

HABITAT FOR HUMANITY OF OREGON

Expanding access to mortgage credit in Oregon

With housing costs heating up across Oregon, Habitat affiliates and other housing advocates persuaded the state legislature in 2018 to triple the state's document recording fee dedicated to affordable housing, which increased funding for down payment assistance, homeownership counseling and other affordable housing programs. The legislation also created a new program allowing homebuyers to take a state tax deduction for saving money toward a down payment. Advocates are now gearing up to expand Oregon's exemplary Individual Development Account, or IDA, program, which helps thousands of lower-income Oregonians save up for a down payment, home repairs or other purposes by matching their savings 3-to-1.

Background

Housing costs have skyrocketed in cities of all sizes across Oregon over the past three-to-five years. More people are moving to the state, but the stock of homes for sale or rent has not kept up. In Portland, Corvallis, Sisters and Bend, modest homes have appreciated rapidly. Vacancy rates have hit record lows. In a variety of Oregon communities, low- and moderate-income homebuyers are being priced out of the market.

With homeownership centers providing homebuyer education and counseling throughout Oregon, "many homebuyers are 'purchase-ready,' in that they have good credit and understand the homebuying process," says Shannon Vilhauer, executive director of Habitat Oregon. "But the down payment needed to get into the market is higher than ever, due both to increased home prices and higher lending standards."

Home repairs are also a major challenge, especially in Oregon's rural communities. Most owner-occupied homes in Oregon were built before 1950. In rural communities, many of these homes are in poor repair. A statewide shortage of skilled homebuilders and repair laborers has aggravated the problem, especially in rural communities. The labor shortage is "driving home repairs out of reach for low-income Oregon homeowners, many of whom are aging in place," Vilhauer says.

DOCUMENT RECORDING FEE FOR AFFORDABLE HOUSING

In 2009, Oregon created a dedicated source of revenue for affordable housing by earmarking a \$15 increase in the state's document recording fee to meeting a range of housing needs in the state. Ten percent is directed to preventing homelessness, 76 percent to multifamily affordable housing development, and 14 percent to promoting homeownership through counseling and down payment assistance. In 2013, the fee was increased from \$15 to \$20 to better meet the housing needs of veterans.

The document recording fee is assessed on real estate documents recorded with Oregon's county clerks, such as when a home is purchased or refinanced. Revenues accrue automatically to the Oregon Housing Fund. The fund increases as real estate activity heats up, but can also dip when the market softens.

INDIVIDUAL DEVELOPMENT ACCOUNTS

IDAs are matched savings accounts. Participants build financial skills, such as budgeting and saving, while saving toward assets such as a home. Oregon has the largest state-funded IDA program in the nation. The program matches participants' savings at a rate of 3-to-1. Participants saving \$1,000 per year for three years would receive a \$9,000 match, growing their total savings to \$12,000.

Since 2008, more than 11,000 Oregon residents have participated in the IDA program, saving more than \$20 million subsequently matched by the program. Participants must earn less than 80 percent of area median income. All participants are provided financial education and support to build their financial capability and successfully reach their goals.

Saving for a home purchase is the most common goal of Oregon IDA participants, but savings can also be used to make home repairs, pursue post-secondary education, develop and launch a small business, acquire assistive technology that aids employment, purchase a car, fix credit, or accumulate a rental deposit.

The Oregon IDA program is funded by the Oregon IDA Tax Credit. Tax-paying individuals and businesses (not to be confused with IDA participants) may receive up to a 70 percent tax credit on their Oregon state returns for contributions made to the IDA program. This yields \$1 of investment in the program for every 70 cents or less that the state returns to filers in the form of tax credits. The state's program is not dependent on a federal match.

The IDA program (or "initiative") is managed by Neighborhood Partnerships, a nonprofit that contracts with 10 initiative partners to work directly with clients in all parts of the state. Most of these partners also provide homebuyer education and counseling, which gives them an opportunity to inform prospective homebuyers of the IDA program.

Almost all of Habitat's homeowners "come to the table" with savings amplified by the state's IDA program, Vilhauer says. This helps affiliates in addition to homebuyers. The ability of homebuyers to "cover closing costs, and potentially buy down the first mortgage even a small amount, puts cash in the affiliate's pocket that they can use to serve more families more quickly."

IDAs are also helping seniors and other low-income households make needed home repairs without having to take out a lien on their home, especially in rural communities. In many cases, Habitat affiliates help with these repairs, which enables the IDA resource to be layered with other programs, such as weatherization assistance. Habitat homebuyers sometimes also use the IDA program to start saving for their children's college tuition.

Advocacy

DOCUMENT RECORDING FEE

In 2018, Habitat affiliates and other advocates statewide persuaded the Oregon legislature to pass HB 4007, which tripled the portion of the state's document recording fee dedicated to affordable housing (from \$20 to \$60). The increase is expected to provide an additional \$60 million every two years for expanding access to affordable homeownership, preventing and ending homelessness, and building and preserving affordable rental housing.

The victory was spearheaded by a statewide coalition called the Oregon Housing Alliance. The alliance has 88 organizational members, including Habitat Oregon and three local Habitat affiliates. The coalition is coordinated by Neighborhood Partnerships.

The campaign benefited from an unusual alliance with the state Realtors association. In 2017, the Housing Alliance had failed to increase the document recording fee, while the Realtors were unsuccessful in getting the legislature to create a new first-time homebuyer savings program. In 2018, they came together behind a single bill (HB 4007) that incorporated both ideas. The combined effort won the backing of more than three-fifths of legislators, the threshold needed to raise revenue in Oregon. In the process, Habitat and the Housing Alliance were able to improve the new homebuyer savings program proposal as well. The program's tax deduction for individuals opening up savings accounts for a down payment now tapers off for participants with the highest incomes.

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Passage of HB 4007 was also aided by support from health care organizations like Kaiser Permanente, along with businesses and the Oregon Economic Development Association.

Habitat Oregon played an important role as well, both inside and outside the Housing Alliance. At the annual Habitat at the Capitol in early 2018, state and affiliate staff members, along with six Habitat homeowners, discussed HB 4007 with 40 legislators, helping the larger coalition fine-tune its strategy. “We really helped move the bill,” Vilhauer says. Janet Byrd of Neighborhood Partnerships adds, “Habitat Oregon has been great at finding people to meet with legislators and getting people to show up to testify. And Habitat is an organization that everyone loves, so they have great relationships and great impact when they speak.”

Habitat Oregon also played an important role in getting homeownership onto the Housing Alliance’s agenda in the first place. In 2016, Habitat Oregon played a key role in persuading the alliance to add a homeownership working group. This working group would later support the inclusion of homeownership assistance funding in HB 4007.

DOUBLING THE IDA PROGRAM

Habitat affiliates and other housing advocates hope to build on the success of the state’s IDA program in 2019. The Housing Alliance is pursuing legislation that would double the program’s funding, from \$11 million to \$22 million, by increasing the amount of tax credits that can be allocated to support the program. The push for increased funding is a response to the state’s high and rising housing costs. The maximum that a homebuyer can save for a down payment through the IDA program — currently \$12,000, including the program’s match — is just a small piece of the down payment now required to purchase a home on the open market.

To support a stronger IDA program, Habitat is ramping up its advocacy capacity with the help of a grant from Meyer Memorial Trust. A portion of the grant will fund scholarships for 40 or more Habitat homeowners and affiliate staff members to attend a two-day advocacy training in October 2018, in preparation for a legislative push in early 2019. As Vilhauer explains, “We want to make diversity and inclusion more than lip service and really empower homebuyers to participate as leaders in local and state advocacy.”

Impact

HB 4007 will raise an additional \$60 million every two years for affordable housing in Oregon. This includes approximately \$7.84 million per biennium (\$3.9 million per year) for expanded down payment assistance resources, increased resources to support homebuyer education and counseling for first-time homebuyers, and other initiatives designed to help increase the supply of new homes affordable to purchase and ensure that the low-income owners of aging homes can afford the repairs needed to help them live in health and safety.

If housing advocates succeed in doubling funding for the state’s IDA program in 2019, the program could increase the number of participants served and effectively double the match a participant could earn on their savings — up to \$18,000 over three years.

Lessons

1. **IDA programs generate bipartisan interest.** “Our IDA program has been super popular across the aisle in Oregon,” Vilhauer says. She believes it is also easily replicable nationwide. Part of the appeal, says Janet Byrd, is that the program embodies the same idea of sweat equity embraced by Habitat. Also, she says, Oregon’s IDA program produces changed behavior and ongoing saving habits, which is very appealing to fiscal conservatives. Progressive legislators are drawn to the communities that the program reaches, and the assets that participants develop.
2. **“Don’t always go to the legislature with your hand out.”** Vilhauer says that Habitat Oregon has been successful in working with legislators because it views legislative visits as an opportunity for affiliates to tell representatives about their work and present themselves as resources, in addition to communication about helpful legislation.
3. **Sometimes legislation works best in a package.** By merging a first-time homebuyer savings account tax deduction with the document recording fee bill, housing advocates found a new ally in the state Realtors

association and were able to win sufficient support for raising the state's dedicated funding for affordable housing.

4. **In lieu of dedicated funding, tax credit revenue can be helpful for an IDA program.** Oregon's IDA program is funded by contributions from tax filers seeking access to a state income tax credit. This funding mechanism provides more stability for the IDA program than direct legislative expenditures because the tax credit program is reviewed every six years while state General Fund appropriations are decided every two years.

Resources

- Shannon Vilhauer, Executive Director, Habitat Oregon, shannon@habitatoregon.org, (503) 206-5248.
- Janet Byrd, Executive Director, Neighborhood Partnerships, jbryd@neighborhoodpartnerships.org; (503) 226-3001.
- HB 4007 (Sections 1-9: *First-Time Home Buyer Savings Account Program*; Section 10-14: *Document Recording Fee and Homeownership Program Guidelines*): olis.leg.state.or.us/liz/2018R1/Downloads/MeasureDocument/HB4007/Enrolled.
- Oregon IDA Initiative – Evaluation Report, 2018: oregonidainitiative.org/impact-policy/evaluation/.



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