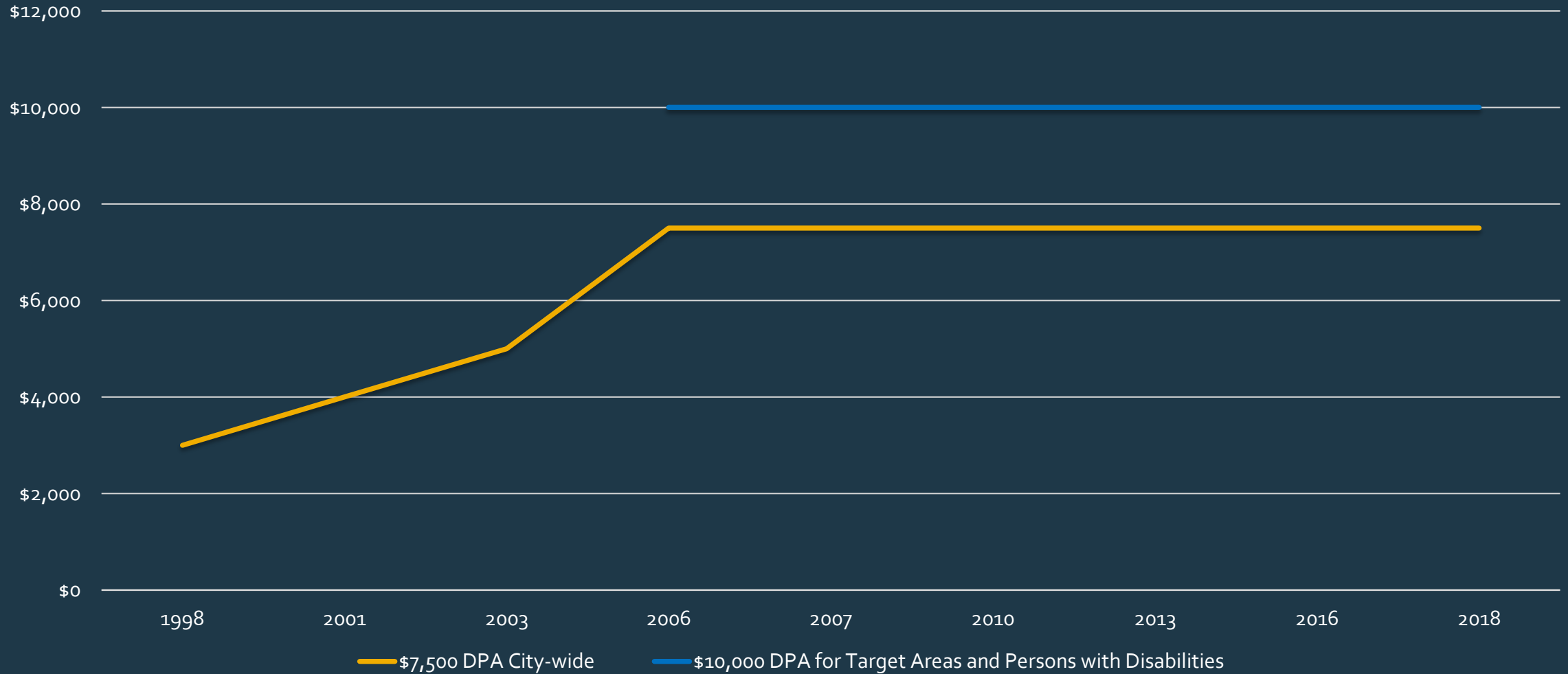


Arlington Homes Price Distribution September 2018

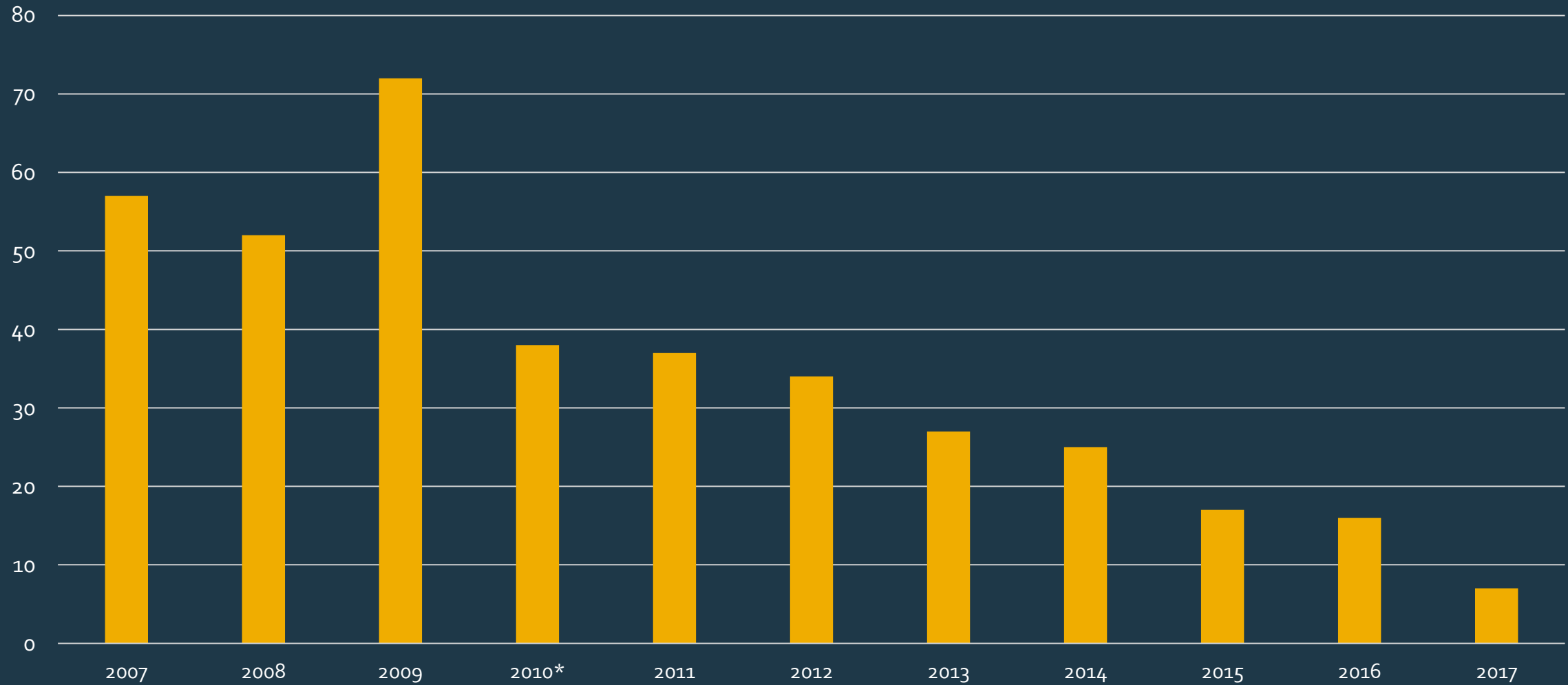


Source: Texas REALTOR Data Relevance Project
Real Estate Center at Texas A&M University

AHAP ASSISTANCE CAPS OVER 20 YEARS



AHAP PRODUCTION OVER 10 YEARS



REASONS FOR PRODUCTION TRENDS



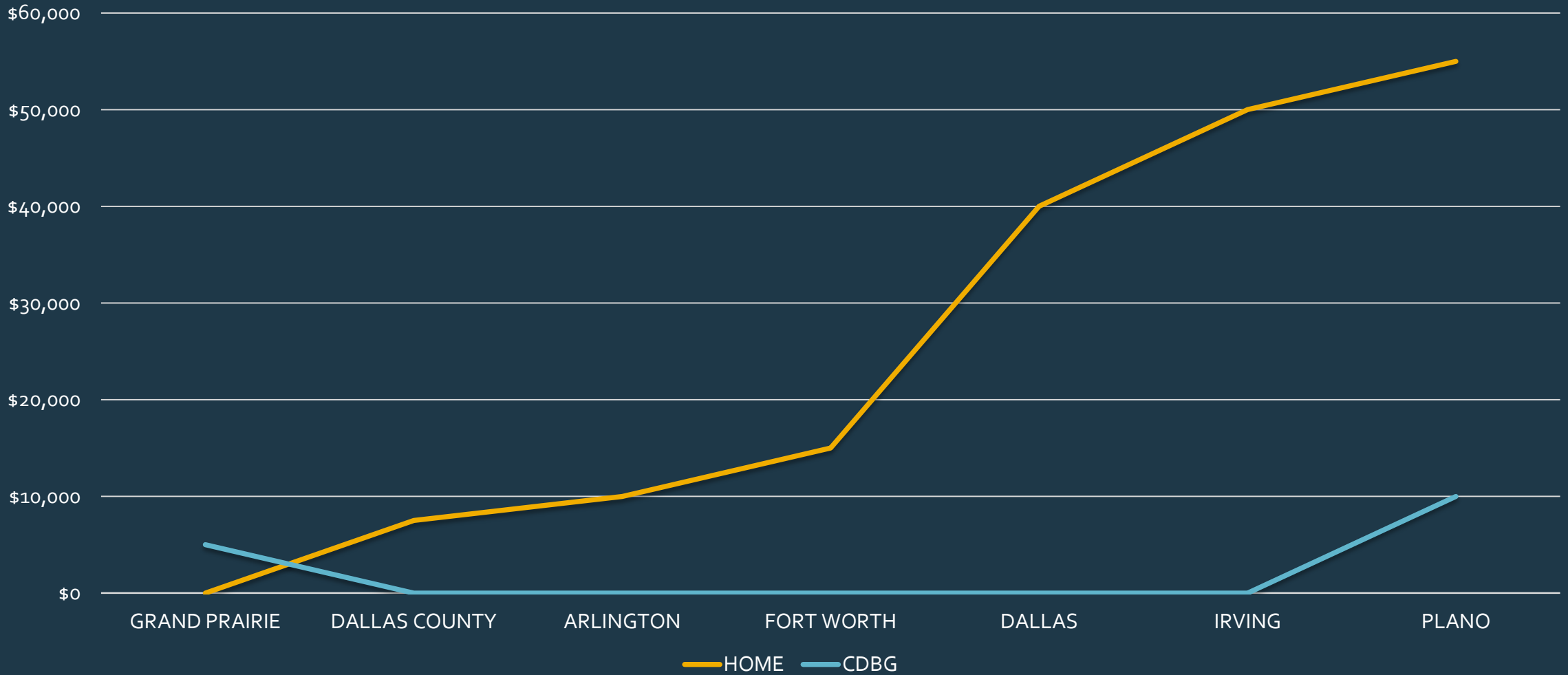
- Rising Housing Prices
- Competition for Affordable Homes
 - All Cash Buyers
 - Rental Properties
- Federal Regulations and Standards Complicate the Buying Process
- Longer process to qualify lower-income buyers with stricter lending rules

OTHER DPA PROGRAMS



GRANT SOURCE	CITY	TERMS	MAX ASSISTANCE
HOME	DALLAS	5 – year affordability period 10-year affordability period 15-year affordability period	\$15,000 \$15,000 - \$40,000 \$40,000+
HOME	FORT WORTH	5 year affordability period	\$14,999
HOME	IRVING	Deferred Forgivable Loan, 0% interest	\$30,000 on existing home \$50,000 on new home
CDBG	GRAND PRAIRIE	No affordability period/residency restrictions required	\$5,000
CDBG & HOME	PLANO	CDBG: 5-year affordability period (Homebuyer is responsible for pay ½ of the down payment) HOME: Subsidy is forgiven after 15 years, but shared equity for 30 years and forgiven after 30-year period	CDBG: \$10,000 HOME: \$55,000
HOME	ARLINGTON	5 year affordability period	\$7500 – \$10,000
HOME	DALLAS COUNTY	5 year affordability period	\$7500

DPA PROGRAMS IN THE DFW METROPLEX



RECOMMENDATIONS



- Approve changes and updates to AHAP Policies and Procedures pursuant to HUD CPD Notice 18-09:
 - Update underwriting standards to determine a borrower's ability to repay mortgage by assessing household budget and expenses.
 - Implement new subsidy layering worksheet to better determine appropriateness of the amount HOME assistance provided to each applicant
- Increase current AHAP assistance cap from \$7,500/\$10,000 to a max assistance provide of \$20,000 based on each applicant's underwriting and subsidy layering assessment
- AHAP assistance over \$14,999 and up to \$20,000 will result in a longer affordability period of 10 years

NEXT STEPS



- Full Council review of revised AHAP Policy on Jan. 8
- Implement New Policy: January 2019



QUESTIONS & DISCUSSION