

Convergence Philadelphia

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Who is “Mortgage Ready”?



“Mortgage Ready”

(all the following)

- 45 years or younger
- Credit Score \geq 661
- DTI \leq 25%
- No foreclosures or bankruptcies in 84 months
- No severe delinquencies in 12 months



“Near Mortgage Ready”

(all the following)

- 45 years or younger
- Credit Score \geq 600 and $<$ 661
- DTI \leq 25%
- No foreclosures or bankruptcies in 84 months
- No severe delinquencies in 12 months



“Not Currently Mortgage Ready”

(any of the following)

- 45 years or younger
- Credit Score $<$ 600
- DTI $>$ 25%
- Foreclosures or bankruptcies in 84 months
- Severe delinquencies in 12 months

How many are “Mortgage Ready”?

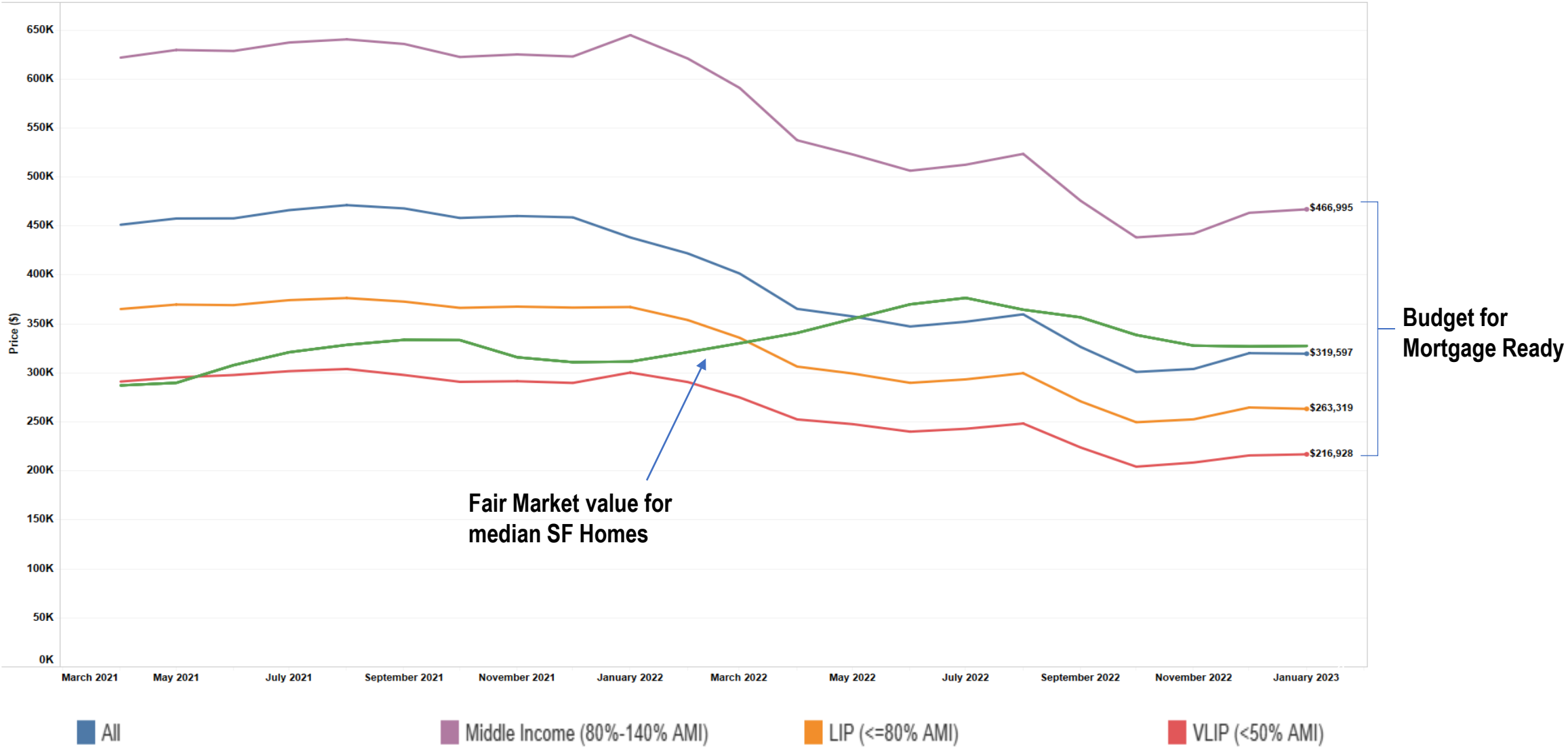


	Overall Population		Non-Hispanic White Americans		Black Americans		Latino Americans		Asian Americans and Pacific Islanders	
	Freq(M)	Percent(%)	Freq(M)	Percent(%)	Freq(M)	Percent(%)	Freq(M)	Percent(%)	Freq(M)	Percent(%)
"Not Currently Mortgage Ready"	34.6	33%	16.5	27%	7.2	53%	8.9	39%	1.5	19%
"Near Mortgage Ready"	10.5	10%	5.4	9%	1.7	12%	2.8	12%	0.5	6%
"Mortgage Ready"	38.2	36%	22.0	37%	3.1	23%	8.0	35%	4.4	55%
"Mortgage Owner"	22.8	21%	16.1	27%	1.5	11%	3.3	14%	1.7	21%

Source: Freddie Mac calculations using anonymized credit bureau data for January 2023. Due to changes made in approach used for authors' calculations, these numbers are not comparable with previous versions of the deck.

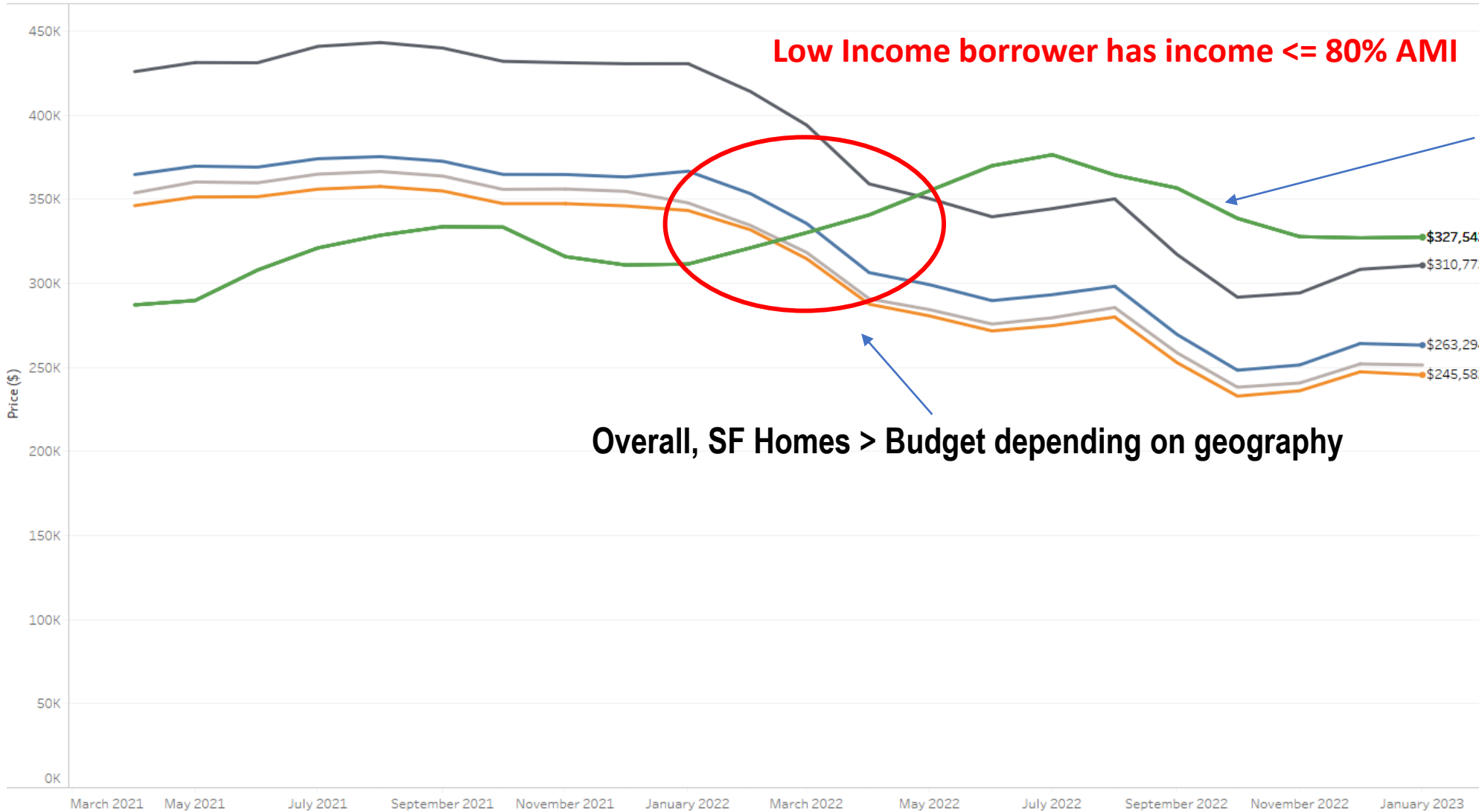
- The orange circles indicated the “mortgage ready” in each segment. This is an opportunity as this population has credit characteristics indicating they could get a mortgage.
 - » **38.2 Million “Mortgage Ready” Overall Population**
 - » 3.1 Million Black American are “Mortgage Ready”
- The Red Block shows that 53% of Black Americans are not currently Mortgage ready based on our criteria. More efforts are needed to move this population to Near or Mortgage ready.

Affordability overall is challenging, especially for lower income borrowers of the future



Note: Freddie Mac calculation using anonymized credit bureau data and Home Value Explorer (HVE) data. Green line represents fair market value for single-family home. Blue, orange, gray and black lines represent the typical budget for "Mortgage Ready" Non-Hispanic White, Black, Latino and AAPI consumers, respectively. Individual budget was calculated based on a back-end DTI cap of 43% and 3% down payment for 30-year fixed-rate mortgage contract. Interest based on PMMS.

Overall, Low Income Borrower are more constraint with homes greater than their budget can afford



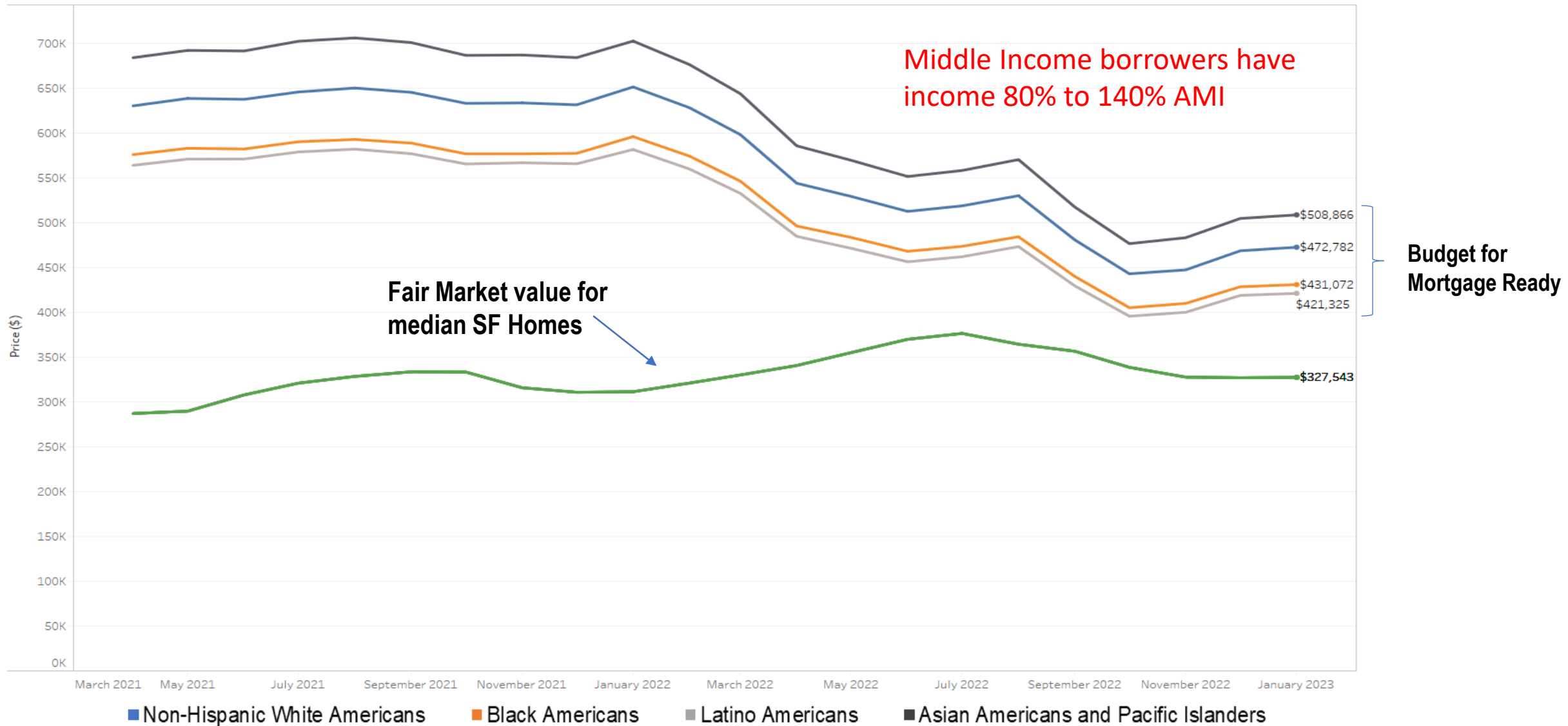
Fair market value for median SF Homes

Budget for Mortgage Ready

Note: Freddie Mac calculation using anonymized credit bureau data and hve data. Mortgage capacity measures the maximum house price a "Mortgage Ready" renter can afford based on 3% down payment and 30-year fixed-rate mortgage payment (PMMS30, Freddie Mac), with back-end debt-to-income ratio set at 43%. Due to changes made in approach used for authors' calculations, these numbers are not comparable with previous versions of the deck.

■ Non-Hispanic White Americans ■ Black Americans ■ Latino Americans ■ Asian Americans and Pacific Islanders

Middle-Income “Mortgage Ready” renters have enough income to support their debt and a mortgage payment



Note: Freddie Mac calculation using anonymized credit bureau data and Home Value Explorer (HVE) data. Green line represents fair market value for single-family home. Blue, orange, gray and black lines represent the typical budget for “Mortgage Ready” Non-Hispanic White, Black, Latino and AAPI consumers, respectively. Individual budget was calculated based on a back-end DTI cap of 43% and 3% down payment for 30-year fixed-rate mortgage contract. Interest based on PMMS. Due to changes made in approach used for authors' calculations, these numbers are not comparable with previous versions of the deck.

Down Payment is still a barrier for **Middle-Income** “Mortgage Ready” Renters based on where they live.

Race/Ethnicity	Gross 3% Down Payment (Median)		Estimated Closing Cost (Median)		6mo Saving (Median)		Cash Required at Closing
Middle-Income "Mortgage Ready" Consumers							
Non-Hispanic White Americans	\$9,184	+	\$6,733	-	\$2,648	=	\$13,269
Black Americans	\$8,226	+	\$6,037	-	\$2,532	=	\$11,731
Latino Americans	\$10,977	+	\$8,052	-	\$2,519	=	\$16,510
Asian Americans and Pacific Islanders	\$12,102	+	\$8,875	-	\$2,738	=	\$18,238

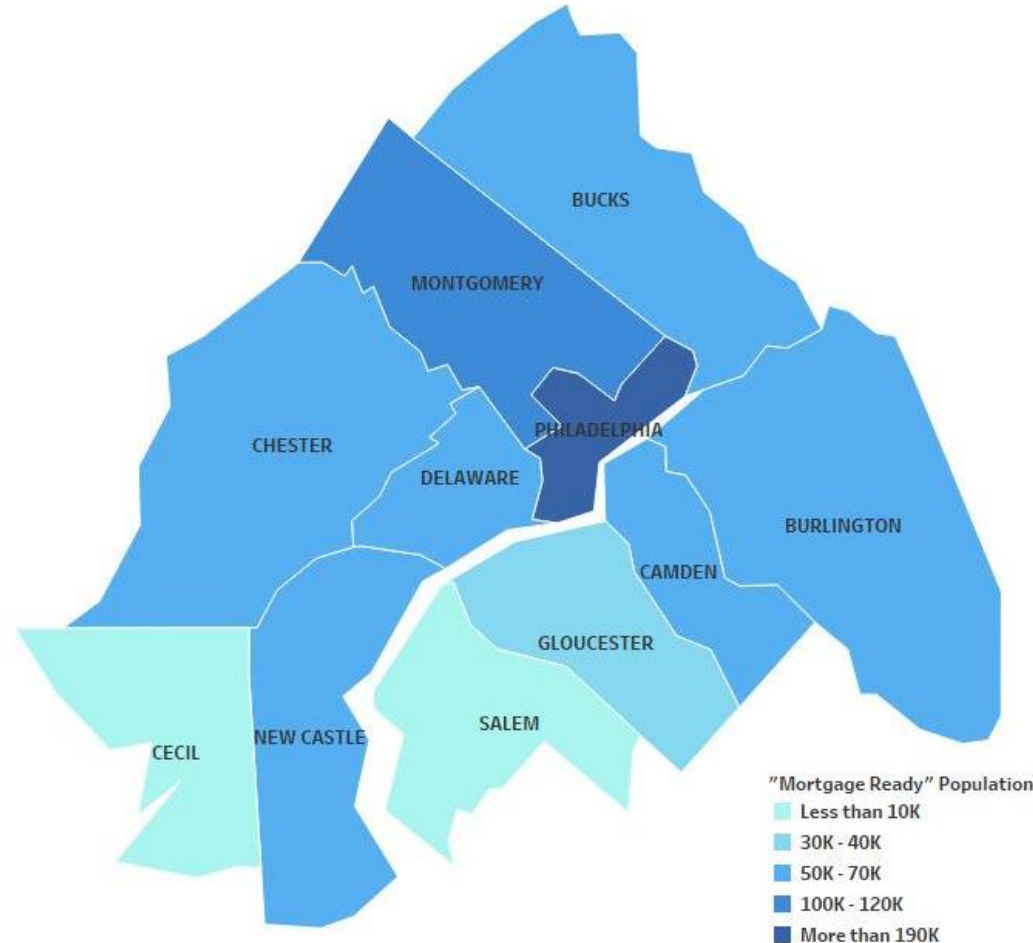
Source: Freddie Mac calculations using anonymized credit bureau data and Freddie Mac Home Value Explorer data for January 2023. Savings was calculated by assuming each individual saves 7.5% of his/her post-tax income. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. We estimate net income by subtracting both state and fed taxes from gross income at the individual-level. Median house price value at the individual's county of residence was used to derive for both down payment and closing cost calculations. Estimated closing costs net of credits gives the median net closing costs incurred by borrowers after discounting for lender credit. We assume closing cost as a percentage of sales price for all borrowers is 2.2% (Mota and Palim 2021). Due to changes made in approach used for authors' calculations, these numbers are not comparable with previous versions of the deck.

- Overall, Middle-Income “mortgage ready” consumers need over \$10,000 in down payment and closing costs even with 6 months of savings.
 - Overall, a year of saving for the Black Americans \$5,110 is not enough to cover estimated closing costs.
- More focus on this barrier for this population could reduce the homeownership gap.

What does the “mortgage ready” population look like in Philadelphia?

Higher numbers of “mortgage ready” population reside in the city and the surrounding northern counties.

Affordability and time to save for down payment factors are better than the national average.



Overall	United States	Philadelphia
SF Affordability	20%	24%
Housing Stock(ratio)	3.2	4.3
Time to Save for 3% Down(yr)	3.0	2.5
Cash Required at Closing	\$16,653	\$14,000

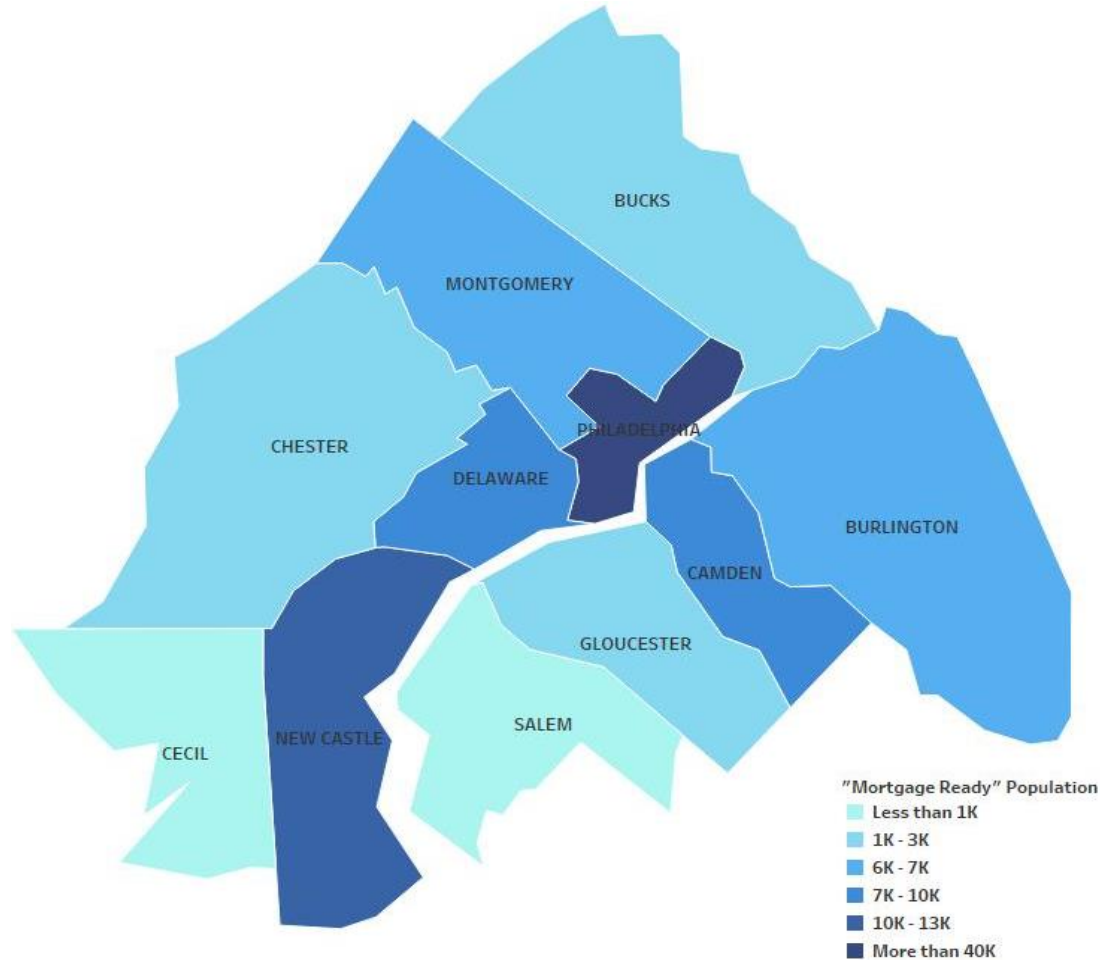
$$SF\text{ Affordability} = \frac{\# \text{ of "Mortgage Ready" who can afford house}}{\text{"Mortgage Ready" Population}}$$

Note: Based on data from Redfin.com for January 2023 to investigate housing stock. According to industry rule of thumb, housing stock is adequate if Housing Stock Indicator exceeds 6.0. Freddie Mac calculations using anonymized credit bureau data for January 2023. Time to Save is calculated by dividing down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. Freddie Mac calculations at the CBSA-level using anonymized credit bureau data for January 2023 and Freddie Mac Home Value Explorer data for November 2022. Note: According to NAR’s methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.27% mortgage rate as of January 2023, 30-year contract), then that house is affordable for him/her/them.

What does the “mortgage ready” Black population look like in Philadelphia?

Higher numbers of “mortgage ready” Black population reside in the city and the surrounding counties.

Affordability and time to save for down payment factors are better than the national average.



	Black	United States	Philadelphia
SF Affordability		19%	22%
Housing Stock(ratio)		3.2	4.3
Time to Save for 3% Down(yr)		2.9	2.4
Cash Required at Closing		\$13,925	\$10,505

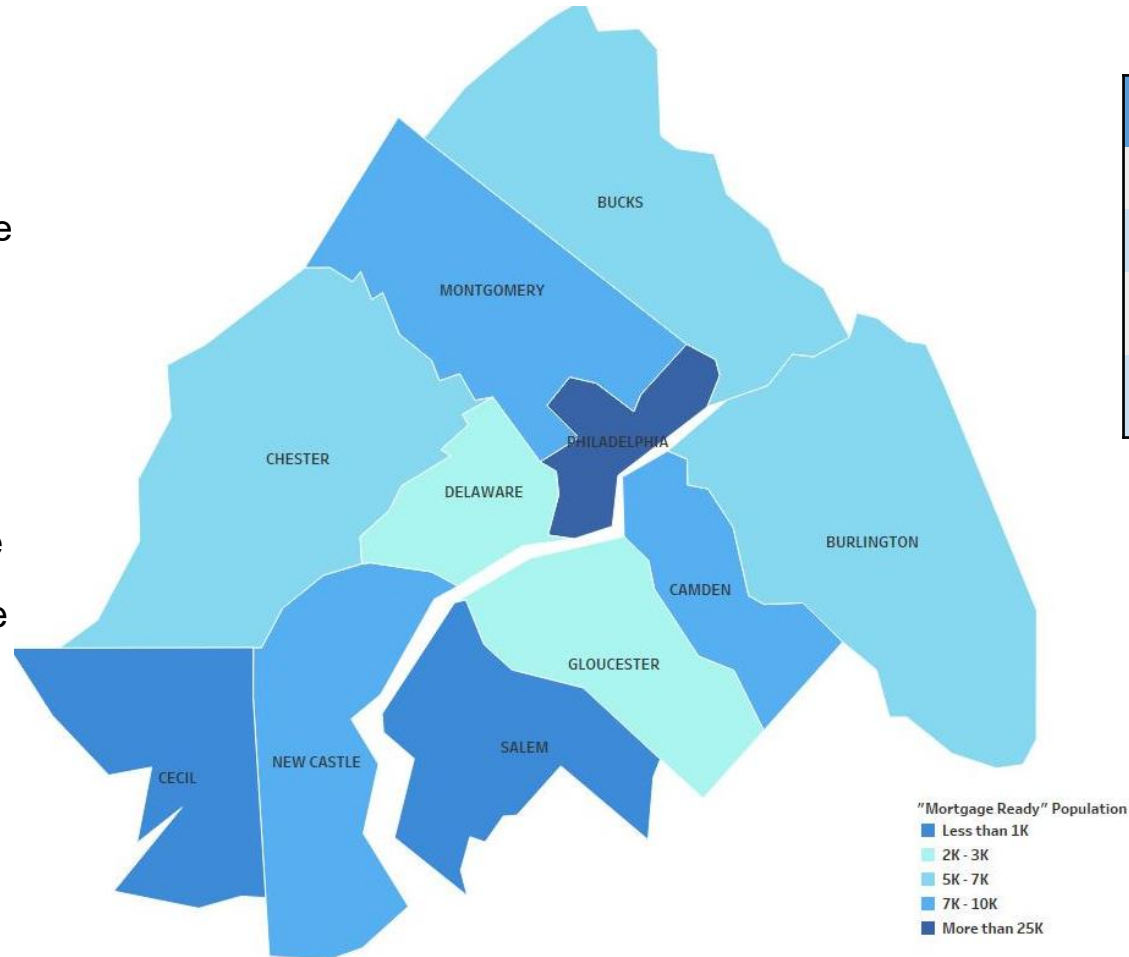
$$SF\ Affordability = \frac{\#\ of\ "Mortgage\ Ready"\ who\ can\ afford\ house}{\text{"Mortgage Ready" Population}}$$

Note: Based on data from Redfin.com for January 2023 to investigate housing stock. According to industry rule of thumb, housing stock is adequate if Housing Stock Indicator exceeds 6.0. Freddie Mac calculations using anonymized credit bureau data for January 2023. Time to Save is calculated by dividing down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. Freddie Mac calculations at the CBSA-level using anonymized credit bureau data for January 2023 and Freddie Mac Home Value Explorer data for November 2022. Note: According to NAR’s methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.27% mortgage rate as of January 2023, 30-year contract), then that house is affordable for him/her/them.

What does the “mortgage ready” Latino population look like in Philadelphia?

Higher numbers of “mortgage ready” Latino population reside in the city and the surrounding counties.

Affordability and time to save for down payment factors are better than the national average.

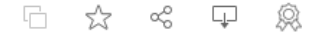


Latino	United States	Philadelphia
SF Affordability	9%	16%
Housing Stock(ratio)	3.2	4.3
Time to Save for 3% Down(yr)	3.9	2.7
Cash Required at Closing	\$19,695	\$12,802

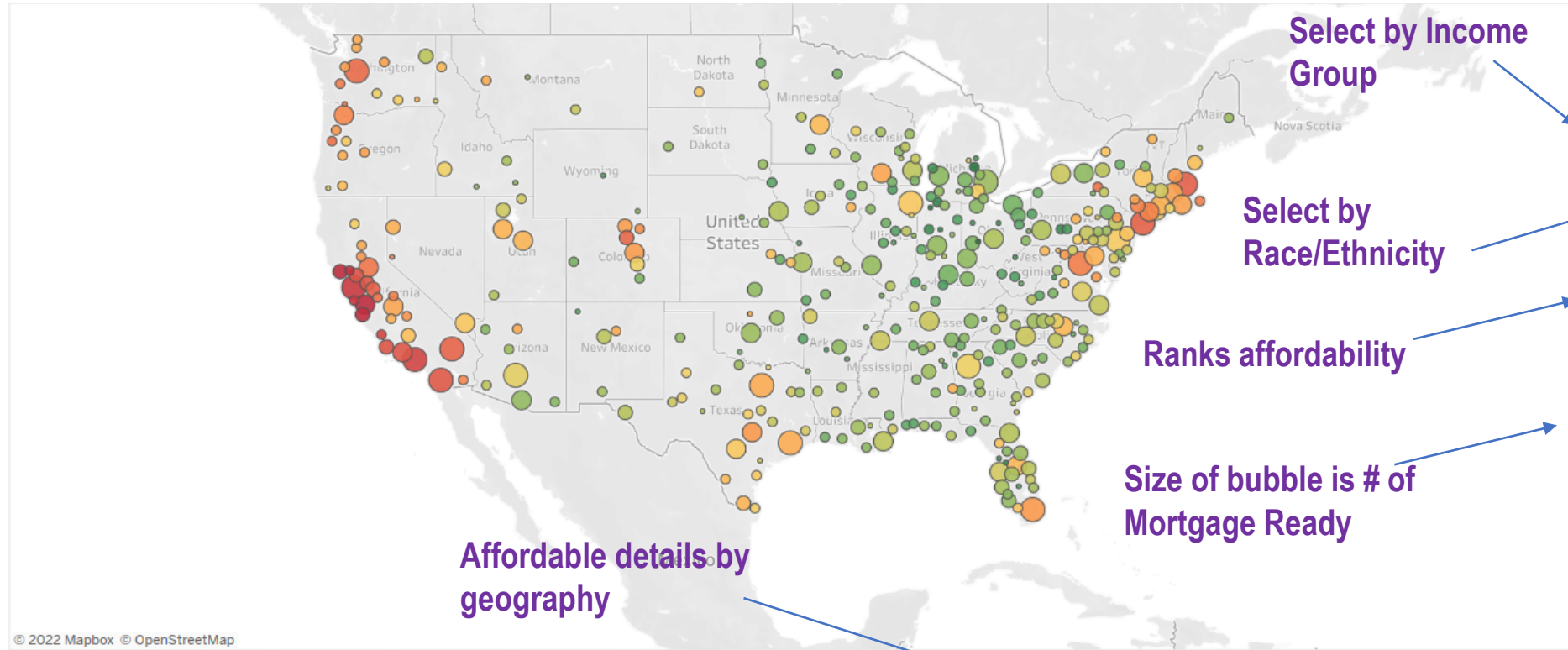
$$SF\ Affordability = \frac{\#\ of\ "Mortgage\ Ready"\ who\ can\ afford\ house}{\text{"Mortgage Ready" Population}}$$

Note: Based on data from Redfin.com for January 2023 to investigate housing stock. According to industry rule of thumb, housing stock is adequate if Housing Stock Indicator exceeds 6.0. Freddie Mac calculations using anonymized credit bureau data for January 2023. Time to Save is calculated by dividing down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. Freddie Mac calculations at the CBSA-level using anonymized credit bureau data for January 2023 and Freddie Mac Home Value Explorer data for November 2022. Note: According to NAR’s methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.27% mortgage rate as of January 2023, 30-year contract), then that house is affordable for him/her/them.

Freddie Mac First Time Homebuyer Affordability Map by [Single Family Client and Community Engagement](#)



Freddie Mac First-Time Homebuyer Affordability Map



Select Year

Select Year
2020

Select by Income Group

Select Income Group
All
All
Low-to-Moderate Income
Middle Income
All Racial/Ethnic Groups

Select by Race/Ethnicity

Ranks affordability

FFTHAM Value
13.08 65.70

Size of bubble is # of Mortgage Ready

Mortgage Ready Count

- Less than 10K
- Less than 50K
- Less than 100K
- Less than 500K
- More than 500K

Affordable details by geography

© 2022 Mapbox © OpenStreetMap

Source: Freddie Mac calculation using Credit Bureau data and National Mortgage Database.

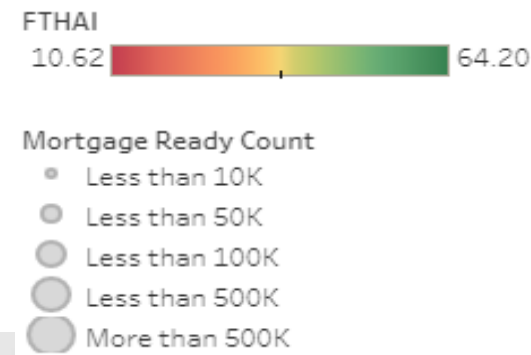
Note: 1. Freddie Mac First-Time Homebuyer Affordability Map (FFTHAM) measures how many "Mortgage Ready" consumers have enough income to purchase a home by comparing their income distribution to recent first-time homebuyers' income distribution at MSA level. 2. A consumer is categorized as "Mortgage Ready" if he or she does not have a mortgage, is 45 or younger, has a credit score of 661 or above, has a back-end debt-to-income ratio not exceeding 25 percent, has no foreclosures or bankruptcies in the past 84 months, and has no severe delinquencies in the past 12 months. These definitions are research-based assessments and does not relate to our Guide or underwriting criteria. 3. Middle income refers to someone whose annual income is between 80% and 140% Area Median Income. 4. Year to Save evaluates the down payment challenge by measuring the time needed to save for 3% down payment for a median priced Single Family home at the individual's county of residence, under the assumption that the consumer does not have any savings to begin with, and will save a flat rate (i.e., 7.5%) of their net income each year. 5. Housing stock ratio measures the adequacy (if above 6) of housing stock at a given market.

Category	City
Mortgage Ready Count (#):	New Haven-Milford, CT 111,000
FFTHAM Value (%):	40
Housing Stock Ratio:	2
Median Year to Save (3% DP):	3

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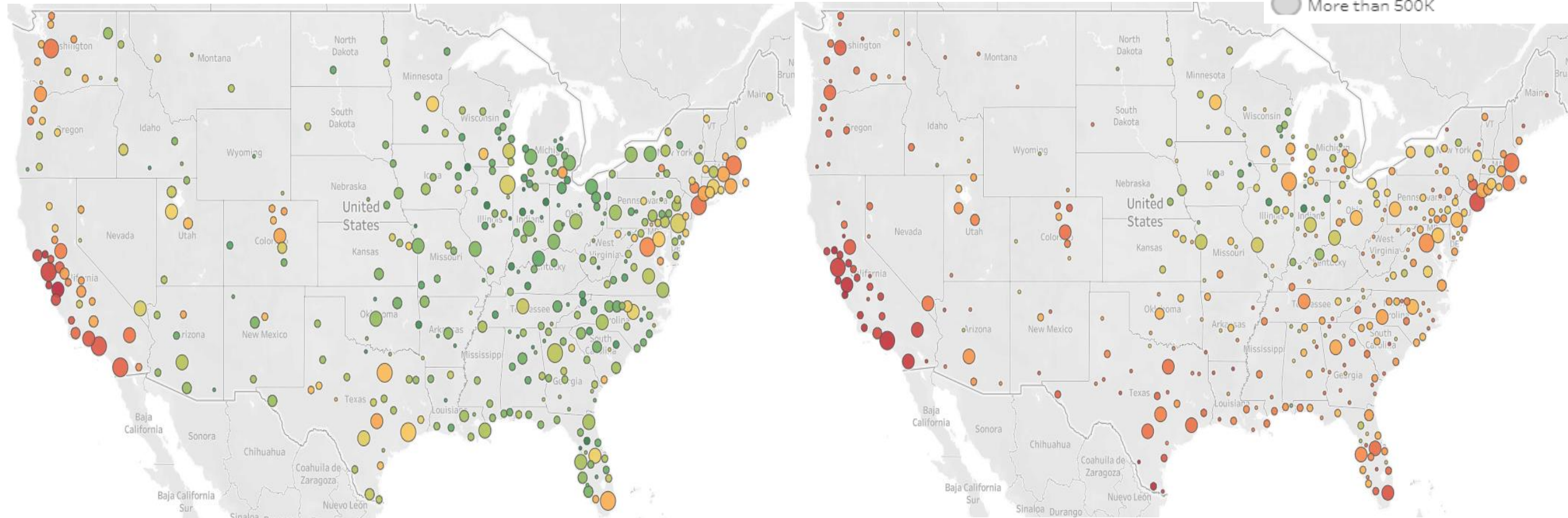


Freddie First Time Homebuyer Affordability Map (FFTHAM) for All Mortgage ready vs. LMI by MSA



All

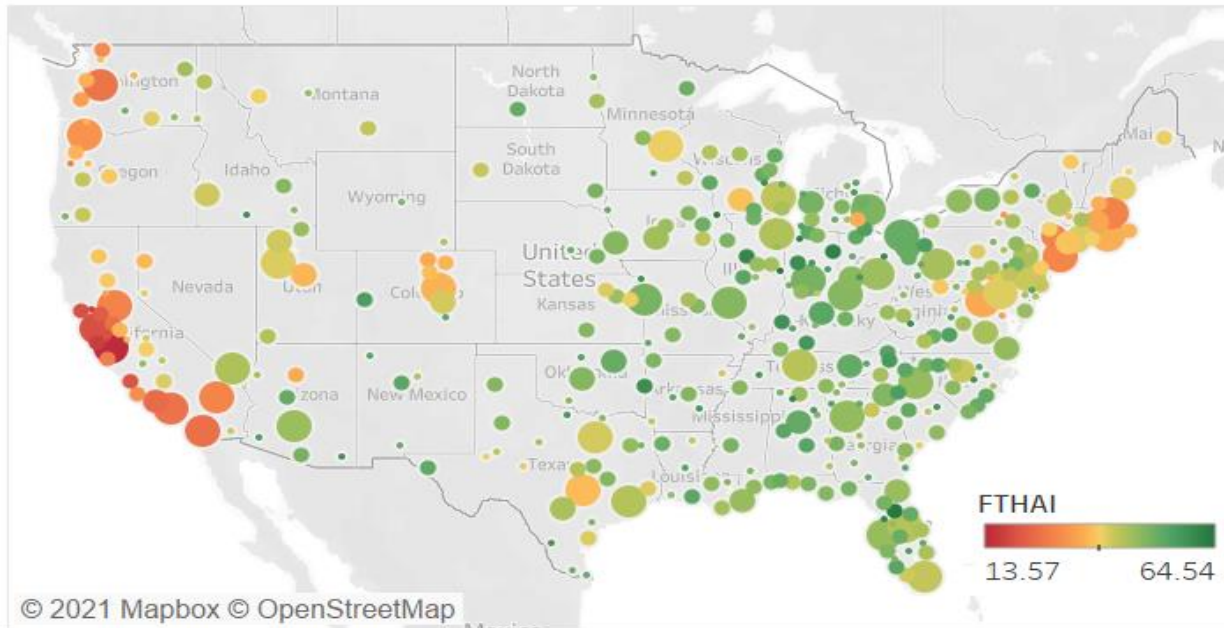
LMI



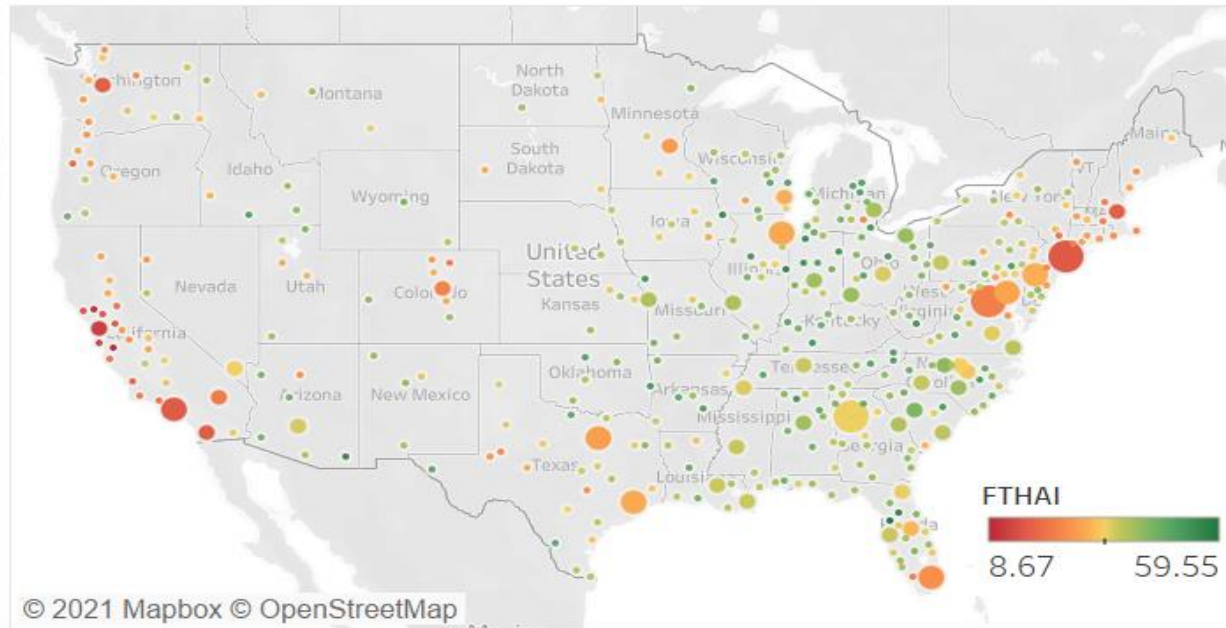
- Many cities that are affordable to all income levels are no longer affordable for the LMI community.



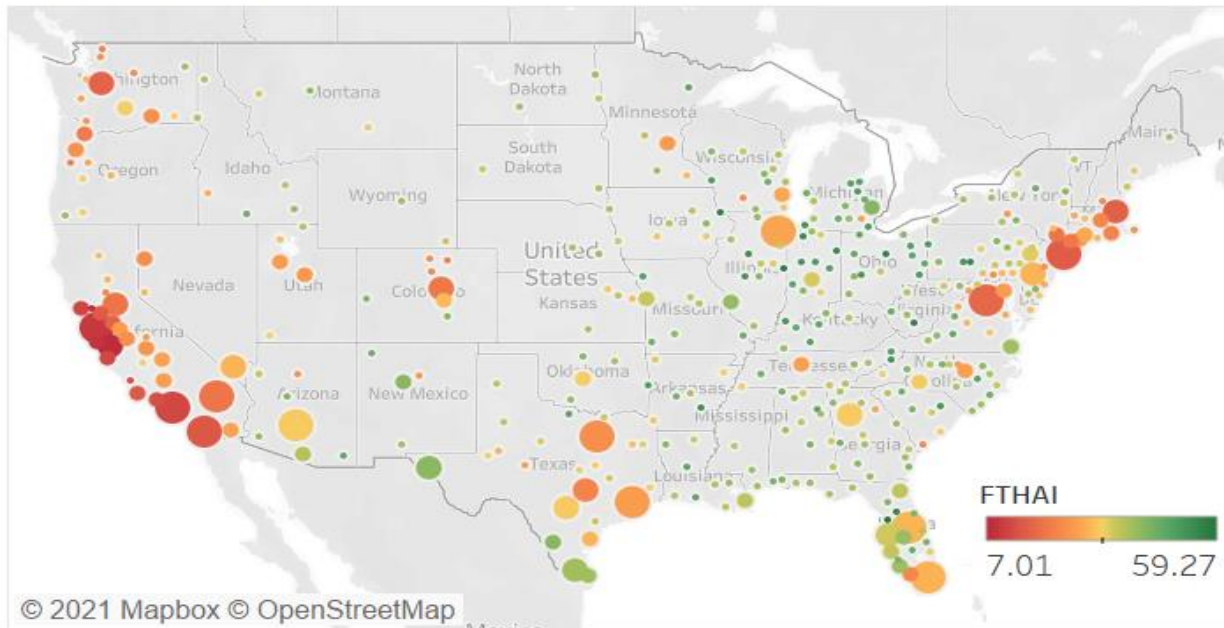
Non-Hispanic White Americans



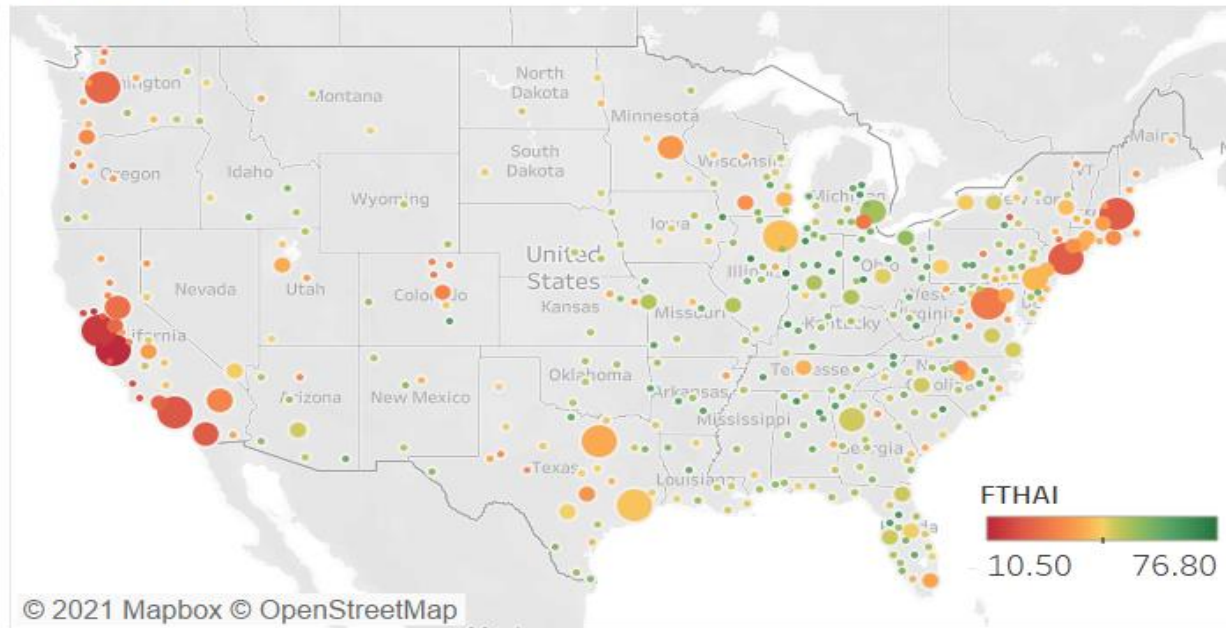
Black Americans



Hispanics Americans



Asian Americans



Where can you find Freddie First Time Homebuyer Affordability Map?



- **Published paper on www.Freddiemac.com/research**
 - Freddie Mac First-Time Homebuyer Affordability Map: A Novel Approach to Measure Affordability for Future Borrowers
 - **Map link is in the paper.**
- **For Questions, please contact Cindy_Waldron@freddiemac.com or Jaya_Dey@Freddiemac.com**



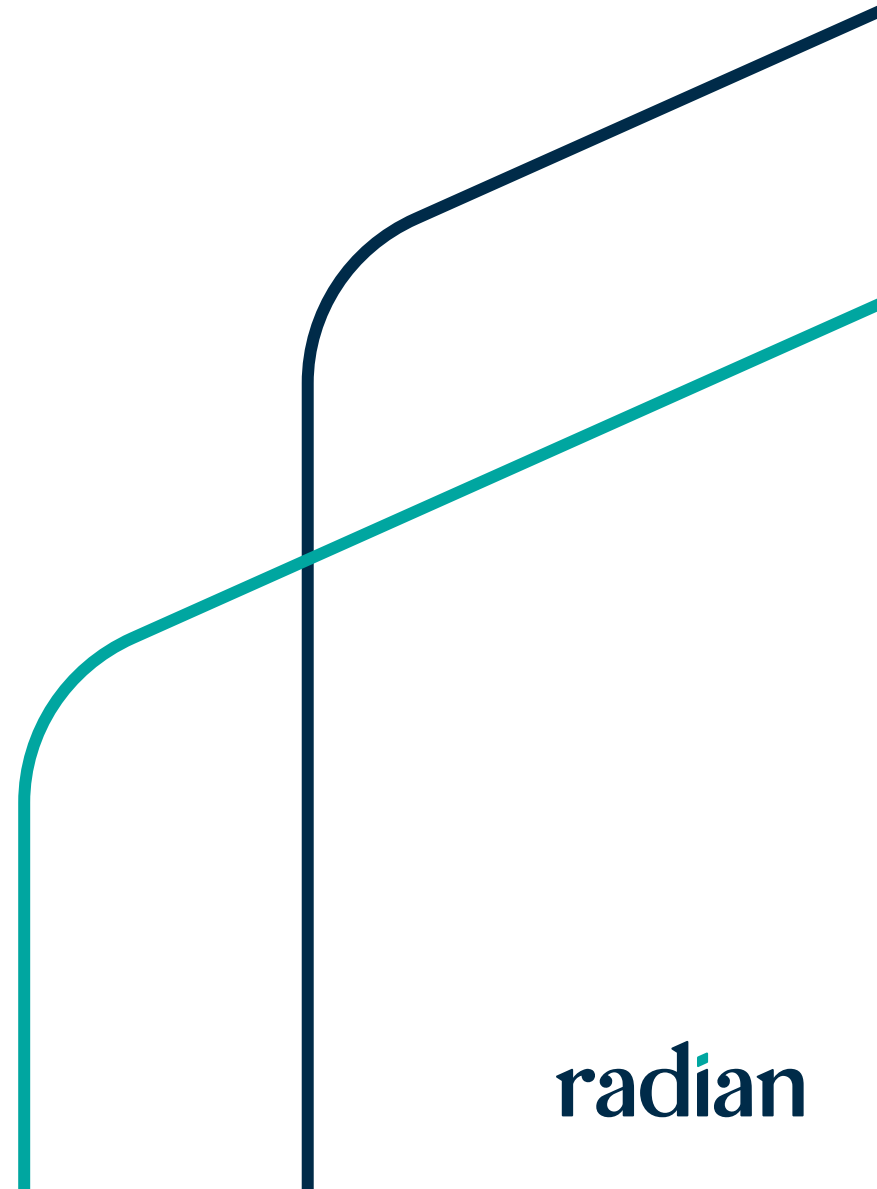
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Affordable Housing Initiative : MI Focus

August 4, 2022

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Philadelphia Area Overview



We are focusing on the City of Philadelphia and its surrounding areas

The Greater Philadelphia Area has three main regions that statistical data is available for:

- **The Philadelphia MSA** (Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area, MSA #37980) 
- **The Philadelphia MD** (Philadelphia, PA Metro Division, MD #37964) 
- **The City of Philadelphia** (Philadelphia County, County ID #42101) 

Of these three, we will focus on the City of Philadelphia because:

1. For all practical purposes, “Philadelphia County” *is* the city, so this aligns with both available data and the common understanding of what area data about Philly applies to
2. Data is readily available through HMDA
3. The demographics are significantly different at the MSA, MD, and City level

We will compare the City of Philadelphia to the Philly MSA, Philly MD, and the US for context.

The Geographic Limits of Philadelphia MSA, MD, and County









Philadelphia County is the city limits. For locals, this geographic border is important. Areas outside Philadelphia County are the Greater Philadelphia Area (read: not “actually Philly”).

Philadelphia MSA includes: Montgomery, Bucks, Delaware, New Castle, Chester, Camden, Burlington, Gloucester, Cecil, and Salem Counties

Philadelphia MD is Philadelphia and Delaware counties.



Demographics in the Greater Philadelphia Area

	 USA	 Philadelphia MSA	 Philadelphia MD	 City of Philadelphia
Population	331,893,745	6,228,601	2,150,100	1,576,251
Minority %	24% 	32% 	49% 	56% 
Median Household Income	\$64,994	\$74,533	\$54,520	\$49,127
Homeownership %	65%	67%	57%	53%

Census tracts with similar statistics are clustered geographically

Census tracts with similar statistics are clustered within the City of Philadelphia indicating potential areas of focus.

Census Tracts - Percent Minority Population



Census Tracts - Percent Owner Occupied Units



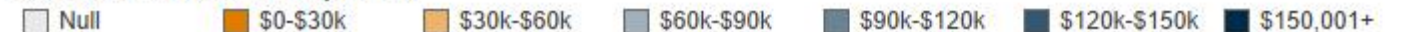
Census Tracts - Median Family Income



Minority % or Owner Occupied %



2021 Est Tract Median Family Income

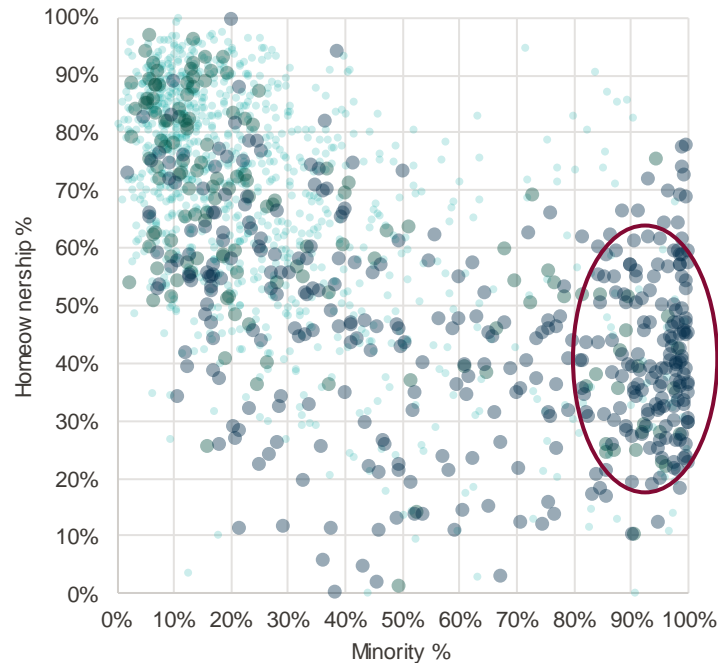


Geography matters in the Greater Philadelphia Area

These scatterplots show how different indicators correlate for census tracts. Each tract is represented by a dot. Large dots are for Philadelphia and Delaware Counties. Small dots are for counties in the MSA outside of the MD.

Minority % vs. Homeownership %

• Outer MSA Counties • Delaware County • Philadelphia County

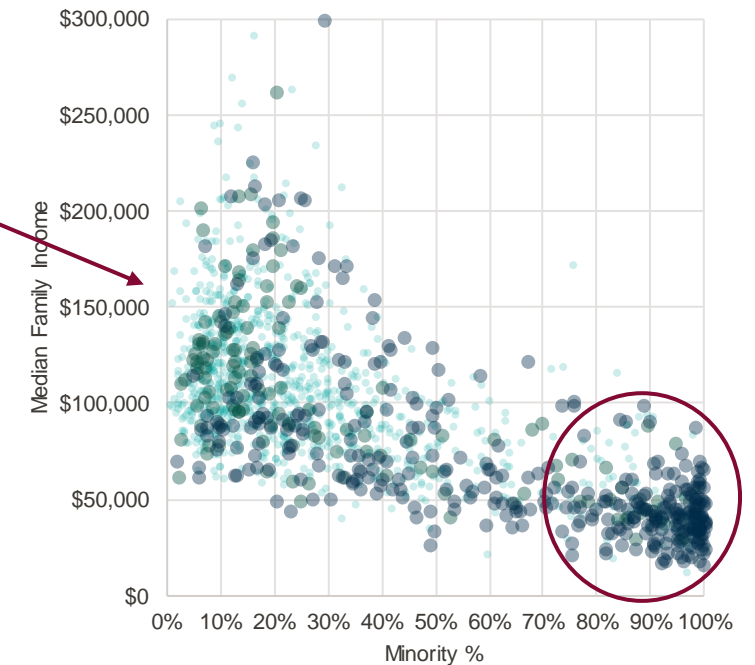


While there is variation, there is a strong negative relationship between Minority % and Median Family income for census tracts, and a large cluster of poor and high minority tracts within the Philly city limits.

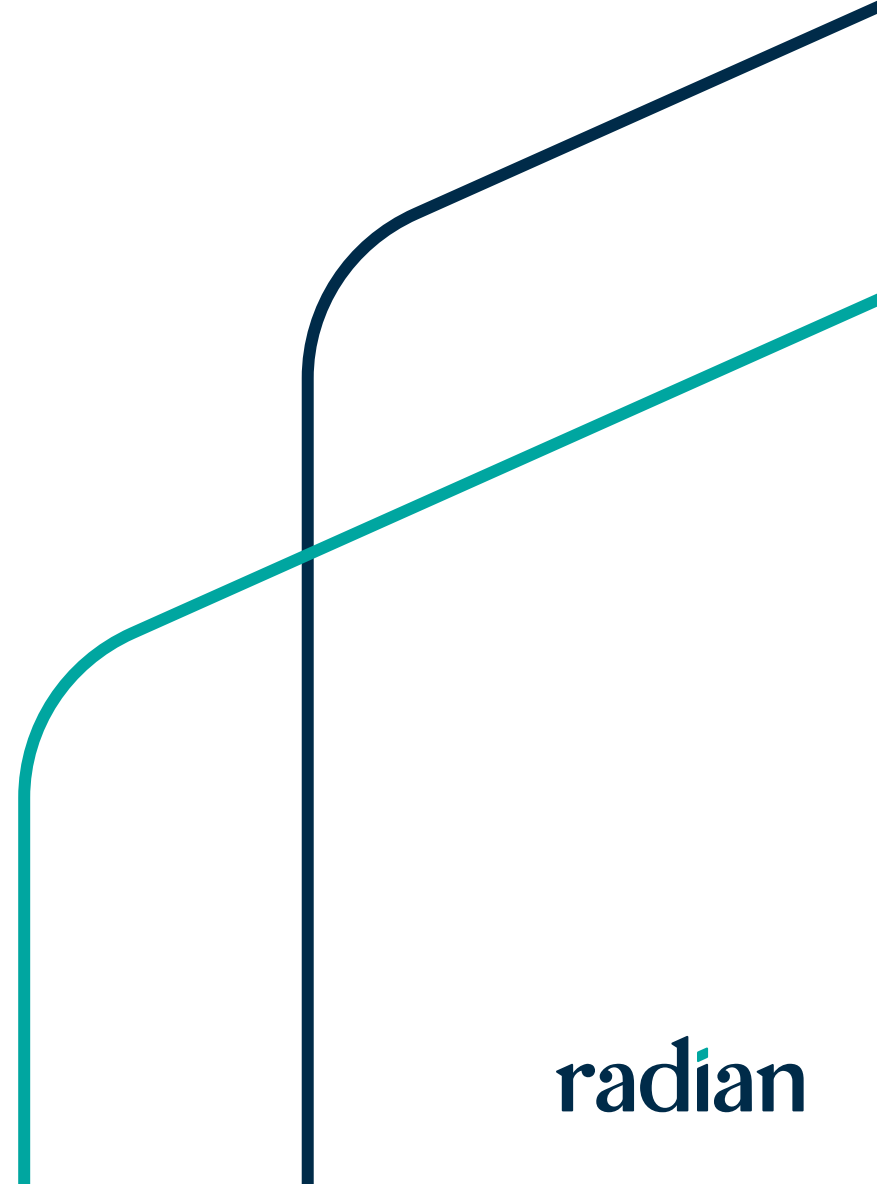
Census tracts with higher minority % tend to have lower homeownership %, but there is plenty of variation. Many of these tracts are within the Philly City Limits.

Minority % vs. Median Family Income

• Outer MSA Counties • Delaware County • Philadelphia County

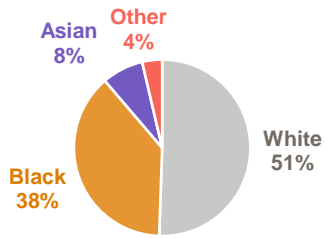


Philadelphia Area Loan Application Initial Analysis

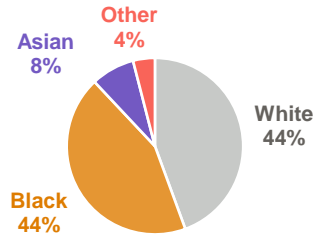


Philadelphia's demographics shift significantly depending on the geographic area...

 Philadelphia MD

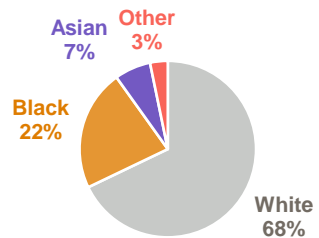


 City of Philadelphia

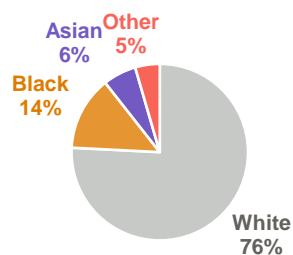


Philly and Philly MD are similar, while the Philly MSA is more similar to the US as a whole

 Philadelphia MSA



 USA



The three largest racial groups in the City of Philadelphia are White (44%), Black (44%) and Asian (8%).

Within our data, the applications for home loans are represented as follows:

Home Loan Applications in Philadelphia MSA 

White	72,062	55.08%
Race Not Available	32,423	24.78%
Black	15,126	11.56%
Asian	8,336	6.37%
Other	2,882	2.20%

A significant amount of applications have no race information

Home Loan Applications in Philadelphia MD 

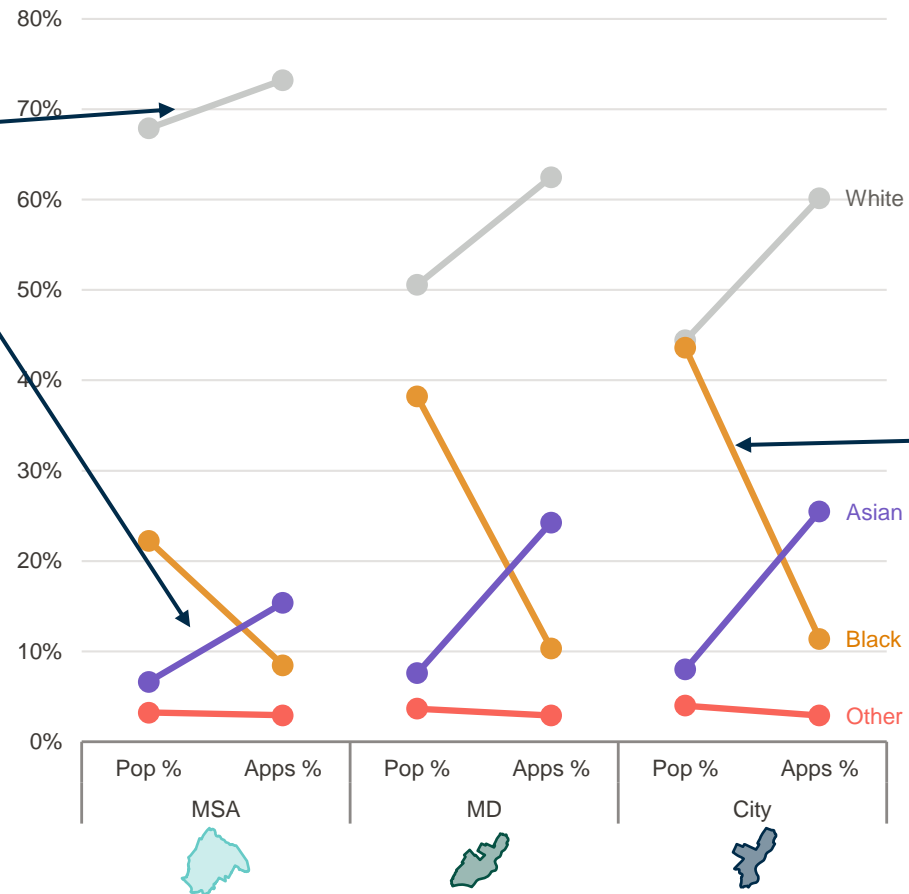
White	16,533	45.83%
Race Not Available	9,614	26.65%
Black	6,423	17.81%
Asian	2,735	7.58%
Other	769	2.13%

The number of applications is disproportionately small for Black people in Philadelphia

... but these shifting demographics are not reflected equitably in the number of applications

The upward slope of the lines for White and Asian people show that they are **overrepresented in applications compared to their population percent** as the geographic area changes

Population Percent vs Application Percent



Meanwhile, the Black population is **underrepresented in applications compared to their population percent** (downward slope)

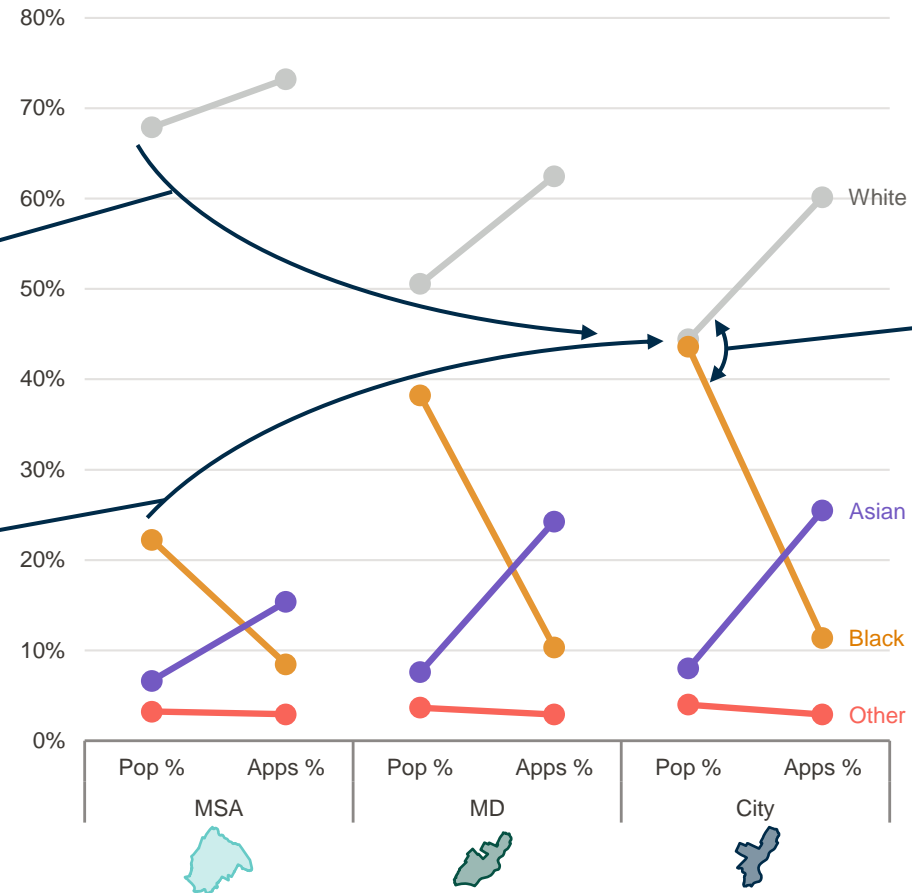
Note: These numbers are percent of applications with known race; about a quarter of applications recorded during 2020 did not have race information attached.

In fact, the application rate becomes even more disproportionate

Population Percent vs Application Percent

White and Asian applications become **steadily more overrepresented (steeper upward slopes)**, even as White people represent less of the population

Meanwhile, Black applications become **steadily more underrepresented (steeper downward slope)** even when they are equal in number to White people



Minority application volume is an **important driver, so we plan to look closer at this gap** (and at application volume for Black people in particular)

Note: These numbers are percent of applications with known race; about a quarter of applications recorded during 2020 did not have race information attached.

The approval rate also shifts geographically

Approval rates are above 65% for all groups in the Greater Philadelphia Area.

However, approval rates **drop for Black people** within the Philly Metro District and the City proper.

This provides extra evidence that it is worth looking more closely at the context of applying for a home loan for Black people.

Approval Rate For Loan Applications



Note: About 27% of approved applications and about 17% of denied or excluded applications did not have race information attached.

Applications can be categorized by their results

Application Results in Philadelphia MSA

	Approved		Denied		Exclude	
White	58,430	81.08%	3,750	5.20%	9,882	13.71%
Asian	6,102	73.20%	692	8.30%	1,542	18.50%
Black	10,648	70.40%	1,762	11.65%	2,716	17.96%
Other	2,132	73.98%	213	7.39%	537	18.63%
Race Not Available	27,968	86.26%	1,383	4.27%	3,072	9.47%
Overall	105,280	80.47%	7,800	5.96%	17,749	13.57%

Application Results in Philadelphia MD

	Approved		Denied		Exclude	
White	13,409	81.10%	788	4.77%	2,336	14.13%
Asian	1,985	72.58%	293	10.71%	457	16.71%
Black	4,408	68.63%	821	12.78%	1,194	18.59%
Other	546	71.00%	60	7.80%	163	21.20%
Race Not Available	8,214	85.44%	449	4.67%	951	9.89%
Overall	28,562	79.18%	2,411	6.68%	5,101	14.14%

Many applications fail or are abandoned before they are approved or denied.

We are further filtering the data to focus in on:

- **Approved applications**, which usually become loan originations and help weed out multiple applications per homebuyer
- **Denied applications**, which tell us about barriers to homeownership
- And **excluded applications**, which were withdrawn or incomplete. Reasons why these applications were never finished may help find other barriers to homeownership

Definitions of Approved, Denied, and Exclude

Approved	Application approved but not accepted	2,050
	Loan originated	76,904
	Preapproval request approved but not accepted	58
	Purchased loan	26,268
Denied	Application denied	7,761
	Preapproval request denied	39
Exclude	Application withdrawn by applicant	15,448
	File closed for incompleteness	2,301

Applications are denied for several reasons:

Application Denial Reasons by Race in Philadelphia MSA



Denial Reason	Asian	Black	Other	Race Not Available	White	Grand Total
Debt-to-income ratio	36.3%	29.9%	24.9%	30.5%	28.6%	29.8%
Credit history	9.1%	24.5%	22.1%	14.9%	19.0%	18.7%
Collateral	12.0%	12.4%	16.4%	14.2%	16.2%	14.6%
Other	10.7%	9.5%	12.2%	13.5%	10.7%	11.0%
Credit application incomplete	12.0%	7.0%	5.2%	13.8%	11.7%	10.9%
Unverifiable information	8.7%	5.7%	8.5%	5.6%	4.9%	5.6%
Insufficient cash (downpayment, closing costs)	4.8%	5.6%	6.6%	3.9%	4.6%	4.8%
Employment history	5.1%	4.0%	2.3%	3.1%	3.0%	3.4%
No Reason Given	1.4%	1.6%	1.9%	0.2%	1.2%	1.2%
Mortgage insurance denied		0.1%		0.2%	0.1%	0.1%

Application Denial Reasons by Race in Philadelphia MD



Denial Reason	Asian	Black	Other	Race Not Available	White	Grand Total
Debt-to-income ratio	35.8%	28.1%	21.7%	29.4%	26.0%	28.5%
Collateral	14.3%	14.1%	23.3%	16.5%	18.3%	16.2%
Credit history	9.2%	23.0%	15.0%	15.1%	12.2%	16.1%
Other	13.0%	10.2%	13.3%	13.6%	12.2%	11.9%
Credit application incomplete	8.2%	8.3%	5.0%	12.9%	14.3%	11.0%
Unverifiable information	9.2%	6.2%	11.7%	4.5%	7.6%	6.8%
Insufficient cash (downpayment, closing costs)	5.1%	5.6%	8.3%	4.9%	5.3%	5.4%
Employment history	5.1%	4.3%	1.7%	3.1%	3.8%	3.9%
No Reason Given		0.1%			0.1%	0.1%
Mortgage insurance denied					0.1%	0.0%

The most common denial reasons don't change much from MSA to MD, but do vary by race

Applications are denied for similar reasons across all groups and across the whole geographic area. The top five reasons are:

1. Debt to income ratio
2. Credit history
3. Collateral
4. Other
5. Credit application incomplete

HMDA defines these as:

DTI: "Income insufficient for amount of credit requested, and Excessive obligations in relation to income"

Credit history: "Insufficient number of credit references provided; Unacceptable type of credit references provided; No credit file; Limited credit experience; Poor credit performance with us; Delinquent past or present credit obligations with others; Number of recent inquiries on credit bureau report; Garnishment, attachment, foreclosure, repossession, collection action, or judgment; and Bankruptcy"

Collateral: "Value or type of collateral not sufficient"

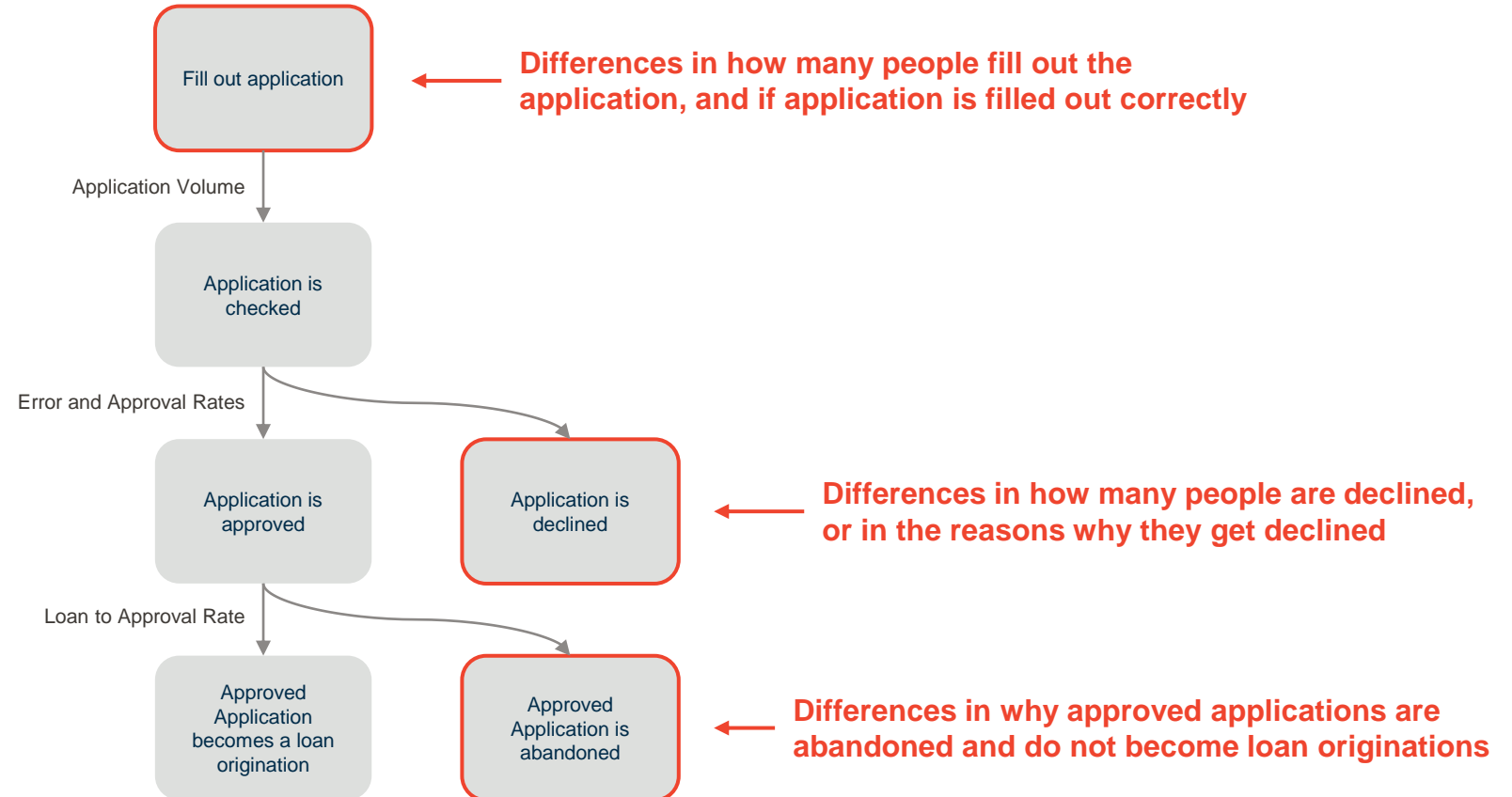


There are multiple places in the loan application process where gaps can emerge

Several metrics along this pipeline can be targeted with interventions once further research is complete.

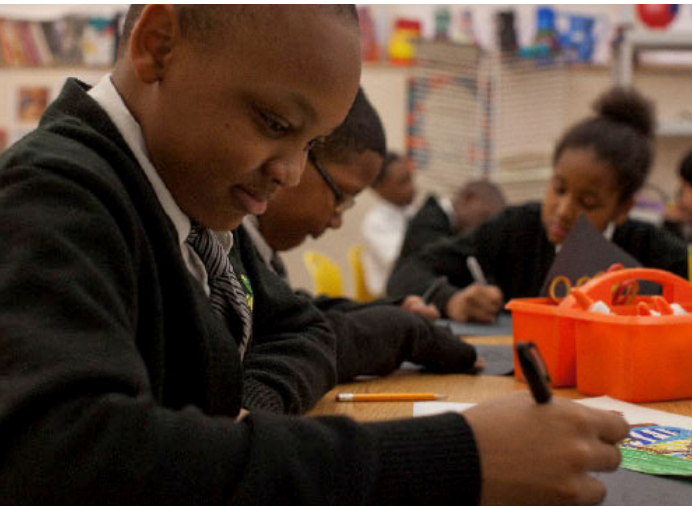
- **Application Volume:** Number of Black or minority applicants filling out applications
- **Error Rate:** Rate of missing information or other errors on the applications
- **Approval Rate:** Rate at which Black or minority applicants are approved instead of declined
- **Loan to Approval Rate:** rate at which approved loans become a loan origination

In addition to targeted metrics, conditions outside this pipeline (e.g., housing market, foreclosure rates) may be worth investigating for the effects on the pipeline as a whole





REINVESTMENT
FUND



Convergence: Uniting for Housing Affordability; Understanding the Market – Data Driven Highlights

Philadelphia Launch Event

March 15, 2023

About Reinvestment Fund

- We are a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities.
- Since 1985, Reinvestment Fund has made **\$2.7 billion** in cumulative investments and loans.
- We are supported by **830 investors** that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.

How we work:



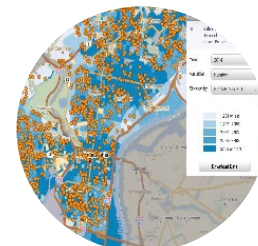
Lending & Investing



Capacity Building & Capital Access Programs



Policy Solutions



PolicyMap



REINVESTMENT FUND

In just the last few years, Philadelphia has been active passing laws, promulgating policy, and funding/supporting government/nonprofit initiatives

- Assessment of Fair Housing (forthcoming, 2023)
- Wells Fargo Wealth Opportunities Restored Through Homeownership “BIPOC WORTH” Initiative (2022)
- Philadelphia Accelerator Fund (2022)
- Philadelphia Home Appraisal Bias Task Force (2021/2022)
- PHA Landlord Incentive Program (2021)
- Inclusionary Zoning (2021)
- Neighborhood Preservation Initiative [\$400 million] Bond Sale (2021)
- Dedicated Funding For Housing Trust Fund (2019/2021)
- Tenant Screening Protections (2021)
- New Normal Budget Act (2020)
- Emergency Rental Assistance (2020-2022)
- Eviction Moratoria (2020-2021)
- Philly First Home
- Housing Action Plan (2018)
- Housing Advisory Board (2015)

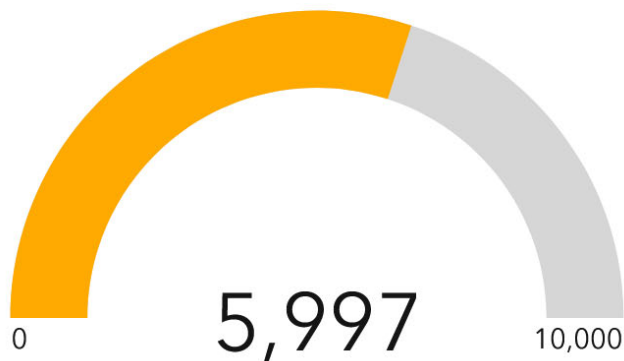
Annually, the City (using principally a portion of its CDBG allocation) supports a significant number of *housing counseling agencies, legal assistance groups*, and since approximately 2008, the *Residential Mortgage Foreclosure Diversion Program*.

Housing Action Plan – Guiding & “Oversight” of Activities

- Create or preserve 100,000 housing units in 10 years (85% \leq 120% median income and 15% market rate)
- Public dashboard of accomplishments

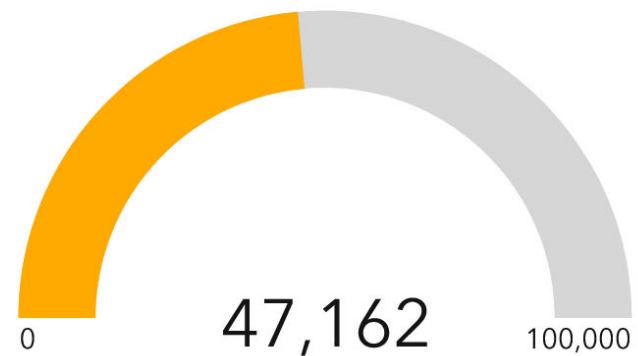
<https://www.phila.gov/departments/division-of-housing-and-community-development/about/housing-action-plan/housing-action-plan-dashboard/>

Annual Goal: 10,000 units



In 2022, Philadelphia is on track to meet its annual goal

10-Year Goal: 100,000



Data through June 30, 2022

City dedicates significant federal and local resources to housing production and preservation, neighborhood improvements, and critical amenities and infrastructure

Table 72: Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year Five				Expected Amount Available Remainder of Con Plan \$	Narrative Description
			Annual Allocation \$	Program Income \$	Prior Year Resources \$	Total \$		
CDBG	public - federal	Acquisition Administration and Planning Economic Development Housing Public Improvements Public Services	43,989,090	6,750,000	313,000	51,052,090	204,208,360	CDBG funds support home repair, housing counseling, neighborhood economic development, education, and community improvement projects and programs
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership Tenant-Based Rental Assistance	13,200,672	0	0	13,200,672	52,802,688	HOME funds support affordable rental/special needs housing production; and tenant-based rental assistance to prevent homelessness
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities Short-Term Rent, Mortgage and Utility Supportive services Tenant-Based Rental Assistance	8,731,093	0	0	8,731,093	34,924,372	The HOPWA program will fund programs and services specifically for persons with HIV/AIDS, including Tenant-Based Rental Assistance, housing counseling and supportive services
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid Re-housing (rental assistance) Rental Assistance Services Transitional housing	3,815,940	0	0	3,815,940	15,263,760	ESG funding will support Rapid Re-housing, Emergency Shelters Data/HMIS Systems, and a range of other Homeless Prevention programs
Housing Trust Fund-RF	public - local	Homeowner rehab Multifamily rental rehab Homeless Prevention	16,000,000	0	0	16,000,000	64,000,000	Housing Trust Fund Recording Fee earnings will be used to support affordable rental preservation projects; homeowner preservation and homeless prevention activities
Housing Trust Fund-GF	public - local	Multifamily rental new construction Multifamily rental rehab Other	27,870,000	0	0	27,870,000	111,480	Housing Trust Fund-New earnings will be used to support affordable rental production and preservation projects; Housing counseling activities and tangled title assistance.
Neighborhood Preservation Initiative	public - local	Multifamily rental new construction Multifamily rental rehab Homeowner rehab Homeless Prevention Other	91,450,000	0	0	91,450,000	365,800,000	Neighborhood Preservation Initiative funds will be used to support affordable rental production and preservation projects; housing counseling activities and tangled title assistance; rental assistance; closing costs/down payment/seller assistance; and business assistance
Other	public - local	Other Foreclosure Prevention Vacant land management ESG Match	7,876,000	0	0	7,876,000	31,504,000	Local funds are used to support foreclosure prevention, vacant land management through PHS and ESG match funding

PHFA/State Activity

- PA Whole Home Repair Program
- Keystone Home Loan Program
- K-Flex / K-Fit (Keystone Forgivable in Ten)
- Forthcoming pilot (from WORTH)

Table 18: PHFA's K-Fit Program Statistics For CY 2021

Area	Loan Volume	% to Minority Borrowers	Av K-Fit Loan	Avg Credit Score	% Scores 660-700
Allegheny	132	12.9%	\$7,729	728	13.2%
Philadelphia	829	57.4%	\$10,832	717	38.5%
Statewide	2217	40.1%	\$7,574	720	38.2%

Other PA counties with more than 50 loans include: Berks (112, 63.4% minority), Bucks (94, 21.3%), Dauphin (51, 33.3%), Delaware (146, 54.8%), Lancaster (63, 23.8%), Lehigh (88, 78.4%), Montgomery (119, 37%) and York (90, 18.9%).

Reinvestment Fund tabulation of data provided by PHFA.

Selected Market Factors To Consider

A very small percentage of renters—the core population for 1st time homebuyers—earned just a few hundred dollars from assets

Table 1: Households Earning Interest, Dividends and Rental Income Over \$100, \$250, and \$500 By Tenure, 2019

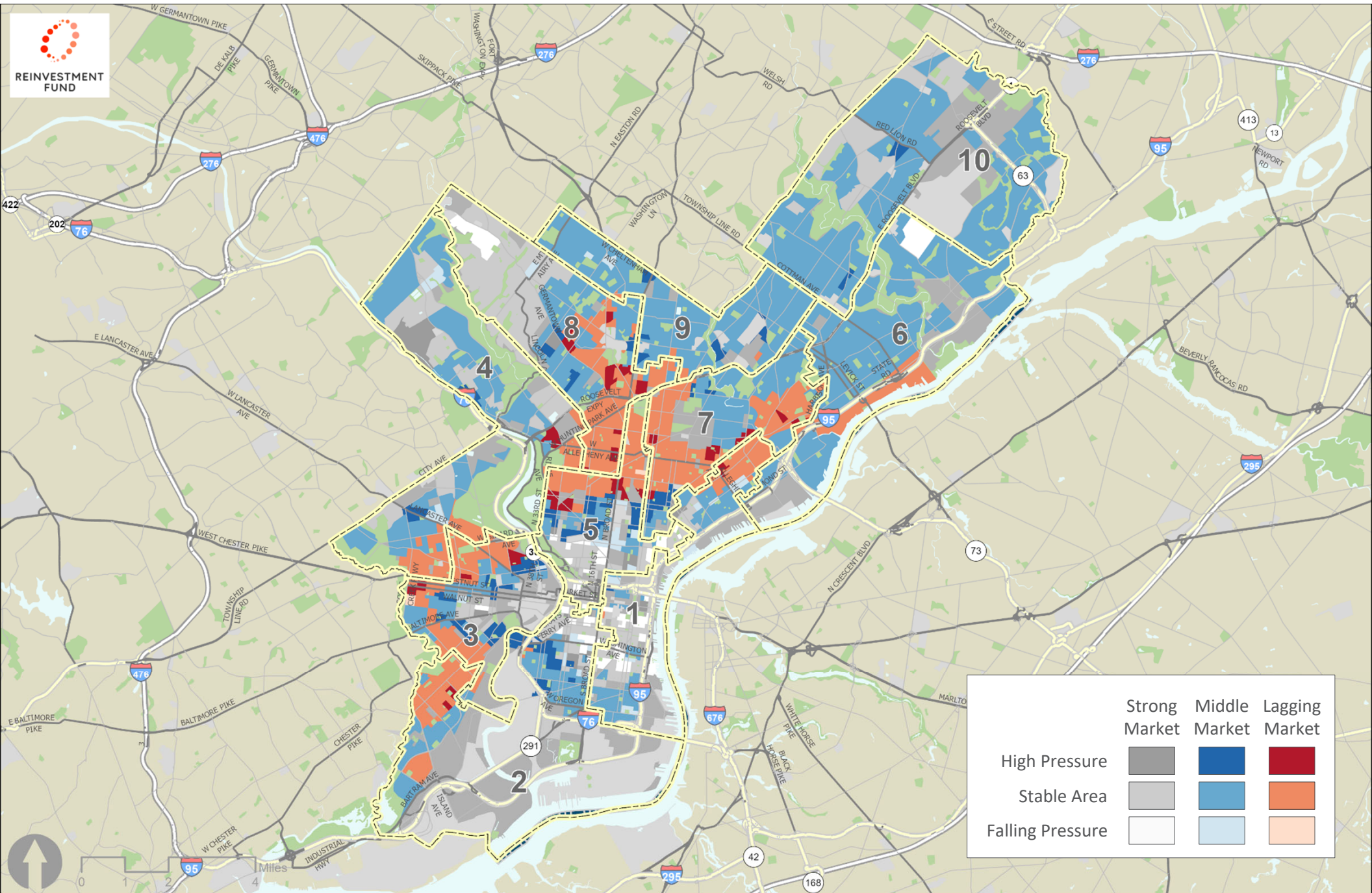
	PA		Allegheny		Philadelphia	
	Owner	Renter	Owner	Renter	Owner	Renter
White NH						
< \$100	22.9%	9.5%	24.7%	10.9%	23.8%	10.2%
> \$250	20.3%	8.2%	21.9%	9.2%	20.9%	8.6%
> \$500	18.5%	7.4%	19.9%	8.1%	19.3%	7.7%
Black NH						
< \$100	7.2%	1.4%	6.8%	1.8%	6.1%	1.2%
> \$250	6.3%	1.2%	6.1%	1.6%	5.4%	1.0%
> \$500	5.8%	1.0%	5.7%	1.5%	4.9%	0.7%
Hispanic						
< \$100	7.2%	1.8%	15.1%	5.2%	6.0%	2.2%
> \$250	6.3%	1.4%	12.5%	4.2%	4.9%	1.6%
> \$500	5.8%	1.3%	11.5%	3.2%	4.3%	1.6%

Summary of Market Characteristics

Average Values of Market Indicators by MVA Category

Count		Median Sales Price Condo Adj.	Variance of Sales Price	Permits	New Construction	Vacancy	Foreclosures	Owner Occupancy	Renter Subsidy	% Residential	% Code Violations
A	96	\$769,030	0.54	6%	1%	1%	3%	34%	4%	25%	1%
B	125	\$412,453	0.40	9%	1%	3%	5%	61%	4%	64%	2%
C	165	\$281,485	0.37	6%	1%	3%	8%	44%	5%	29%	3%
D	56	\$276,197	0.45	7%	2%	9%	8%	43%	67%	35%	6%
E	216	\$242,267	0.32	5%	0%	4%	10%	77%	6%	76%	4%
F	262	\$154,329	0.44	6%	1%	11%	15%	58%	11%	60%	10%
G	152	\$86,128	0.68	7%	0%	10%	14%	50%	14%	52%	9%
H	56	\$76,688	0.81	8%	1%	14%	8%	50%	55%	39%	13%
I	91	\$44,984	0.85	7%	0%	12%	7%	47%	9%	49%	11%
Unclassified	123	\$548,204	0.17	2%	0%	1%	0%	15%	4%	2%	0%
* Block group averages based on a statistical model											
Block group averages	1342	\$247,859	0.49	6%	1%	6%	9%	54%	12%	48%	6%

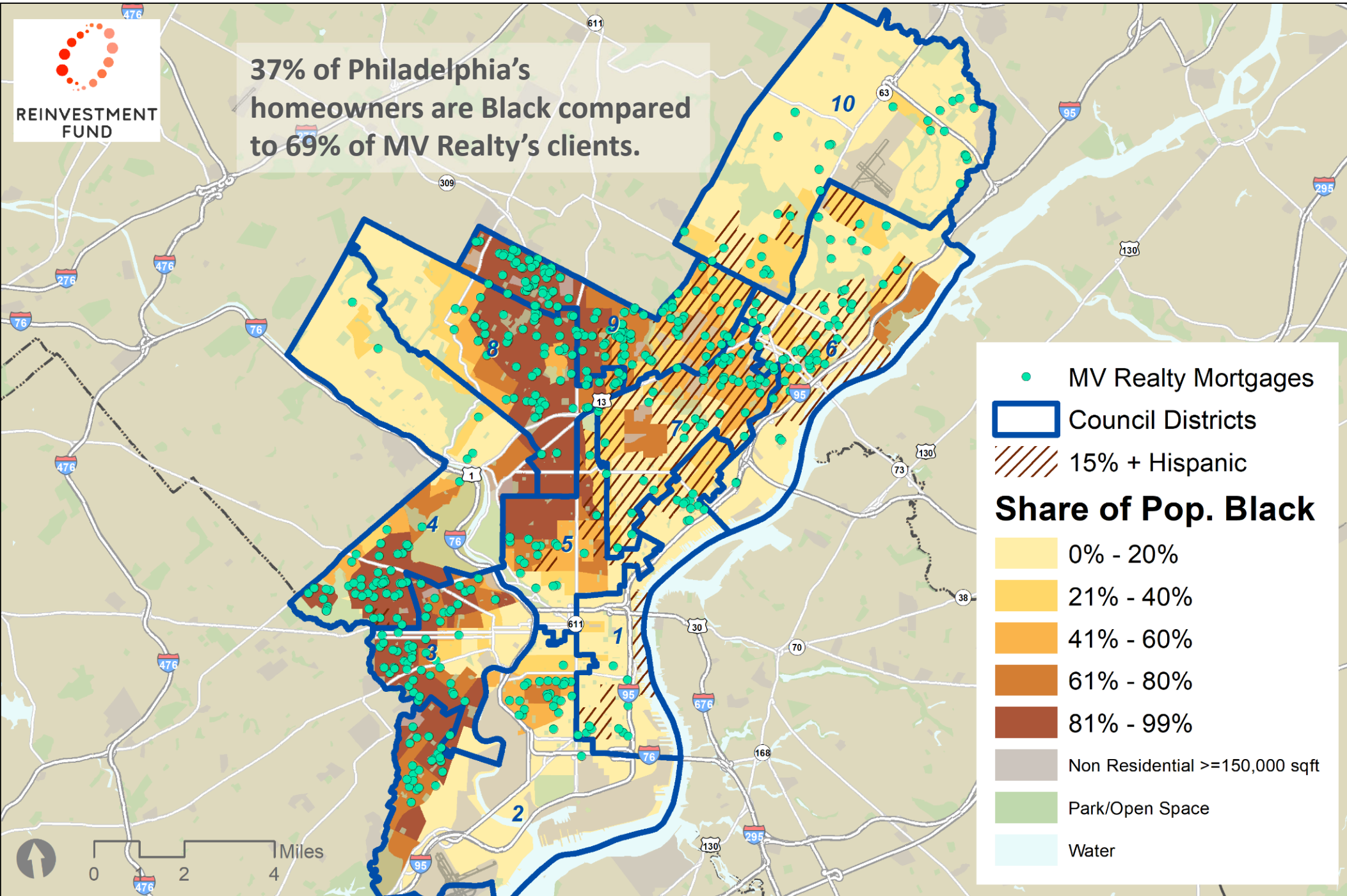
Combining MVA and the Displacement Risk Ratio helps identify solid target areas for 1st time buyers



Problematic parts of MV's Homeowner Benefit Agreement

- Homeowner gets a small amount of money (hundreds of dollars) – a “promotion fee”.
- MV gets a 40-year exclusive right to sell the property.
 - 3% (if a cooperating broker) or 6% commission on future value of the home.
- Early termination fee is the greater of 3% of the “future value” of the property or the fair market value at the time of the breach.
 - Even possible to trigger the fee if a family/heir transfer without adequate notice to MV.
 - *From what we can see the “future value” is about 10x the amount people actually receive.*
- Security is a mortgage “even though this Agreement is not and does not represent a loan”.
- Agreement has a “binding arbitration” clause.
- Agreement includes a waiver of class action relief.
- If the Agreement is breached, the effective annual interest rate of the mortgage can be upwards of 40 or 50% depending upon when a breach occurs.

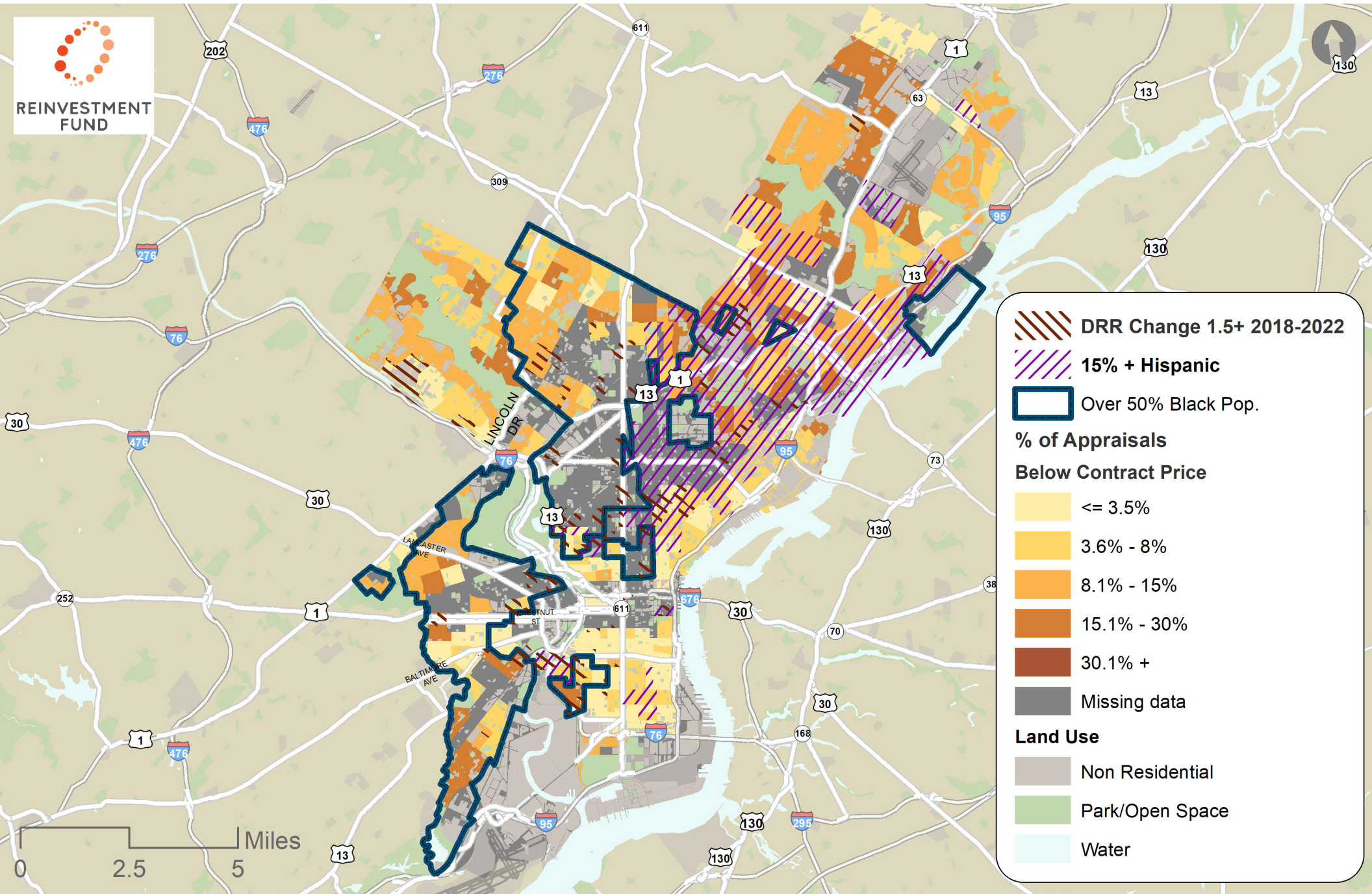
MV's ≈500 Benefit Agreements in Philadelphia (November, 2022)



Low appraisals remain an issue in Philadelphia's Communities of color



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Thoughts about gaps in our local ecosystem

- Programmatic
 - Down-payment and closing cost assistance that is available across a larger portion of the income spectrum.
 - Beyond (or before) counseling, basic education on finances, credit, homeownership.
 - Small balance loans.
 - Third Rail: If producing affordable units is a primary concern, reduce the impact of related policy objectives on the cost of construction.
- Data/Transparency
 - **DATA GAP:** Public, de-identified data on appraisals.
 - Pilots with lenders on appraisals people receive in purchase and refinance transactions.
 - Pilots that reconceptualize the role of the appraisal itself (what risk does it pr.
 - Systematic learnings from the WORTH PHFA pilot.
 - Affirmative protection of fair housing and consumer rights that (as observed with MV Realty) are under constant threat, and impair wealth accumulation through the home.

Contact Information

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