



# Minneapolis Homes: Long-Term Affordability (LTA) Model Feedback Session

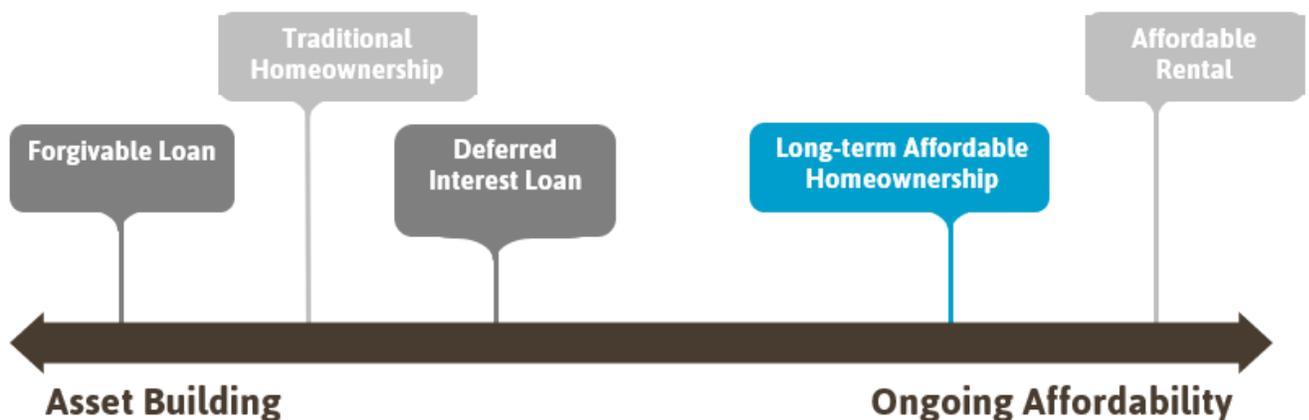
## Types of Affordable Homeownership Programs

Affordable homeownership programs seek to fill the gap between what households can afford and the market price for a home. This difference is called the *affordability gap*. Affordable homeownership programs are usually divided into three main categories:

**Forgivable Loan** programs provide one-time assistance to homebuyers with no expectation that these funds will be repaid to help serve future buyers. Loans are forgiven if families remain in the homes for a certain period of time.

**Deferred Interest Loan** programs allow buyers to temporarily use public funds, but these resources are expected to be returned so they are available to assist future buyers. They are also referred to as a “silent/soft second” mortgages. These loans require no payment of principal or interest until the family sells its home (or in some cases, refinances the first mortgage). Sometimes these loans are interest free; in other cases sellers are required to repay the funds along with interest.

**Long-Term Affordable Homeownership** programs not only recapture the subsidy provided, but also allow most, if not all, of the affordability to be maintained over time for future homeowners. This is done by requiring repayment of a share of any appreciation or by limiting the price that the home can be sold for so that it is affordable to another lower income buyer.





## Long-Term Affordable Homeownership Implementation Models

Long Term Affordable homeownership programs can be implemented one of four ways:

**Shared Appreciation Loans** are second mortgages that require no payments until the home is sold (or, in some cases, the first mortgage is refinanced). At the time of sale, the family is required to repay the original principal plus a share of home price appreciation in lieu of interest.

**Deed Restricted Housing** is when the homeowner holds the title to both the land and the home, but the deed includes a restrictive covenant with terms usually between 30 years and the life of the building. The covenant requires the homeowner to sell to an eligible buyer at an affordable price set by the authorizing agency. These types of models tend to be imbedded within a larger organization or governments.

**Community Land Trusts (CLTs)** are nonprofit organizations governed by a board of CLT residents, community residents and public representatives that provide lasting community assets and shared equity homeownership opportunities for families and communities. In this model, the CLT retains ownership of the land underneath a home; the homeowner purchases the improvements and leases the land through a 99-year ground lease. Just like deed restrictions, CLT ground leases generally include resale price restrictions which limit the price that a home can be sold for.

**Limited Equity Cooperatives** provide a way for lower income tenants to share ownership of a building. Instead of buying an individual unit, a tenant buys a share in the cooperative corporation and agrees to resell that share later only at an affordable price. The co-op takes out a mortgage for the whole building instead of individual residents each obtaining their own mortgage.



## We Want your Feedback!

Around the room there are 4 boards, each representing a different theme; **Community, Affordability, Wealth Building** and **Racial Equity**. Using the post-it notes provided to write down any thoughts, concerns, or opinions you have while listening to the presentation. They could be as simple as one word. Once the presentation is finished you will have time to circulate the room, post your comments and ask questions. There is no time limit and you are free to roam the room during the feedback period.

In addition to contributing to the discussion and posting your written comments we'd also like to get your feedback below. Please rate the following criteria from 1-5 (circle one) based on the qualities that you prioritize (5 being the **most important** and 1 being the **least important**).

### I prefer an LTA program that...

Least

Most

- |   |   |   |   |   |   |
|---|---|---|---|---|---|
| 1. ... serves the greatest # of families with the money available               | 1 | 2 | 3 | 4 | 5 |
| 2. ... keeps equity within local communities                                    | 1 | 2 | 3 | 4 | 5 |
| 3. ... gives communities more control   | 1 | 2 | 3 | 4 | 5 |
| 4. ... prioritizes wealth building  | 1 | 2 | 3 | 4 | 5 |
| 5. ... provides long-term stability over time                                   | 1 | 2 | 3 | 4 | 5 |
| 6. ... helps people stay in neighborhoods where they have roots                 | 1 | 2 | 3 | 4 | 5 |
| 7. ... helps people move into neighborhoods that they couldn't otherwise afford | 1 | 2 | 3 | 4 | 5 |