Open House: Governments becoming cosigners for low-income families

by Jim_Woodard

New programs are surfacing to help low-income families become homeowners. In today's market, those programs are desperately needed.

Mortgage financing has become much more difficult in recent months, with lenders tightening their underwriting policies and cutting their offering of adjustable-rate mortgages to subprime borrowers. At the same time, home prices remain high, with some markets showing a slight reduction in median prices and others continuing to increase prices.

One method to help families acquire a home is called "shared equity." It allows communities to provide affordable homeownership opportunities that remain affordable over time while helping home buyers build individual wealth in a sound, predictable way, according to the National Housing Conference.

Under this program, a state or local government provides funding to help a family purchase a home. In return for this investment, the government entity shares in the benefits of any home price appreciation that might occur, according to a Housing Conference representative.

The public's share of the home's appreciation may be used in two ways: It can either be returned to the government in the form of a cash payment that can be used to help another family, or it can stay with the home, reducing the cost of that home for the next family.

"By sharing the gains in home price appreciation with the public investor, shared equity results in substantial benefits now and for years to come," the conference report stated. "Home buyers benefit from lower home prices and the opportunity for significant home equity gains. Local communities benefit by retaining vital workers who otherwise couldn't afford to live in the communities they serve.

"Also, by ensuring that the public's investment keeps pace with the housing market, shared equity strategies allow governments to help generations of families achieve home ownership with a single initial investment."

A good example of a successful program is one implemented by the Champlain (Vt.) Housing Trust. It uses an appraisal-based resale formula to maintain lasting affordability. On resale, a homeowner obtains 25 percent of any appreciation in the value of the home.

To purchase a home in the trust, a family must earn less than 100 percent of the area's median income. The

homes are often affordable by families with much lower incomes. About 500 shared equity homes are now in the trust.

For more information on this type of program, visit the Housing Conference Web site: www.nhc.org/housing, or phone 202-466-2121.

Q: What's being done to help homeowners who face a possible foreclosure?

A. Several leading firms and organizations in the mortgage field are teaming up to help homeowners with high-priced mortgage loans and face possible foreclosure of their homes.

It's a voluntary action proposed by Sen. Christopher Dodd, D-Conn. He organized a meeting of business and organization officials and federal regulators to discuss possible solutions to the crisis regarding high-risk loans. Such industry initiatives are preferable to any government bailout to cover mortgage loans in default, Dodd said.

The participants generally agreed to the following principles: Contact distressed borrowers promptly to try to work out arrangements. Make loans more affordable by reducing rates, changing terms and other means. Provide refinancing at the lowest cost possible for those who are eligible.

Agreeing to the principles were the Mortgage Bankers Association, Citigroup Inc., JP Morgan Chase & Co., HSBC Holdings Corp., Bear Stearns & Co. and AARP. The list also includes government-sponsored Fannie Mae and Freddie Mac.

Q: Why are so many real estate firms now targeting women home buyers?

A. Real estate brokerage groups that succeed in today's difficult and highly competitive environment must keep a close eye on trends and plug into them with their marketing strategies.

One trend they are definitely eyeing is the increasing number of single women who are buying and selling homes and other real estate. One group, Coldwell Banker Real Estate Corp., has produced a special marketing program focusing on this trend. It includes the offering of a handbook, "A Wise Woman's Guide to Buying Your Own Home." It's available at any Coldwell Banker office.

"The handbook is a practical tool that any single female home buyer can use to assist her in the real estate transaction process. It addresses topics such as financing, finding the right home and negotiating techniques," said a Coldwell Banker representative.

The trend is well established. In 2006, 22 percent of homes sold in the U.S. were to single females, compared to only 9 percent to single males, according to a study and report from the National Association of Realtors. The report noted that the average age of female first-time home buyers is 34. Her annual household income is $43,300.

Q: Where is the most expensive home in the United States?

A. Currently, the most expensive residence is called "The Pinnacle at Yellowstone Club," located at Big Sky, Mont. It's priced at $155 million.

That's the highest priced home on the market, according to Ultimate Homes Magazine. It's a 32,000-square-foot residence situated on 160 acres of lush forestland with 360 degree views of the Rockies. It comes with a fully stocked 8,000-bottle wine cellar, plus a bunch of other luxury amenities, as you might assume with such an asking price.

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