



SHELTER REPORT ²⁰/₁₃

Keeping faith: Affordable housing and strong communities

On the cover:

Pensacola Habitat for Humanity (Florida) works on a house during the 2012 AmeriCorps Build-a-Thon. Pensacola Habitat is one of seven affiliates that partnered with Habitat for Humanity International on the second phase of the federally funded Neighborhood Stabilization Program, or NSP2.

Shelter Report 2013

KEEPING FAITH:
AFFORDABLE HOUSING AND STRONG COMMUNITIES

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Habitat for Humanity International is a nonprofit, ecumenical Christian housing ministry that seeks to eliminate poverty housing and homelessness from the world and to make decent shelter a matter of conscience and action.

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Homes completed by Milwaukee Habitat for Humanity and AmeriCorps members during the 2011 Build-a-Thon have lived up the tree-lined 24th Street in the Park West community. During the 2012 AmeriCorps Build-a-Thon, 10 additional homes were completed just six blocks away.

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Foreword

I love the theme of this shelter report — keeping faith — because I believe deeply that supporting affordable housing and strong communities has ripple effects that are crucial to the well-being of everyone. We have seen what happens when sound business practices are ignored and even affluent communities begin to crumble. At Habitat for Humanity, however, we have seen for almost four decades now how responsible lending, collaboration and support for homeowners can create strong communities and help propel families into a better future.

Our greatest successes occur when the public, private and social sectors work together. Through the Neighborhood Stabilization Program, the U.S. government has provided seed money that is helping to rebuild neighborhoods across the country. Local communities, encouraged by the boost of federal dollars, come together to identify challenges and develop solutions. Nonprofit organizations such as Habitat bring their expertise and are often the agents for getting everyone to the table.

Habitat's Neighborhood Revitalization Initiative focuses on this idea of whole-community health. In Dallas, for example, the local Habitat affiliate is working to raise \$100 million to build or refurbish 1,000 homes in five neighborhoods. The project is not just about individual houses, however. It is about investing in communities. It is about acquiring nuisance properties such as an unsightly bar that was attracting drug activity and tearing them down so the land can be used as future home sites. It is about creating housing developments for seniors and veterans.

The mayor of Dallas has encouraged people throughout the city to donate to the project because he says it has the potential to change the entire city. Dallas officials understand that housing is foundational to the health of everyone and that vibrant neighborhoods attract new businesses, create jobs and provide stability.

With a vision of a world where everyone has a decent place to live, we will keep the faith. We will continue to look for ways to attract more resources and engage more people who can be part of the solution to housing challenges worldwide.

A handwritten signature in blue ink that reads "Jonathan T.M. Reckford".

Jonathan T.M. Reckford
CEO, Habitat for Humanity International



Habitat for Humanity believes in giving people a hand up rather than a hand out. In Austin, Texas, Heritage Village is a mixed-income neighborhood that includes different kinds of housing and mortgages. The Trejo-Aguilars (mother Silvina Aguilar, father Erain Trejo, daughters Paola, Isabel and Jacqueline Trejo) have a new Habitat home in Heritage Village.

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Introduction



Every holiday season, millions of Americans tune in to one of the most beloved movies of all time, Frank Capra's 1946 classic, "It's a Wonderful Life." The movie conveys the entire sweep of the life of George Bailey, played by Jimmy Stewart, who is an essential part of his community, the working-class town of Bedford Falls, N.Y.

The 1920s, when the film is set, was a time when the connection between

owning one's home and pursuing the American Dream was taking shape. George Bailey is a big part of that, running his family's building and loan business and lending money for mortgages to members of the community who can't get a mortgage from the tight-fisted town banker, Henry Potter, played by Lionel Barrymore.

In one memorable scene, Potter lectures George about the dangers of loaning

money to some of the community's struggling workers. George replies: "Just remember this, Mr. Potter, that this rabble you're talking about ... do most of the working and paying and living and dying in this community. Well, is it too much to have them work and pay and live and die in a couple of decent rooms and a bath?"

"It's a Wonderful Life" feels dated in some ways. But in other ways, it seems

as current as today’s headlines. As the United States continues to struggle to find its way out of the “Great Recession,” a five-year-long financial crisis with roots in the housing market, “It’s a Wonderful Life” reminds 21st-century Americans that their grandparents also passed from good times to hard ones and turned to each other to survive and recover.

By zeroing in on housing, the film also reflects the birth of one of the nation’s ongoing strategies to build a stable future for its communities — a strategy now under fire in light of the recent economic troubles. As “It’s a Wonderful Life” first played on U.S. movie screens, a new America was emerging. The grim years of the Great Depression and the deprivations and rationing of World War II were over. Many Americans had money in their pockets for the first time in nearly 20 years. And several million military veterans were coming home and needed places to live.

Though one could see the quest for personal homeownership gaining steam between the end of World War I and the 1929 stock market crash, it took hold in earnest after World War II.¹ As suburban developments rippled farther and farther from cities’ central cores, however, established neighborhoods often fell into decline. A desire to bring homeownership into reach for more lower-income Americans has since helped to energize public, private and nonprofit homeownership

assistance programs for the past three decades.

Policymakers are now questioning the wisdom of low-income homeownership in light of the Great Recession. Reassessing policies is necessary after any crisis, but it is imperative to conduct such reassessments with the broadest possible base of information so as not to overreact or make shortsighted decisions.

As this report will demonstrate, low-income homeowners were not responsible for the Great Recession and should not carry the burden of the housing crisis. Instead, this report argues, investing in affordable housing can spur our economic recovery and stabilize communities nationwide, and must be supported instead of scaled back.

Homeownership plays a unique role in the long-term development and resiliency of our communities. Higher levels of homeownership typically breed healthier neighborhoods, and ongoing research strongly points to homeowners as anchors of their communities who are not only financially invested in where they live, but also more likely to build the human links with their neighbors that promote the stable communities all

Americans desire.

One of the most important effects of homeownership is its vast economic benefit. Consumer spending related to housing (Figure 1) has consistently accounted for one-sixth to one-fifth of the U.S. gross domestic product since 1950, peaking at 20.7 percent in 2005 before falling to 16.7 percent in 2011.² It is estimated that the construction of 100 new single-family homes yields the equivalent of 324 full-time jobs and \$21 million in business and worker income during the construction. Once a home is purchased and occupied, spending by the homeowners generates 53 additional jobs and \$743,000 in annual income.³

Given these economic facts, and many others, the recovery of the U.S. housing industry will play a significant role in rebuilding the nation’s long-term financial health — just as the expansion of homeownership after the Depression helped to fuel six decades of steady economic growth.

Homeownership for low-income Americans remains an important and viable component to the success of our housing market and economy,

which is why Habitat for Humanity and other public, private and nonprofit housing groups continue to help lower-income Americans bridge the gap to homeownership. Since the Great Recession, lower-income homeowners who obtained their homes through such groups were more likely to weather the economic downturn thanks to the sober, prudent approach these agencies took to mortgage lending. As such, this successful track record has illustrated that partnerships involving nonprofit, public and private sectors are key to the long-term success of providing low-income families with the opportunity to become homeowners.

Through this 2013 Shelter Report, Habitat for Humanity urges Americans, policymakers and all housing stakeholders to maintain their faith and confidence that low-income homeownership is a strong building block for resilient, healthy communities, despite the economic turmoil and housing crisis of the past few years.

Figure 1: Housing and the U.S. GDP [Billions of dollars]

Source: U.S. Bureau of Economic Analysis (www.bea.gov/ITable/ITable.cfm?ReqID=9&step=1).

| Category | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2005 | 2010 | 2011 |
|---|-------|-------|---------|---------|---------|---------|---------|----------|----------|
| Gross domestic product-total | 293.7 | 526.4 | 1,038.3 | 2,788.1 | 5,800.5 | 9,951.5 | 12,623 | 14,498.9 | 15,075.7 |
| Furnishings and durable household equipment | 11.8 | 15.4 | 28.2 | 67.8 | 120.9 | 208.1 | 261.3 | 241.3 | 251.7 |
| Housing and utilities | 25.1 | 56.7 | 109.4 | 311.8 | 696.4 | 1,198.6 | 1,582.6 | 1,891.9 | 1,929.9 |
| Residential fixed investment | 20.5 | 26.3 | 41.4 | 123.2 | 224 | 449 | 775 | 340.6 | 338.7 |
| Housing-total | 57.4 | 98.4 | 179 | 502.8 | 1,041.3 | 1,855.7 | 2,618.9 | 2,473.8 | 2,520.3 |
| Housing-% of GDP | 19.5% | 18.7% | 17.2% | 18.0% | 18.0% | 18.6% | 20.7% | 17.1% | 16.7% |

1

A brief history: Eight decades of progress

At the time of George Bailey's fictional clash with Henry Potter, America was primarily a nation of renters. More than 60 percent of New York state residents rented their homes in 1930. By 1940, the number of rentals had increased by 10 percent.⁴

These conditions, coupled with a post-World War II boom in housing demand, encouraged the federal government to begin to help more people of modest means buy homes. By 2004, nearly 70 percent of Americans were homeowners.⁵ By 2006, however, home prices began to fall, and for the first time since the Depression, the 2010 U.S. census showed a lower U.S. homeownership rate (65.1 percent vs. 66.2 percent in 2000).⁶

As a consequence of the Great Recession, the nation's vision of strong communities anchored by stable homeowners has been clouded by a Potteresque myth — one claiming that easy access to home mortgages by lower-income Americans shattered 25 years of national prosperity.

In the years following the collapse of the housing bubble, voices from across the political spectrum claimed homeownership had been oversold. Tad DeHaven from the Cato Institute suggested that “the federal government should begin withdrawing from housing markets, including dismantling the [U.S.] Department of Housing and Urban Development,”⁷ while New York Times columnist Paul Krugman claimed that “you can make a good case that America already has too many homeowners.”⁸ Even

former U.S. Rep. Barney Frank suggested homeownership was not good for people earning below the median income.⁹

Was Henry Potter right and George Bailey wrong?

There's no question that some lower-income homeowners were hurt when the bubble burst. But statistical evidence and the experiences of Habitat and other housing groups show that low- and moderate-income borrowers were succeeding as homeowners even during the Great Recession — as long as they had a soberly structured, reasonably priced home loan of the type George Bailey would have recommended.

Ultimately, with the right advice and assistance, low-income homeowners can be part of a solution that puts America back on course to building and rebuilding strong, enduring communities and neighborhoods.

1930s-80s: A dream seeks a plan

Many early programs that facilitated homeownership were intended for macroeconomic stimulus and not explicitly to promote homeownership.¹⁰

It took the extreme pressure of the Depression, with more than half of all U.S. homes in mortgage default, for the government to lay the foundations of today's housing finance system. Mortgages in the 1920s typically ran from two to 11 years and required down payments of 40 percent or more. Those fortunate enough to get a mortgage typically needed two or

three to cover the cost of their home.¹¹

Washington's major involvement in housing began during President Franklin D. Roosevelt's New Deal, and several substantial initiatives followed in the next 50 years.

In 1932, the first nationwide financial system dedicated to home loans was created with the spread of long-term, fixed-rate, fully amortizing mortgages. The advent of minimum home construction standards followed shortly after in 1934. Both were adopted by the Federal Housing Administration in its earliest days as conditions for insuring home loans made by private lenders.

In 1938, the Federal National Mortgage Association, or Fannie Mae, aimed to facilitate homeownership for low- and moderate-income families through 30-year, fixed-rate mortgages, low down payments and availability of credit. Fannie Mae's younger sibling Freddie Mac expanded on these goals in 1970. Although a fresh look at the government-sponsored enterprises is necessary in light of the burst housing bubble, their impact on U.S. homeownership has been immense: The two agencies and their predecessors purchased nearly \$17.7 trillion in mortgage loans between 1938 and 2011.¹²



Photographer Dorothea Lange took this Depression-era photo in 1939, titled "Mrs. Cates signs chattel mortgage with 'X.' Malheur County, Oregon."

From the National Archives.



President Franklin Delano Roosevelt signed the G.I. Bill on June 22, 1944, providing veterans with access to low-cost home loans.

FDR Library Photo Collection, NPx 64-269

The G.I. Bill of Rights (1944) provided for low-cost home loans for veterans through guarantees by the Veterans Administration (now the Department of Veterans Affairs). In 1949, home loans with fixed terms and 1 percent interest rates were extended to farmers through the U.S. Department of Agriculture's Section 502 program.

Later, passage of the Home Mortgage Disclosure Act (1975), which required collection of data on mortgage lending, and 1977's Community Reinvestment Act, which required banks to lend broadly within their service areas, continued the expansion of the American dream.

As the years went on, federal support of homeownership became more explicit. The Kerner Commission, called by President Lyndon Johnson to study urban problems, declared: "The ambition to own one's home is shared by virtually all Americans, and we believe it is in the interest of the nation to permit all who share such a goal to realize it."¹³ Johnson

himself added: "Owning a home can increase responsibility and stake out a man's place in his community."¹⁴

Since 1990: Plan and dream united

As the 1980s ended, the savings and loan industry buckled, and surviving thrifts withered to 5 percent of the U.S. mortgage market (compared with more than 56 percent in 1975).¹⁵ Low-income homeownership received new jolts of life with HUD Secretary Jack Kemp, who passionately advocated during his 1989-93 tenure that the government should help lower-income and minority Americans who wish to buy homes.

Kemp's tenure saw passage of the Cranston-Gonzalez National Affordable Housing Act (1990), which declared that Washington should, among other goals, increase public-private partnerships to expand homeownership opportunities for low- and moderate-income residents.¹⁶

An ongoing legacy of the legislation, the HOME Investment Partnerships Program, has helped to produce more than 1 million units of affordable housing.¹⁷ The HOME Program also reserves 15 percent of its state and local grants for nonprofit housing groups to use for housing rehabilitation, assistance to homebuyers and counseling services.¹⁸

Further federal encouragement followed over the next 15 years. In 1992, Congress required Fannie Mae and Freddie Mac to do more to promote low-income homeownership and fight housing discrimination. Another federal housing program, HOPE 3, was created that year by HUD

to help nonprofit and public agencies acquire, rehabilitate and resell single-family homes to low-income families. In a 1994 speech, President Bill Clinton called for increasing homeownership to record levels by the turn of the millennium, in part by targeting underserved populations.¹⁹ A Republican congress responded in 1996 with the Self-Help Homeownership Opportunity Program, or SHOP, which awards grants to eligible nonprofits to buy home sites and develop or improve "the infrastructure needed to set the stage for sweat equity and volunteer-based home-ownership programs for low-income persons and families."²⁰

By the end of President George W. Bush's first term in 2005, the United States could boast significant progress over the previous 75 years: The overall national homeownership rate had reached a record high 69 percent the previous year.²¹



NATIONAL ARCHIVES

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The crash: What really happened

The United States has yet to fully escape the fiscal and economic craters left by the housing bubble's collapse. The bankruptcy of Lehman Brothers in September 2008 arguably marked the debut of public awareness of the Great Recession, but the recession — defined as a decline in the U.S. gross domestic product — lasted from December 2007 to June 2009, the nation's longest such period since World War II.²²

The economic damage spared no one. Median home prices had risen virtually every year since 1970 and accelerated after the turn of the millennium, but began to tumble in 2007. Foreclosures soared as home prices fell. Annual total foreclosure filings climbed by 367 percent from 2005 to 2009, reaching nearly 4 million.

The partial recovery of housing prices could be seen as early as July 2012, when reports stated the nationwide percentage of those whose mortgage balances outstripped their home's value had fallen from the last quarter of 2011 to the first quarter of 2012.²³ Housing starts also rose 15 percent in September 2012 to their highest rate since July 2008. Even so, some remained cautious about the overall vitality of the housing recovery citing broader economic constraints.

Critics of recent U.S. housing policy say the successes in low-income homeownership noted in Chapter 1 were built on a financial house of cards that was bound to collapse when reality caught up with lower-income mortgage holders. Actually, four prime factors fed the housing bubble:²⁴

- Low mortgage interest rates. Monthly mortgage payments were kept affordable for more buyers even as home prices rose. Even though the U.S. sav-

ings rate was low during the housing bubble, an influx of savings entering the U.S. economy from other countries helped to keep mortgage interest rates low. Foreign investors seeking low-risk investments with solid returns kept mortgage rates low by turning first to mortgage-backed securities issued by Fannie Mae and Freddie Mac (expecting Washington would bail them out in case of trouble) and then to mortgage-backed securities issued by Wall Street firms. The financial health of these securities depended on borrowers staying current on home-loan payments.

- Low short-term interest rates. As the bubble grew, many lenders pitched increasingly exotic adjustable-rate mortgages. "Option" ARMs, for example, not only offered low initial interest rates but also let borrowers pay only the interest in some months.
- Relaxed standards for mortgage loans. Mortgage brokers and even banks originated home loans with little concern about whether they could be sustained, leading to a loosening of underwriting standards. High-cost "subprime" mortgage loans ballooned from 5 percent of the mortgage market in 1994 to 20 percent in 2006.
- "Irrational exuberance." All these trends yielded warnings as early as 2002 of a developing housing bubble. They were largely ignored because far too many players assumed that housing prices would continue to increase indefinitely. After all, home prices had not fallen on a nationwide basis in any single 10-year period from 1940 to 2000.²⁵

Justifying investments in low-income housing

It is undeniable that the housing bubble coincided with stronger federal mandates to boost low-income mortgage lending, followed by a subsequent relaxation in lending standards. But can the go-go lending atmosphere of that period fairly be traced to Washington's efforts to promote low-income homeownership?

Detractors of federal strategies to promote affordable homeownership base their case largely on two mid-1990s developments. In 1995, Congress amended the Community Reinvestment Act of 1977 to direct federal regulators to give "community lending practices" more weight as they judged affected banks' compliance with the law. The next year, HUD required Fannie Mae and Freddie Mac — already charged in 1992 with getting more involved with low-income homeownership — to carry more low-income home loans in their secondary-market portfolios.²⁶

However, a November 2008 Federal Reserve analysis of U.S. subprime loans made at the peak of subprime lending refuted attempts to blame the crisis on either the CRA or low-income homeowners.²⁷

Only 10 percent of all home loans in 2006 were CRA-related lower-income loans by banks and their affiliates. Two-thirds of all mortgages went to middle- or higher-income borrowers or to borrowers outside lower-income neighborhoods.

Only 6 percent of all subprime loans by CRA-covered institutions or affiliates went to lower-income borrowers or

Annual total foreclosure filings in the United States climbed by 367 percent from 2005 to 2009, reaching nearly 4 million.



Ray and Tammy Tallant, along with their 9-year-old son Elijah, are proud of their new Habitat home in Cleveland, Tennessee.

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neighborhoods within the CRA assessment areas, according to the Fed's analysis. Foreclosures over the same period more than doubled for all income groups, but seven of every 10 foreclosures in the period were filed against middle-income or higher-income borrowers.²⁸

The Fed was not alone in its analysis. Similar conclusions were reached in two studies in 2008 and 2009 by New York City's Traiger & Hinckley law firm. The 2008 study also found lower foreclosure rates in metropolitan areas with higher concentrations of bank branches, suggesting "that the CRA's focus on service to communities where a bank's branches are located may have caused CRA banks to more carefully underwrite loans and, consequently, make fewer nonperforming loans."²⁹

Yet another study supports these points. In 2011, the Center for Responsible Lending and researchers at the University of North Carolina at Chapel Hill analyzed data covering nearly 65 percent of all U.S. mortgage loans that originated between 2004 and 2008.

The flowering of a "dual mortgage market" during the period helps explain foreclosure trends in lower-income and minority neighborhoods, the researchers found. Minority borrowers were more likely than whites to have been given high-cost loans with riskier terms during the housing bubble, even when they qualified for lower-cost conventional mortgages.³⁰

Had more lower-income and minority homebuyers who qualified for lower-cost loans actually received them, one can reasonably surmise that they would have

succeeded as homeowners in greater numbers.

Therefore, the bubble burst not because too many lower-income borrowers gained mortgages they should not have received, but because too many were not given the sensible loans they had qualified for.

Sober lending = successful lending

Even in better times, lower-income homeowners face challenges with their mortgages: lower incomes and wealth, a greater risk of unemployment, the need for multiple incomes to make ends meet. But if the dream that drove George Bailey remains viable and desirable, what should policymakers learn from the Great Recession to correct the housing market's weaknesses and abuses but still promote homeownership?

Ongoing research into a North Carolina-based partnership supports the idea that low-income home loans can be managed with successful results for the borrowers.

The Center for Community Capital has published a book and a series of papers on the Community Advantage Program. Between 1998 and 2009, CAP acquired and serviced more than 46,000 loans worth more than \$4 billion. All were made to low- and moderate-income borrowers nationwide by CRA-subject banks or other affordable-housing programs.³¹

Only 9 percent of then-active CAP loans were seriously delinquent as of September 2011, compared with 15 percent for adjustable-rate loans to "prime" borrowers, 20 percent for subprime fixed-rate mortgages and 36 percent for subprime ARM loans. Needing financial help to start their loans had "no significant effect

whatsoever" on borrowers' chances of success.³² Given similar credit characteristics, subprime borrowers were three to five times more likely to default than CAP borrowers with their lower-cost, fixed-rate loans.³³

As researcher Abigail Pound explained: "The crisis had far more to do with the loan products used and multiple factors that lead to a 'bubble' in housing prices than with the demographics of the borrowers."³⁴

Habitat's experience has been similar in servicing the loans of its partner families. Sound applicant screening, financial counseling and education, responsible loan-servicing strategies, and partnerships help keep foreclosures below 2 percent.

The collapse of the housing bubble, however, slashed homeowners' combined home equity in half between 2006 and 2011 – a loss of more than \$7 trillion in all.³⁵ In light of this painful experience, is homeownership really a viable way for low-income people to build a nest egg? Can lenders make money by loaning to low-income people?

The CAP data offer positive answers to both questions, assuming the type of responsible lending promoted by the Community Reinvestment Act. Although default risks for low-income borrowers are greater in tough economic times, UNC researchers found that CAP borrowers are typically less likely to prepay their loans in order to sell or refinance, meaning lenders make more in interest over the life of the loan. In neutral economic times, the lowest-income borrowers are

least likely to terminate their loans.³⁶

UNC researcher Haiou Zhu also found that 65 percent of CAP mortgages have been profitable for their secondary-market holder, Fannie Mae. Conventional indicators — race, income, credit score and down-payment amount at origination — were not reliable in predicting profit levels.³⁷

Lower-income Americans, however, face fresh barriers in the wake of the Great Recession. Fannie Mae, Freddie Mac and private mortgage lenders have tightened their underwriting requirements. The Federal Housing Administration has raised mortgage insurance premiums, imposed a minimum credit score and required at least a 10 percent down payment for borrowers with credit scores of 580 or lower. Private lenders have imposed additional restrictions.³⁸

Some tightening of home-loan standards is necessary to guard against a repeat of the past decade's excesses. But Americans must resist the temptation to turn their backs on low-income homeownership as a desirable goal. This type of homeownership is not only critical to our economic recovery, but also, as the following chapters will show, invaluable to the long-term health and resiliency of our communities.

3

Success stories:Public, private,
partnering

With the worst of the Great Recession behind us, there has been some discussion of the appropriate role government should play in the housing market. Although homeownership largely has been driven by market forces, the federal government plays an integral part in providing market access through grants and secondary mortgages and providing stability through mortgage regulations and initiatives such as the Neighborhood Stabilization Program. In a joint report to Congress in February 2011, the Department of Treasury and the Department of Housing and Urban Development stated that the government's "primary role ... should be limited to robust oversight and consumer protection, targeted assistance for low- and moderate-income homeowners and renters, and carefully designed support for market stability and crisis response."³⁹

The Treasury and HUD report goes on to note that "Americans should have choices in housing that makes sense for them and for their families," including "rental options near good schools and good jobs," "access to credit for those Americans who want to own their own home" and "a helping hand for lower-income Americans, who are burdened by the strain of high housing costs."⁴⁰

The Department of Housing and Urban Development's spending leaped higher after the Great Recession but has fluctuated since then as a result of federal budget constraints. HUD's budget request for fiscal year 2013 proposes the lowest annual spending since FY2007, and Congress could appropriate even less money.⁴¹

Preserving the secondary market

Though there have been calls to completely wind down Fannie Mae and Freddie Mac, the CAP experience and others emphasize the need for a publicly backed secondary market. It is one of the most effective tools for broadening access to credit and supporting low-income homeownership. The historical reluctance and less than stellar track record of private financial institutions making home loans in diverse and economically challenged neighborhoods raises the urgency of defining an appropriate role for government-sponsored enterprises in providing access to mortgage financing.

The Federal Home Loan Banks, also a government-sponsored housing enterprise, or GSE, operate under a different structure than Freddie and Fannie and emerged from the bubble's collapse in far better shape. Although the FHLBs could be modernized, particularly in a changed housing environment, any GSE reform effort should consider the unique qualities and performance of each agency. The FHLBs have made substantial contributions to low-income housing and to Habitat through the system's Affordable Housing Program. AHP, which is funded with 10 percent of the FHLBs' net annual income, is one of the largest private sources of all U.S. affordable-housing grants. Projects funded with AHP aid often are designed for senior citizens, the disabled, homeless families, first-time homeowners and others with limited resources. Since 1990, AHP has provided more than \$4.6 billion to aid the construction of more than 776,000 housing units, including 475,000 for very low-income residents.⁴² Any reforms should build on these successes.

Homeownership programs that work

Several federal housing programs are making a difference in affordable housing and stabilizing communities. Three in particular — HUD's Self-Help Homeownership Opportunity Program, or SHOP; the HOME Investment Partnerships Program, or HOME; and the Neighborhood Stabilization Program, or NSP — have been especially effective at helping nonprofits such as Habitat to build, rehabilitate and develop the infrastructure of affordable homes.

SHOP: Small program, big results

Since 1996, HUD's Self-Help Homeownership Opportunity Program has been a uniquely effective tool for creating successful low-income homeownership by supporting organizations — Habitat for Humanity, Housing Assistance Council, Community Frameworks, Tierra del Sol and others — that employ the self-help homeownership model. SHOP enables Habitat affiliates to acquire property and improve the infrastructure of homes purchased by low-income families, which has become increasingly important in the face of the housing crisis nationwide. SHOP is the only HUD grant program that provides funding exclusively for homeownership projects benefiting low-income people, and the program has leveraged more than \$1 billion of private investment in local communities each year. With the help of SHOP funds, Habitat affiliates have completed more than 15,000 homes and housed more than 56,000 people.

As the United States struggles to recover from the effects of the housing crisis, SHOP is an important funding stream not only to build and rehab affordable housing, but also to stabilize communities.

Habitat affiliates use SHOP funds to purchase foreclosed or abandoned properties to turn them into vibrant homes again, and to purchase land to give first-time, low-income homebuyers the opportunity to own a home.

SHOP has also benefited communities by providing economic development opportunities. For example, most Habitat affiliates lack staff expertise or professional licenses to make infrastructure improvements, so they procure these services from within the community. Locally owned businesses and local jurisdictions have benefited from the \$95.8 million in SHOP funds that Habitat has transferred to affiliates for infrastructure improvements. In addition, as required by Section 3 of the HUD Act of 1968, which stipulates employment preferences must be given to low-income people, Habitat affiliates provide job training and employment opportunities to Section 3 residents and contracting opportunities to Section 3 businesses.

For such a small federal program, SHOP has added significant affordable housing and economic development value to communities struggling to recover and rebuild as a result of the housing and employment crisis. As a result, SHOP is a model for how to maximize federal dollars, in conjunction with private leverage, to specifically target and solve pressing community problems and meet the affordable housing needs of low-income families.

HOME: Funding a range of housing assistance

The HOME Investment Partnerships Program, authorized in 1990, is a federal block grant program that provides grants to state and local governments to produce affordable housing for low-income families. Since the program began, more than 1 million housing units have been produced with HOME funds. HOME empowers states and localities to respond to the housing needs they judge most pressing, allowing them to serve the whole spectrum of need, from homelessness to homeownership, from urban to rural areas, and all low-income populations.

Local communities target their HOME funds to the particular housing needs of their communities, such as new production where units are scarce, rehabilitation where housing quality is a challenge, and the development of the right mix of rental and homeownership opportunities. HOME funding provides the front-end investment necessary to get projects off the ground and, sometimes, fills back-end gaps left between the investments of private lenders, equity investors, Housing Credit allocations and other resources.

Despite recent criticisms, HOME has been a highly effective tool for increasing levels of homeownership. States and localities that receive HOME dollars often use them in partnership with local nonprofit groups, including Habitat affiliates, to fund a wide range of affordable housing activities. The advantage of HOME for Habitat is that affiliates can use the funding for a wide range of activities, including new construction, repair, rehabilitation, land acquisition, infra-

structure improvements and demolition. Habitat has used HOME to attract private leverage, redevelop neighborhoods and support projects that meet the particular needs of veterans.

The role of rental housing

Rentals are critically important as part of a larger continuum of housing options for low- and moderate-income Americans. With a recent surge in demand during the recession, the demand for affordable rentals is outpacing the supply, particularly for those making less than 30 percent of the area median income. More than half of all renters are cost-burdened, paying more than 30 percent of their income on housing.⁴³ Harvard's Joint Center for Housing Studies noted last year that lower real incomes, rising rents and higher energy costs squeezed renters in both affordability and availability during the Great Recession.

Federal rental assistance programs such as Section 8 Choice Vouchers, Public Housing and Multi-Family assisted units currently serve about 5 million households per year. Although the need is great, a balanced approach to housing must take into consideration the gradual increased percentage of HUD's budget being devoted to these funds.

The collapse of the housing bubble does not appear to have discouraged most renters from dreaming of homeownership. Sixty-eight percent of respondents to a quarterly Fannie Mae housing survey in fall 2010 continued to believe that homeownership makes more financial sense than renting, down only slightly from 75 percent at the start of that year.⁴⁴ Nearly two-thirds of all renters surveyed in fall 2010 intended to buy homes in the future — a figure that had changed very little in Fannie Mae's quarterly survey for the first quarter of 2012.⁴⁵

The federal government's response to the burst housing bubble has included initiatives to convert foreclosed properties into rental homes. The Federal Housing Finance Agency, which controlled about 250,000 homes on which Fannie Mae foreclosed, announced a plan in early 2012 to offer 1 percent of the inventory for sale to would-be landlords.⁴⁶ Federal Reserve Chairman Ben Bernanke advocated for the idea, stating that the backlog of foreclosed properties was hurting house prices while rentals were strengthening because of the lower homeownership rate.

Habitat for Humanity of Greater Los Angeles used Neighborhood Stabilization Program 2 grant funds to help build five townhouse-style duplexes on Imperial Highway in Lynwood, California.

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NSP: Stabilizing communities through targeted housing investments

Since 2008, the U.S. Department of Housing and Urban Development has awarded more than \$6.8 billion over the three stages of the Neighborhood Stabilization Program to redevelop abandoned properties, stabilize communities from the cascade of foreclosures and serve as a catalyst for economic recovery.

Grants went exclusively to state and local governments in the program's \$3.92 billion first phase in 2008 (NSP1) and in the \$970 million third phase in 2010 (NSP3).⁴⁷ Many of those government entities subsequently turned to Habitat affiliates, along with other private and public housing agencies, to complete the actual rehabilitation of foreclosed properties and perform some new construction.

Out of 307 state and local governments receiving grants under NSP1, roughly half

brought in local nonprofits to help carry out rehabilitation and new-home projects in foreclosure-hit neighborhoods. A total of 131 Habitat affiliates have been partners in NSP1 projects, building 690 new homes and rehabilitating 856 others with \$137.6 million in NSP1 funds, according to affiliate surveys in June 2010 and January 2012.

In NSP2, approved in 2009, nonprofits were permitted to compete along with state and local governments for \$1.93 billion in direct grants. Habitat for Humanity International received a grant and applied the funds to rehabilitation and new-home construction in seven metropolitan areas and communities. As in the other NSP phases, some state and local governments partnered with Habitat affiliates as well.⁴⁸

As of January 2012, 483 homes had been built and 564 had been rehabilitated in the seven cities targeted by Habitat's

direct NSP2 grant: Collier County and Pensacola, Florida; Dallas; Miami; Los Angeles; Brooklyn; and Milwaukee.

In addition to these seven affiliates funded by Habitat for Humanity International's NSP2 grant, 23 Habitat affiliates have been active partners in HUD's other 55 NSP2 grants, many as members of consortia that united state or local governments, public and private housing agencies, and nonprofits. These affiliates had built 142 homes and rehabilitated 233 others with \$27.3 million in NSP2 funds.

NSP's long-term role in revitalizing neighborhoods will take several years to be fully realized, but early evaluations have been positive. The Reinvestment Fund of Philadelphia and Baltimore has measured NSP's broader impact on community health by studying clusters of foreclosed properties accounting for about half of the nearly 41,000 properties touched by NSP.

In its June 2012 report to HUD, The Reinvestment Fund found that two-thirds of their study clusters outperformed at least one comparable market in changes in home prices between 2008 and 2010. Similarly, nearly 80 percent of the clusters had better changes in homeowner vacancy rates than one comparable market between the first half of 2008 and the first half of 2011. In both categories, about one-fourth of the clusters — NSP's "A performers" — beat every comparable market.⁴⁹

NSP has helped resurrect numerous neighborhoods with smaller home projects and broader initiatives alike. These experiences also stress the importance of public-private partnerships among all parties interested in revitalizing struggling communities.



This Habitat home in Naples, Florida, was built with help from NSP2 funds.

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NSP in Collier County

Collier County, Florida, one of the nation's hardest-hit real estate markets, turned to Habitat as a partner in both NSP1 and NSP3. The county had acquired 71 foreclosed properties and land-banked seven others with NSP aid as of January 2012. At the same time, Habitat for Humanity of Collier County, one of the participants in Habitat for Humanity International's NSP2 grant, made plans to rehabilitate 90 foreclosed homes and build 10 new ones (after tearing down existing dilapidated homes) with \$9.2 million in NSP2 funds. As of the end of 2011, 38 homes had been resold, nearly all of them to low- or moderate-income homeowners.⁵⁰

The need for help in the southwest Florida county was especially acute. Between 2005 and the onset of the Great Recession, subprime loans accounted for one-third of all home loans there, according to Habitat's NSP2 Action Plan filed with HUD. Naples, the county seat, had an average home valuation of \$383,000 in 2006, a figure considered to be overvalued by 102 percent. When the housing bubble burst, home values plummeted by one-third, and half of all the county's foreclosures struck low- and moderate-income homeowners.⁵¹



NSP2 grant funds helped Milwaukee Habitat for Humanity in Wisconsin build new homes in the Park West neighborhood.

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4

Developing communities: How neighborhoods rebound

Homeownership has the unique potential to break the cycle of poverty for low-income families and provide for a more stable future. For more than 35 years, Habitat has been working with homeowner partner families as they contribute to their communities.

Homeowners of all income levels have a vested interest in the successes of their neighborhoods. In addition to helping build the local tax base, homeowners tend to be more involved in a wide range of neighborhood-based activities. Even when neighborhood conditions are accounted for, homeowners are more likely to participate in neighborhood organizations and to vote in local elections. They are more likely to know neighbors who can help with tasks such as building a deck or fixing a computer.⁵²

Neighborhoods with high homeownership rates have more stability and fewer turnovers than those made up mostly of renters.⁵³

Carefully orchestrated community development strategies have the potential to transform neighborhoods into vibrant, safe and inviting places to live. Increased rates of homeownership contribute to these outcomes and play a unique role in a community's revitalization.

Although housing is often a component of a broader community development strategy, it also can serve as a foundation and catalyst for addressing other needs, particularly when working in low-income neighborhoods. As examples below will show, the revitalization of neighborhoods requires a multiyear approach and a range of products and services, but pri-

oritizing housing can make a difference. Efforts to rebuild communities should seek a broad understanding of a community's potential and how the various pieces — housing, education, transportation, livelihoods — fit together. Effective community development emphasizes homegrown, appropriate and sustainable solutions, not a one-size-fits-all approach.

Measuring neighborhood recovery

Nonprofits and other community development advocates often make economic stability a prime goal of their activities. A number of indicators, however, influence a neighborhood's success. Success Measures, with initial funding from HUD and the Ford Foundations and developed by more than 300 leading community development specialists, has identified an extensive array of indicators of community well-being to create an outcome-based evaluation tool.

Metrics in the Success Measures system include home quality, wealth creation, stability of both individual homeowners and the overall community, visual attractiveness of the neighborhood, community use of public space, percentage of owner-occupied homes, and neighborhood security.

Combining these measurements with other benchmarks, community development practitioners can create a vivid profile of a particular neighborhood. Part of demonstrating a neighborhood's recovery, though, first involves identifying a community's assets. Championed by researchers at Northwestern University, asset-based community development

involves a shift in perspective that is built on positives, centered on relationships, and focused at the local level. Rather than focusing on the needs and deficiencies faced by individuals and communities, an asset-based approach identifies the associations and networks of relationships in a community; the institutions, agencies or professional entities located there; the infrastructure and physical assets of a neighborhood; and its economic and cultural attributes.

Creating a map of these characteristics allows community developers to create a baseline of information and then delve deeper through specific outcome indicators. This "asset map" then becomes a living document, with the most successful organizations constantly updating their inventory of community assets.

Although organizing community data and maps can be arduous, the reward comes from identifying a community's assets, honing in on the highest needs and priorities, and demonstrating the effect of a particular intervention. The result is a more resilient and sustainable place to live.



Revitalizing neighborhoods requires a measured, multiyear approach that incorporates a wide range of products and services, centered on input from the community itself.

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Jennifer Denny and her son Jacari Jordan have a new Habitat home in Pensacola, Florida, thanks to help from an NSP2 grant and the AmeriCorps members who helped build the house during the 2011 AmeriCorps Build-a-Thon.

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Tapping rich wells of expertise

Community development is multifaceted. Any revitalization effort requires the expertise and coordinated approach from a number of actors, including government, schools, corporations, business professionals, financial institutions, churches, academia, residents, civic groups and other nonprofits. Numerous dedicated organizations share Habitat's interest in making a meaningful difference in the communities they serve, including NeighborWorks America, Enterprise Community Partners and the Local Initiatives Support Corp.

NeighborWorks America

Influenced by the urban renewal efforts of the early 1970s, NeighborWorks America was chartered by Congress in 1978 to "revitalize older urban neighborhoods by mobilizing public, private and community resources at the neighborhood level." Over the past 30 years, NeighborWorks has grown into a network of 235 local, community-based organizations providing a broad array of services in more than 4,500 communities.

The organization's most notable strategies include homebuyer counseling services and foreclosure prevention, financial literacy and management programs, and initiatives to build and strengthen communities. In addition, NeighborWorks Training Institutes provide the nation's premier professional development experiences for affordable housing and community development practitioners. The organization also now hosts the Success Measures evaluation tool.

Enterprise Community Partners

Enterprise Community Partners has facilitated more than 300,000 homes by linking affordable housing groups to informational, financial and management resources. In response to the thousands of foreclosed properties blighting neighborhoods and dragging down property values, Enterprise is developing a series of innovative, long-term solutions focused on building the capacity of local community development corporations and partnering with local governments.

A recent example of Enterprise's work is the Lafitte Redevelopment Project in New Orleans, Louisiana. This new mixed-income community on the 27-acre site of the former Lafitte public housing complex and in the surrounding neighborhood will feature 812 homes and apartments and is expected to be completed in the next two years. Once that is complete, the development team plans to build 688 more homes, which will replace all 900 subsidized apartments that were at the Lafitte complex before Hurricane Katrina, and add 600 homes for sale or rent to working-class families and first-time homeowners. The new development will be built to Green Communities standards, incorporating healthy and energy-efficient building practices, materials and systems.

By including a mix of public housing, Section 8 units and market-rate homes, the new development has already provided rental and homeownership opportunities for households with a range of incomes. Currently, 314 affordable rental units have been completed and 75 units

for sale have been built and occupied. Approximately half of the rental units are occupied by families who lived in the Lafitte public housing complex before Katrina struck. A 100-unit building with permanent rent subsidies for seniors will be developed in the center of the site.

Partners in Phase 1 of the project include the Housing Authority of New Orleans, HUD, the Louisiana Housing Corp., the State of Louisiana Office of Community Development, the New Orleans Industrial Development Board, Providence Community Housing, L&M Development, Enterprise Community Investment, Goldman Sachs, Chase Bank and Iberia Bank.



Thrivent Financial for Lutherans members Marilyn Chassie (left) and Ginny Hermetz volunteer with Habitat, painting the front porch of a house in Bay St. Louis, Mississippi, on the anniversary of Hurricane Katrina.

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Thrivent Builds With Habitat: The power of partnership

One partnership that helps drive the Neighborhood Revitalization Initiative is Thrivent Builds with Habitat for Humanity, an alliance with one of Habitat's longtime supporters, Thrivent Financial for Lutherans.

Launched in 2005, Thrivent Builds deepened the relationship between Habitat and Thrivent, an insurance organization that serves Lutheran congregations and also mobilizes their 2.5 million members for service to others. Its mission statement declares, "We succeed when our members and their communities thrive."

The Habitat-Thrivent partnership built 500 homes between 1991 and 2005, but the launch of the formal Thrivent Builds partnership greatly ramped up activity. Thrivent has committed more than \$160 million over the past seven years, supplied about 500,000 volunteers, and built more than 2,700 homes.

Habitat has put the lessons learned with Thrivent Builds to use in crafting NRI, said Rebecca Hix, Habitat's neighborhood revitalization director. The Thrivent Builds Neighborhoods program has invested \$1 million each in community projects in Des Moines, Iowa, and Milwaukee, Wisconsin. In each city, a coalition of more than a dozen community-based organizations has been formed along with Habitat and Thrivent Builds to implement a comprehensive plan for a neighborhood that includes housing initiatives, social services, job training and youth programs.

"Both (organizations) saw the value of 1 + 1 = 4 — that when we work together, we're stronger," Hix said.

Long-range planning and coordination among community-based organizations are vital ingredients for enhancing the sustainability of communities hit hard by the Great Recession. Lessons from the Thrivent Builds Neighborhoods experiences in Milwaukee and Des Moines are informing plans for the broader Neighborhood Revitalization Initiative.

Thrivent Financial for Lutherans' partnership with Habitat for Humanity of the Mississippi Gulf Coast helped build these homes on Thrivent Lane in Long Beach, Mississippi.

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Local Initiatives Support Corp.

The Local Initiatives Support Corp. reaches beyond homebuilding by leveraging public and private resources to develop apartments, schools, child-care centers, playgrounds, and retail and commercial space. Its innovative Building Sustainable Communities strategy takes a holistic approach to community development, expanding investment in housing, increasing family income, stimulating economic development, improving access to quality education, and supporting healthy environments and lifestyles by building athletic fields and recreational facilities.

As an example, LISC and Asociación Puertorriqueños en Marcha have built a partnership in the Eastern North section of Philadelphia, Pennsylvania, that has lasted more than two decades. In that time, LISC has helped APM create almost 300 homes and apartments, along with a homeownership program that counsels buyers on money management and the requirements of owning a home. As a result, there have been no foreclosures on homeowners in this program. New retail has come into the neighborhood, and a playground that was once preyed on by drug dealers and gangs was refurbished and made safe.

Construction has begun on a \$47 million mixed-income development near Temple University. The project will connect residents to jobs and create a healthy two-way flow of resources between affluent and struggling neighborhoods. The development will have 120 rental units, retail

space, a health clinic, a community center and a LISC-funded financial opportunity center where residents can go to learn job skills, receive financial counseling and coaching, and gain access to public benefits.





The work done on this home by Habitat for Humanity Detroit through the Leaders to Rebuild Detroit Project (at top) resulted in a safe, decent home for a family in Morningside Commons neighborhood (at left).

©Habitat for Humanity Detroit

Rebuilding Detroit

In February 2012, General Motors Chairman and CEO Dan Akerson donated \$1 million to Habitat for Humanity Detroit to spark a three-year, \$25 million revitalization initiative focused on Detroit's Morningside Commons neighborhood. The Leaders to ReBuild Detroit project aims to serve at least 500 families by 2014 through homebuilding, rehabilitation, critical repairs and energy-efficiency upgrades and weatherization projects.

Partner organizations will provide financial literacy training, homeownership workshops and community security initiatives for the families. Leaders to ReBuild Detroit is part of Habitat's \$225 million ReBuild Michigan campaign to address affordable housing needs in more than 70 counties. Habitat's partners in the initiative include the city of Detroit, Detroit Public Schools, the Michigan State Housing Development Agency, Wayne County, the Detroit Land Bank Authority and the Detroit Local Initiatives Support Corp.

"A strong America is built on strong communities, and building them starts with one hammer, one nail and one person who cares — from there, it's contagious," Akerson said.

Vincent Tilford, executive director of Habitat for Humanity Detroit, said the initiative will help communities tackle the problems of foreclosures and unemployment. It will "nearly triple the impact Habitat Detroit has had in the city," he said.



Elements of Habitat's Neighborhood Revitalization Initiative, combined with help from an NSP2 grant, allowed Claudette Keys of Milwaukee, Wisconsin, to build her new home.

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All hands on deck: Neighborhood Revitalization Initiative

Habitat for Humanity recognizes that no organization can develop and nurture stronger low- and moderate-income communities on its own. To transform neighborhoods, a holistic approach must be employed that takes into consideration the quality of life of residents. As a result, in 2009, Habitat launched the Neighborhood Revitalization Initiative, a new approach to mobilizing an entire community to revive itself by nurturing cooperation and coordinated efforts among residents, nonprofits, businesses, local governments and communities of faith. NRI's success thus far has allowed Habitat to serve more families because of the holistic approach to community development and the expanded services that Habitat affiliates can now offer.



A volunteer from Credit Suisse helps paint the Breukelen Community Center in Brooklyn, New York, through Habitat's A Brush with Kindness home preservation program.

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Ezra Millstein



Milwaukee Habitat for Humanity has used Neighborhood Stabilization Program 2 funds and support from Habitat for Humanity International's Neighborhood Revitalization Initiative to breathe new life into the distressed Park West neighborhood.

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In NRI's neighborhood revitalization vision, neighborhoods across the country are revitalized into vibrant, safe and inviting places to live for current and future residents. Toward that end, NRI affiliates adopt core principles of community development, including listening humbly to the community, making a multiyear commitment, and offering an expanded array of products, services and partnerships.

Although Habitat continues new-home construction under NRI, affiliates embracing the initiative have added smaller-scale repair projects and broader rehabilitation projects to make a bigger toolbox, including:

- Home Preservation, including the A Brush with Kindness program, in which volunteers help low-income

homeowners with exterior painting, minor repairs and renovations.

- Critical Home Repair, defined as projects that alleviate health and safety-code issues.
- Weatherization projects, which improve a home's energy efficiency and indoor air quality.

With these expanding service options, affiliates expect to serve 27 percent more families over the next three fiscal years.

Habitat of Greater San Francisco provides an example of how NRI can work. After this affiliate signed on to the initiative, it did a lot of listening in the Bayview community.

Bayview residents had definite ideas of what the community wanted, and as a result of talking with them, Habitat Greater San Francisco contracted to double the size of the 3rd Street Youth Center and Clinic, which offers comprehensive medical care to adolescents. Residents also wanted spaces to play outdoors and gather. By mobilizing teenagers and other volunteers, the affiliate organized the cleanup of an area park. It recently completed renovations on the Bayview Opera House, which hosts everything from musical shows to funerals to children's art classes.

NRI's roots are in the early stages of the Great Recession. Affiliates had observed that some Habitat families — many in low-income neighborhoods ravaged by foreclosures — were

not thriving. They loved their homes, but not their neighborhoods. Habitat also heard from some donors that its model was not having enough impact on poverty housing.

Habitat decided that it needed to develop a new community-based approach as a complement to — not as a substitute for — its traditional single-home construction model. NRI was developed and launched in 2010, based in part on the best practices of affiliates that had already begun revitalizing neighborhoods in partnership with other community groups.

NRI is now in place in more than 200 of Habitat's 1,500 U.S. affiliates, and it is expected to spread widely throughout Habitat over the next five to 10 years.

Conclusion

Despite homeownership's prominent role in our economy since the Great Depression, there have been recent calls to roll back federal investment in housing.

These calls rely in part on the myth that blames the financial meltdown on efforts to help low-income homeowners. The experiences of Habitat and other affordable-housing nonprofits debunk this myth and demonstrate that a variety of partnerships, including those with government, are often the most effective in developing communities.

Although caution is warranted after the previous decade's excesses, federal, state and local governments should guard against an overcorrection that discards the positive lessons and the progress that has been made. Human communities are strongest when people are able to get decent shelter and join with their neighbors to develop enduring neighborhoods.

In another scene from "It's a Wonderful Life," customers of George Bailey's Building and Loan have panicked and started a run on his assets. He stands his ground

and talks them out of their panic.

"Now, we can get through this thing all right. We've got to stick together, though," he tells them. "We've got to have faith in each other."

Keeping faith with low- and moderate-income homeowners while making sure that there are multiple avenues for them to move into decent, affordable housing is not just Habitat's mission. It's one of the best ways to rebuild communities that have been devastated by the Great Recession.

Policy recommendations

- **Preserve and reform the secondary mortgage market:** As Congress considers the future of the secondary mortgage market in the U.S., it should implement government-sponsored housing enterprise reforms that ensure market stability and protect the interests of U.S. taxpayers without limiting responsible access to mortgage financing, particularly for low- and middle-income families.
 - **Preserve and build on what works:** Although some aspects of the GSEs proved unsustainable, some models — for example, the Federal Home Loan Banks — have remained stable and secure throughout the financial crisis and economic recession. With mortgage credit remaining out of reach for many low- and middle-income families, Congress should seek to enhance the GSEs' commitments to responsible, affordable lending.
 - **Maintain a federal role in secondary markets:** Although reforms must ensure that taxpayers are never again saddled with liability for irresponsible loans made by undercapitalized private lenders, future access to credit, particularly by low- and middle-income families, requires a permanent, carefully crafted federal role as insurer of last resort.
- **Implement responsible mortgage regulatory framework:** As they implement Dodd-Frank and other regulations in response to the housing crisis, federal and state governments must ensure that mortgage regulations anticipate successful approaches to low-income homeownership, such as the sweat-equity model supported by HUD's Self-Help Homeownership Opportunity Program. Such models both expand access to mortgage lending and support local property values by returning vacant properties to good service.
- **Federal affordable housing investments should support a range of housing solutions:** Government interventions should reflect the continuum of affordable housing needs in the U.S., supporting in a balanced way both affordable homeownership and rental opportunities through proven programs such as SHOP, HOME grants, Community Development Block Grants, New Markets Tax Credits, Low-Income Housing Tax Credits and Section 8.
- **Encourage long-term affordability:** Build long-term affordability strategies, including shared equity approaches — land trusts, deed restrictions, subordinate mortgages, etc. — into affordable housing programs, maximizing the long-term impact of affordable housing investments.
- **Encourage housing efficiency:** Protect housing affordability by investing in energy-efficient construction and transportation-efficient, mixed-income housing developments that keep overall housing costs low.



Jacari Jordan (right), son of Habitat homeowner Jennifer Denny, plays with his neighbors Donald, 12, and Justin, 4, in Pensacola, Florida. Jacari's house was built with help from NSP2 grant funds and the 2011 AmeriCorps Build-a-Thon.

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Endnotes

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Habitat for Humanity International is a global nonprofit Christian housing organization that seeks to put God's love into action by bringing people together to build homes, communities and hope. Since 1976, Habitat has served more than 600,000 families by welcoming people of all races, religions and nationalities to construct, rehabilitate or preserve homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions.

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