

January 25, 2021

RE: ACHAP – Albemarle County Homebuyer Assistance Program

Dear Dr. Pethia:

As you know, in the pursuit to support wealth-building and self-determination for households experiencing low incomes, for over two decades Piedmont Housing Alliance has coupled financial and housing counseling expertise with the regional administration of down payment assistance (DPA) resources to aspiring first-time homebuyers. While the array of available DPA resources has evolved over time, they currently include local, state, federal, and private funds – including those in the Albemarle County Homebuyer Assistance Program (ACHAP.)

For any given client, housing counseling staff thoroughly assess their aspirations, their financial situation, and their stage in the homebuying process. Staff then work to blend together the most advantageous down payment assistance options, which can frequently mean layering two or more programs together.

I'm sure you know the data, but over the last several years, the cost of housing has increased dramatically, far outstripping average income increases during the same period. As a result, opportunities for home purchase that are affordable to lower income households have shrunk, narrowing in on older homes with repair challenges or pushing households to look further out than many would otherwise desire. This reality thereby limits choice about where aspiring homebuyers can live – potentially increasing family transportation costs and reducing families' ability to live near their workplace or near schools they would like their children to attend or disrupting social networks than many rely upon.

This disruptive trend, coupled with program guidelines that are frequently a decade or more old, has reduced the effectiveness of many down payment assistance programs, including ACHAP which now has grown to over \$910,000, reflecting the attrition of deploying new loans. In response, Piedmont Housing Alliance has begun evaluate modification of all of its down payment assistance programs with two explicit goals:

- 1) Increasing homeownership opportunities for households experiencing low income in all regional jurisdictions;
- 2) Strengthening the pathway to wealth-building, particularly for those households who have historically been excluded, explicitly and intrinsically, from homeownership.

With these goals in mind, and given that the past ACHAP agreements are old drafts that need to be updated in any case, Piedmont Housing is making the following requests.

- A. Establishing Revolving Loan Fund (RLF) to Support Community Land Trust homeownership model

***REQUEST: Set aside 40% of the current ACHAP funds to establish the RLF.***

In line with the stated Board of Supervisor goal to establish permanent affordable homeownership opportunities in the County, a near-term merger between Piedmont Housing Alliance and the Thomas Jefferson Community Land Trust will enable a dramatic increase affordable homeownership opportunities.

Strengthening this even further, and simultaneously addressing the historical loss of affordable proffers in the County, we are establishing a long-term partnership with a local developer for the Community Land Trust to be the proxy recipient of proffers to ensure all proffers are sold to income-qualifying clients.

However, in order to fully facilitate this and other acquisition processes, Piedmont Housing Alliance needs access to a Revolving Loan Fund for rapid acquisition, and then re-sale to a qualified buyer, of affordable homes, both through proffers and other mechanisms.

**B. Adjust qualifying maximum income and sales price guidelines**

***REQUEST: Change guidelines to percentage-based criteria to account for market changes over time.***

In previous iterations of ACHAP underwriting guidelines, the maximum income and maximum sales price were set at fixed amounts, and did not take into account how incomes and home sales prices in the County change over time. Using an indexed measure like the Area Median Income (AMI) and HUD Median Home Sales price allow the underwriting policy to automatically adjust to changes in the community over time.

The requested changes in the addended chart reflect best practices established at the state and federal levels.

**C. Adjust re-inspection guidelines**

***REQUEST: Allow different inspectors to re-inspect a home.***

To respect families' time, and reflect the hectic time many go through during the home buying process, we request not mandating the same home inspector do the re-inspection. While having the same inspector is ideal, the process must acknowledge this is not always possible in a timely manner.

**D. Adjust underwriting and maximum assistance cap**

***REQUEST: Change minimum qualifying credit score to 640, and increase maximum allowable assistance to 15% of the sales price (with a cap at \$30,000.)***

Experience shows that a credit score of 640 or higher positions clients to be successful in the long run.

To meet the increasing gap between the cost of homes and what clients can afford, we request an increase in the maximum assistance to 15% of the sales price, with a cap at \$30,000 in assistance.

E. Adjust interest rate to 0% and introduce debt forgiveness over time

*REQUEST: Change the interest rate from 3% to 0%, and make the loan forgivable over time.*

While down payment assistance loans are a powerful tool in kickstarting wealth-creation for lower-income families, best practice across the nation has evolved to zero-interest, forgivable loans. As an example, the state-funded down payment assistance from DHCD follows this formula. While this tool requires more investment from jurisdictions over time, the resulting pathway to wealth-creation for families, particularly for those who have historically been excluded from the homeownership market, is transformative.

Additionally, forgiveness over time encourages family and community stability, keeping homes owner-occupied and families invested in their community.

F. Focus some funds on supporting households most historically excluded from the homeownership market

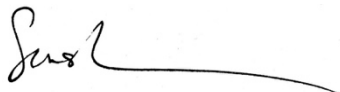
*REQUEST: Increase maximum allowable assistance to 20% of the sales price (with a cap of \$40,000) for specific qualifying households.*

Recognizing the disparate, and at times intentional, historical exclusion of some families from wealth-building creation through homeownership, we request that additional funds be made available to these families. In line with proposed federal legislation, and as allowed by law under the Fair Housing Act, the following families would qualify:

Individuals experiencing low income (<80% AMI), or their descendants, who are first time homebuyers, and who were harmed by local, state, or federal housing discrimination with a period of residence in (a) a historically redlined district; (b) racialized zoning districts; or (c) racially or ethnically concentrated areas of poverty.

The funds could be used for purchase of a qualifying home in any part of Albemarle County.

Sincerely,



Sunshine Mathon  
Executive Director