Housing Matters

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Affordable Housing

New Start Gets a New Look

The initial New Start 0% Mortgage program was implemented July 1, 2001. The program was designed to aid low-income Tennessee families achieve the American Dream of Homeownership, with the help of not-for-profit partners. Since the inception of the program, THDA has allocated over $8 million and assisted 170 low-income families achieve their American Dream. We currently have 33 not-for-profit Program Partners throughout the state participating in the New Start Program.

Initially, the maximum household income limit could not exceed $24,950, which was 50% of the statewide median income. The maximum income limit was later adjusted to $25,350. The maximum loan amount was established at the lesser of 75% of appraised value or $60,000.

During the past six months, we have had numerous conversations with many of our New Start Partners about how to improve the New Start Program and increase utilization. THDA was asked to consider increasing the maximum income limit and the maximum loan amount. THDA's Board of Directors, in its November meeting, approved extending the New Start program through December 31, 2006, expanding the guidelines and allocated an additional $5 million to the program. Effective January 23, 2006, the New Start Program became a two-tiered program.

In Tier I, the maximum household income limit increased to $30,200, which is 60% of the statewide median income. The interest rate for the Tier I Program is 0%. The maximum loan amount cannot exceed 75% of the appraised value. The home must be newly constructed and not previously occupied.

In Tier II, the maximum household income limit for the Tier II program cannot exceed $35,200, which is 70% of the statewide median income. The interest rate for the Tier II program will be one half (1/2) of THDA's current interest rate for the Great Rate Program. Currently, the interest rate on our Great Rate Program is 5.3%; therefore, the interest rate on the Tier II program would be 2.65%. The Tier II interest rate will fluctuate with changes in the interest rate for THDA's Great Rate Program. The maximum loan amount cannot exceed 75% of the appraised value. The home must be newly constructed and not previously occupied.

THDA is in the process of updating its program guidelines for the New Start program to give our partners more guidance as to what information is needed to approve and fund the New Start loans. Also, this spring there is a plan to have several training sessions, which should help reduce turnaround time and enable THDA to fund the New Start loans in a timely manner.

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THDA Creates New Division

by Ted Fellman, Executive Director, THDA

Debbie Reeves
Director of Business Development

THDA's staff have worked hard during the past year to develop a strategic plan called "Operation Homeownership", which has been successful. During the year, it became apparent that the agency was asking its homeownership staff to perform a lot of extra duties. A different approach might have produced even more success.

With the new approach in mind, beginning January 1, THDA has a new division dedicated to being responsible full-time to lender and realtor training, recruiting new partners, cultivating relationships with existing partners, and educating community leaders about THDA's mortgage programs. This will enable Homeownership staff to concentrate more on the day-to-day business of mortgage lending.

The new division will be called Business Development, the new director will be Debbie Reeves. Debbie has proven her abilities over the past few years in working with our business partners and is ideally suited for this challenge. She is very excited about her new role. Please join THDA in congratulating her on this well-deserved promotion.

The Homeownership division will now be without an assistant director, but Homeownership's Director, Ed Lozier will have two capable managers and a quality staff to handle the day-to-day operations. In order to streamline the operation and give our staff more flexibility, the Homeownership division will combine the processing and underwriting sections. Marvene Carey will be the supervisor of this new section. Bonnie Fowler will continue to supervise the post-closing section.

At THDA, we want to continue to promote homeownership for all Tennesseans who are ready and able to handle the additional responsibility. This new organizational structure will put us in a stronger position to expand the agency's programs, provide expertise and customer service for our participating partners. More importantly, it will allow THDA to take a more active leadership role within the affordable housing community.

New Start

(continued from page 1)

Some of our smaller not-for-profit partners have experienced difficulty in processing, underwriting and delivering New Start loans to THDA. Several of THDA's larger Originating Agents that participate in our Great Rate and Great Start mortgage programs have expressed an interest in providing technical assistance to our New Start Partners.

These new expanded guidelines should enable more low-income families to achieve the American Dream of homeownership.

THDA Partners with DMRS to Provide Mainstream Housing for the Mentally and Physically Disabled

Information in this article prepared by the THDA/DMRS Housing Task Force

In partnership with the Division of Mental Retardation Services, Real Property Administration, and non-profit developers, THDA will provide funding for short-term low-interest construction loans to be used for the development of community-based housing for the mentally and physically disabled. The State of Tennessee, through DMRS, is obligated to provide mainstream housing accommodations in the local community of the client. This need for housing has been unresolved in over ten years of legal challenges. DMRS and the State are eligible for federal funding for services for this client group. These funds received through the Centers for Medicare and Medicaid Services, provide for individual care services such as support coordination, respite, speech, language, and hearing services, physical therapy, environmental accessibility accommodations, individual transportation services, etc., but do not address the need for individual housing. Non-profit vendors, who provide individual care services must obtain housing through third party financing or ownership, resulting in increased costs to the state.

Additional community-based housing is needed to accommodate the physically disabled, but it is not currently available. To meet this need, without ownership, DMRS must convert rental housing to accommodate the physically disabled, pay rent, and return the home to its original condition when the client leaves the residence, thus resulting in further increased costs to the state.

THDA will provide $2 million to be used toward the initial development of 12 residential units in Shelby County and 12 residential units in other areas of the state. Each unit will be designed to

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Legislative Update

by Toni S. Harris,
Chief of Legislative Affairs, THDA;

Last year, Representative Nathan Vaughn (D-Kingsport) introduced a bill (HR993/SB1136) to restore funding to the HOUSE (Housing Opportunities Using State Encouragement) Program.

The initial legislation creating the HOUSE Program was passed in 1988, which directed a portion of the mortgage recording tax and the real estate transfer tax to THDA to fund this grant program.

Under this legislation, the Housing Program Reserve Fund was designed to serve as an endowment for the HOUSE grant program so that, at some point, State tax revenue would not be needed to continue the grant program. This design can no longer be carried out since subsequent statutory changes removed all financial sources from the Housing Program Reserve Fund and abolished it.

This grant program provided financial support to cities, counties and nonprofit organizations to carry out local housing programs to benefit low-income persons. This grant program was also used to provide wheelchair ramps for the disabled, to assist in providing housing to persons being discharged from State mental health facilities, to fund the Bicentennial Neighborhoods Initiative, and to fund a disaster recovery program in the aftermath of the 1998 tornadoes. This type of funding could also play a major role in reducing some of the predatory lending that takes place in our state.

As a result of the 1998 transfer, State tax revenue for this grant program was eliminated for the fiscal year beginning July 1. In the year 2000, the funding for the HOUSE grant program was permanently diverted to the State's general fund. Unless further statutory changes occur, State tax revenue will continue to be diverted to the State's general fund.

THDA staff has worked to put together information that can be of assistance to you when you are discussing our state's housing issues with your representatives. "A Case for HOUSE" can be found on our website at www.tennessee.gov/thda, you may also acquire a hard copy by contacting THDA's Chief of Legislative Affairs, Toni Harris at 615-741-9604.

Along with THDA tracking the legislation regarding the HOUSE program, we are also tracking other housing related legislation. Information regarding these issues may also be found on THDA's website.

Tennessee Fair Housing Matters Annual Conference

Friday, April 21, 2006
8:00 a.m. to 4:00 p.m.
Willis Conference Center
26 Century Boulevard
Nashville, Tennessee

THDA is pleased to once again co-sponsor this annual conference, which will include topics such as Rental Housing Challenges for Non-Citizens, Emerging Fair Housing Issues, Reasonable Accommodations and Modifications, Fair Housing Issues in Home Ownership, and Traditional and Non-Traditional Mortgage Lending.

Registration includes continental breakfast, luncheon, and continuous beverage and snack service, as well as conference materials. Parking is free at the Willis Conference Center. Visit www.meetatwillis.com

Registration is limited to 200 people.
For the first 100 registrations: $35.00 per person
Thereafter, all registrations: $55.00 per person.

Eight Hours of Continuing Education Credit approved by the Tennessee Real Estate Commission.

The conference is wheelchair accessible, and sign-language interpreters will be on site.

Details and the online registration form are available at:

www.tennfairhousing.org/mdha2006

Or you may contact the MDHA Fair Housing Office at 615/252-8535 or

http://www.nashville.gov/mdha/fair_housing.htm

Our co-sponsors are the Metropolitan Development and Housing Agency; Tennessee Human Rights Commission; Tennessee Fair Housing Council, Metropolitan Human Relations Commission; Tennessee Department of Economic and Community Development; and the City of Murfreesboro, Community Development Office.

Outshining the Pack or Bucking the Trends: The Ca

by Paul Henkel,Chief of Research;
Hulya Arik, Senior Research Analyst,
THDA;

What might trigger a sudden jump in home sales in a county, above and beyond the growth experienced in neighboring counties? According to state home sales price data, Montgomery County experienced a considerable increase in home sales, exceeding statewide trends significantly.[3] From 2003 to 2004, the number of homes sold in the county jumped from 2,969 to 4,184, a whopping 41% increase. Median home price also followed a rising trend for the same period, 1.5% and 10% increases for existing and new home sales, respectively. Table 1 and Table 2 show the annual changes in volume and median sales price (all sales, new and existing homes) for the state as a whole, and for Montgomery, Davidson and Williamson Counties during 2000-2004 period.

Table 1. Home Sales Volume and Annual Change (%) for select Middle Tennessee Counties and Statewide, 2000-2004

	State		Montgomery County		Davidson County		Williamson County	
	Number of Home Sold	Annual % Change	Number of Home Sold	Annual % Change	Number of Home Sold	Annual % Change	Number of Home Sold	Annual % Change
2000	[illegible]		[illegible]		[illegible]		[illegible]	
2001	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2002	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2003	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2004	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Table 2. Median Sales Price and Annual Change (%) for select Middle Tennessee Counties and Statewide, 2000-2004

	State		Montgomery County		Davidson County		Williamson County	
	Median Price	Annual % Change	Median Price	Annual % Change	Median Price	Annual % Change	Median Price	Annual % Change
2000	[illegible]		[illegible]		[illegible]		[illegible]	
2001	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2002	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2003	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2004	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

In Table 1, we can see that the change in volume (+40.9%) for Montgomery County from 2003-2004 surpassed the already significant changes seen in Davidson County from 2000-2001 and in Williamson County from 2003-2004. Excepting these banner years, the 2001-2002 and 2002-2003 changes for Montgomery County are also notable.

A multitude of factors can affect the housing market conditions. Socio-economic factors such as wages, job growth, and population changes, play significant roles. These, acting alone and in concert, as well as in conjunction with availability of amenities like entertainment and recreation and social factors such as crime patterns, all contribute to the end result. Additional factors, more specific to a community, can play a part. For example, the presence of a large military base, Fort Campbell, in Montgomery County.

ase of Montgomery County Home Sales, 2000-2004

In order to better illustrate how some of these factors can come together to influence housing market trends, we would like to look at some of the socio-economic dynamics that have, of late, been influential in the case of Montgomery County, wherein a sudden jump in sales volume was exceedingly evident during the 2003-2004 period.

In terms of living conditions, Montgomery County did fairly well in recent years. In 2005, *Business Development Outlook Magazine*, using a collection of "everyday living expenses" such as healthcare, food, entertainment, transportation, housing and so on, rated Clarksville as the fourth best place among metropolitan statistical areas (MSAs) in the country for affordable living. This followed another accomplishment for the city of being ranked in June 2004 by *Money Magazine* as a top value residential real estate market.[4]

Job Prospects. Labor market or "job prospects" is one of the important factors that influence housing trends. Whenever there are new businesses coming into an area, this translates into more jobs and higher incomes, both of which can increase the housing demand due to improved finances of residents and through in-migration. In 2004, new or expanding businesses in the manufacturing and out-sourced service sector (see Table 3) created 398 more jobs in Montgomery County. Those newly-created jobs will bring more people to the region who, in turn will create a greater demand for homes and services, leading to increased home sales, higher demand for rental properties, and even more jobs created in retail and service sectors. These all combine creating a multiplier effect in the region of which home sales are a significant part. Therefore, job growth and the resulting demand for homes because of those new and expanding businesses is a continuous rippling effect.

Another factor is the influx of long-distance commuters who reside in Montgomery County but work in the Nashville MSA area. More affordable housing in outlying areas of a large MSA can effectively draw people into further suburbanization, particularly along major corridors of transportation (such as I-24). This phenomenon is at least partially evident in the increases in commuting time for Montgomery County residents. In 1990, the average commute was 19.0 minutes, and in 2000 this was up to 23.0 minutes, an increase of 21.3%. This is a significantly greater increase than the nationwide average change of +13.7% from 1990 to 2000. If the demonstrated trend were to continue for Montgomery County commuting times, the average commute would be very near 27 minutes by 2010. And a continued influx of long-distance commuters could push this number even higher.[5]

Table 3. Employment Growth in Montgomery County, 2004

Company	Type of Project	New Jobs
[illegible], LLC	New	38
BRIDGESTONE BETHLEHEM USA	Expansion	35
COLWOOD COMPANY, LP	Expansion	5
HENDRICKSON TRAILER SUSPENSION SYSTEMS	Expansion	50
JOSTENS, INC	Expansion	170
SPX COMTECH	Expansion	40
Montgomery County Total		**338**

Source: State of TN, Department of Economic and Community Development

Population Growth. In terms of population, Montgomery County is a rapidly growing community. According to Census Bureau population estimates, the county's population increased by 2%, while population in Tennessee increased only 0.95 percent, from 2003 to 2004. Rapid population growth spurs housing market and other economic dynamics, especially when considering the low population density in Montgomery County (250 persons per square mile in 2004).[6] Low population density generally means that, unlike more densely-populated areas, space is available for development of both new industry and new homes without land being the primary limiting factor.

Per Capita Income. Population growth in the County might alone result in more home sales. But more homes sold do not necessarily mean that those people who are buying the homes moved into the area from another county or region. Home sales can also increase because area residents who were previously renting made the decision to become homeowners. Increasing incomes of area residents can create just such an impetus to buy rather than rent. According to Bureau of Economic Analysis data, in 2003, Montgomery County had a per capita personal income (PCPI) of $27,405, representing a 5.0 percent increase from 2002. At this income level, the County was ranked 14th in the state out of 95 counties. Not only the income levels, but also the home price to income ratio favored Montgomery County in 2004.

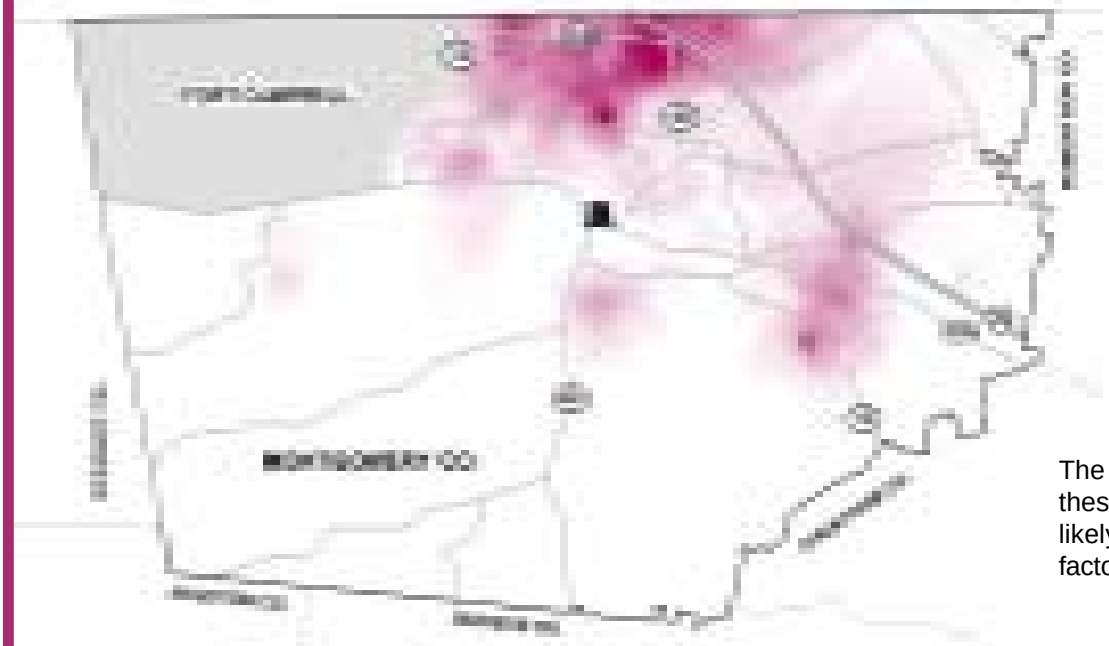
Conclusions

While job prospects, population growth and per capita income can all come together when an area exhibits a significant jump in home sales, likewise can home sales contribute to the area's economic outlook. In this dynamo, continual rippling yields causes that become benefits and benefits that become causes. In looking at this, the importance of turning an eye towards community-level impacts and potential multipliers of programs to provide affordable housing for low- and moderate-income Tennesseans becomes evermore evident.

(Endnotes)

1 Senior Housing Research Analyst, Division of Research, Planning and Technical Services, THDA
2 Chief of Research, Division of Research, Planning and Technical Services, THDA
3 Data are from the State Comptroller of Treasury. The THDA calculates the median home sales price and volume for each county for the qualified transactions from this database. The following conditions have to be met to be qualified transaction: residential property, built in the specified sale year or earlier, accepted warranty deed and qualified sales, single family units (detached home/ townhouse/condominium unit), not a vacant lot sale
4 For more information see Montgomery County Official website: http://www.montgomerycountytn.org
5 1990 and 2000 Census.
6 For more information, see "A Competitive Assessment of Montgomery County, TN", July 2004

"Where were they?" – Montgomery County Home Sales in 2004



In 2004, there was a particularly high concentration of home sales on the north side of Clarksville, the area east of Fort Campbell.

Additionally, there was a significant pocket of development down I-24 and Highways 41A and 12 towards Nashville.

The cause of development in these two fringe areas is likely due to very different factors.

What's Happening in Our House?

New Director at THDA

Patricia "Pat" M. Smith is returning to THDA as Director of Public Affairs. The Agency's aim is to promote its programs energetically to ensure that industry members and the general public are able to utilize them fully. Smith will work with each department to support or develop outreach efforts through the housing industry and the media. She believes public officials' knowledge and support are key components to a broad understanding and use of the Agency's programs.

Pat will be working with Chief of Legislative Affairs, Toni Harris and Administrative Services Assistant II, Renee Ordonez to improve the agency's overall image, increase visibility and educate those who are unaware of the extent of THDA's impact on the housing industry across the state.

Smith first joined THDA in 1984 as Chief of Communications. She was part of the team that developed and implemented the Tennessee Housing Industry Conference; she edited the agency newsletter and annual reports. She was the media liaison and was a member of the legislative team. She left the Agency in 2000 to join the American Red Cross, Tennessee Valley Blood Services Region, as Communications Manager. For five years she handled media efforts, and developed partnerships with large audiences including the Tennessee Titans, Nashville Superspeedway, and Nashville Predators, to encourage blood donation in the four-state region.

Patricia "Pat" M. Smith
Director of Public Affairs

DMRS

(continued from page 2)

provide living space for 3 DMRS clients with 24 hour caregiver service. THDA will provide short-term low-interest construction loans to qualified not-for-profit developers who will purchase the land and construct the homes. THDA may provide no more than $1 million of the allocated $2 million in interest-free grant funding to the non-profit developers to assist with operational costs for this project. The low-interest loan and the grant amount will be repaid to THDA in full upon the sale of the homes to the State of Tennessee.

THDA will issue requests for proposals, select successful vendors, issue loan and grant funds, and collect the fund repayments. The repaid funds, including accrued interest, will be reinvested into a revolving construction loan pool that will be used to assist DMRS in attaining their housing goals throughout the entire state. The Division of Real Property Administration will provide oversight and design guideline compliance.

By identifying residents prior to occupancy, the state can receive $15,000 per resident under the Home and Community Based Waiver that can be used to offset the cost of each home. The residents will be required to use a portion of their SSI payments to also assist in covering housing costs. These funds may be used to establish a maintenance reserve and/or to reduce a small portion of the debt service obligation.

It is hoped that this program will result in an expedited, economical, and efficient process for providing needed housingand that a continuous source of housing will be made available for mentally and physically handicapped citizens of Tennessee.

The State Building Commission approved this proposal on October 13, 2005. It is expected that the first homes will be ready for occupancy by the end of this fiscal year. In addition to THDA, DMRS, Finance and Administration – Real Property Administration, and non-profit developers, other State representatives who have been very instrumental in the development of this program include the State Comptroller's Office, the Secretary of State's Office, and the Treasurer's Office.

A Schedule of Housing Matters

Tennessee Housing Development Agency Meetings

Feb 23 - MAAR Realtor Training - Memphis
Feb 28 - HBEI Peer Session - Nashville
Mar 9 - HBEI Peer Session - Memphis
Mar 13-15 - TAR Trade Show - Nashville
Mar 16 - Eastern Middle TN Assoc. Realtors Training
Mar 16 - Board Meeting
Mar 23 - HBEI Peer Session - Jackson
Mar 27 - HBEI Peer Session - Knoxville

For more information, please contact our Nashville office at 615-741-2400.

Chattanooga Neighborhood Enterprise
FasTrak to Homeownership

Call to preregister for classes at 423-756-6214. All classes are held on Saturday from 9:00 AM to 5:00 PM.

March 4, 11, 18, 25
April 8, 22, 29
May 6, 13, 20, 27

Servus CDC

Call to preresgister for classes at 615-865-9737

Saturday Classes
8:00 AM - 5:00 PM.
March 18, April 15, May 13

Evening Classes
5:30 PM - 9:30 PM
March 28 & 30, April 25 &27, May 23 & 25

United Housing Homebuyer Education

Call to preregister for classes at 901-272-1122.
(Classes are in 2 Sessions)

Classes:

Mar	18	9:00-5:00
Mar	24	9:00-5:00
April	7	9:00-5:00
April	22	9:00 - 5:00

Affordable Housing Resources, Inc. - Nashville

Call to preregister for classes at 615-251-0025.

Saturday Classes
8:00 AM - 2:00 PM
February 18, March 18, April 15, May 20

Weekday Classes
5:00 PM - 7:30 PM
Tuesday, April 4 & Thursday, April 6
Tuesday, May 2 & Thursday, May 4

Residential Resources

Preresgister for classes at 615-650-9779

Classes:

Mar	11	8:00-3:00
Mar	25	8:00-3:00
Mar	21	5:00-8:00
Mar	23	5:00-8:00
April	8	8:00-3:00

Note to Reader

All items listed in the above schedule are items that have been submitted to THDA. A schedule of housing events will appear in each issue of *Housing Matters*. The events for the next issue should be sent in before April. If you or someone you know would be interested in placing something in the Spring issue, please send it to Pat Smith, THDA, 404 James Robertson Parkway, Nashville, TN, 37243-0900 or email your information to *pat.smith@state.tn.us*. Please visit our webpage for more information at *www.tennessee.gov/thda*.

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The Tennessee Housing Development Agency is committed to principles of equal opportunity, equal access, and affirmative action. Contact the THDA EEO/AA, ADA Coordinator (615/741-1106)

THDA
Affordable Housing

Eddie Latimer, Chairman
Ted R. Fellman, Executive Director
Toni Harris, Editor

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