

FOR THE
RECORD

TESTIMONY SUBMITTED TO THE HOUSING COMMITTEE

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HB 5224 AN ACT CONCERNING AN URBAN REVITALIZATION PILOT PROGRAM

Senator Gomes, Representative Butler and members of the Committee on Housing, I am Dara Kovel, Chief Housing Officer for Connecticut Housing Finance Authority. In 1969, the Connecticut Housing Finance Authority (CHFA) was created by legislation for the purpose of helping to alleviate the shortage of affordable housing for low-and moderate-income families and persons in Connecticut. CHFA is a self-sustaining, quasi-public organization, which uses its resources to provide below-market interest rate mortgages for single-family ownership and multifamily rental properties. Tax-exempt bonds are the primary source of mortgage capital for the Authority's housing programs. *Since its founding, CHFA has provided mortgage financing for more than 127,000 first time homebuyers, and has financed the development of more than 35,000 affordable rental homes.*

I am here today to discuss **House Bill 5224, An Act Concerning An Urban Revitalization Pilot Program**, which proposes an urban neighborhood revitalization pilot program to be administered by CHFA within three municipalities that are recipients of NSP grants. The program promotes revitalization and stabilization by encouraging homeownership and owner-occupancy of two to four family homes, with priority given to homes that are currently vacant, bank-owned or investor-owned.

CHFA currently offers three homebuyer mortgage programs for acquisition and rehabilitation of residential properties of up to four units. CHFA has been working actively to ensure that these programs meet their intended goal of increasing homeownership while revitalizing neighborhoods. CHFA income, sales-price limits and owner-occupancy requirements apply to each of these programs.

- First, the UR Home Mortgage combines a traditional homebuyer first mortgage, with a second mortgage of up to \$25,000 in financing specifically for renovations of a multi-family property, (in specific areas of the state).
- The FHA 203K homebuyer programs provide for rehabilitation costs to be added to the acquisition cost up to the maximum allowable FHA mortgage limits. A 203K streamline program allows for up to \$35,000 for smaller rehabilitation projects.
- The HERO homebuyer program provides a mortgage for a property that is in foreclosure, short sale or has been abandoned.

The first-time buyer requirement and income limits are waived for this program and the HERO mortgage can be combined with a 203K to finance renovation or rehabilitation. CHFA mortgages are not forgivable loans; however, the UR Home second mortgage is a forgivable loan.

CHFA's mortgage programs do provide neighborhood revitalization and stabilization; however, in administering these homebuyer programs, CHFA has found that the prospect of first-time homebuyers becoming the homeowner, as well as the landlord, and in some programs, taking on the rehabilitation can be daunting. Some borrowers do use these programs, but they are not for everyone. CHFA mortgages for two- to four-unit family homes require that homebuyers take a landlord counseling class, which meets the bill's stated requirement that program participants receive counseling and training to be an effective landlord. Still, the expectation of potential first-time homebuyers to be in the position to take on a vacant property, renovate and lease it up can be a difficult ask.

A structure, whereby CHFA would contract with one or more non-profits to administer the program would provide the necessary expertise to manage the extensive rehabilitation needs that are likely to exist in vacant, bank- or investor-owned properties. Properties and even buyers exist who could be a fit for such a program, but these programs have been stalled but for the unmet need of the subsidy necessary to address the repair and rehabilitation of these properties. The challenge is identifying funds that can pay for the difference between the cost to acquire the property, the additional rehabilitation cost, and the supportable mortgage available to the homeowner. CHFA is ready to work with all potential funders, but without this critical funding source, the expectation for the success of this pilot program is limited.

In summary, CHFA supports the goal of urban neighborhood revitalization and stabilization with new homeowners and looks forward to working with your Committee.