



CITY OF NEW ORLEANS
Mitchell J. Landrieu, Mayor

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MAYOR LAUNCHES \$52 MILLION FIRST-TIME HOMEBUYER INITIATIVE TO PROMOTE NEIGHBORHOOD REDEVELOPMENT

NEW ORLEANS, LA-- Mayor Mitch Landrieu announced today the launch of a \$52.3 million soft second mortgage homebuyer assistance initiative to be run by the City's Office of Community Development that will provide hundreds of New Orleans families an opportunity to become first-time homebuyers. The goal of the initiative is to strategically promote homeownership opportunities for low and moderate income residents and families who are buying their first homes. The City will provide affordable gap financing in the form of a "soft second" mortgage for two programs: the *Direct Homebuyer Assistance Program* and the *Affordable Home Development Program*.

"We know that promoting and incentivizing homeownership is key in revitalizing our neighborhoods across the city," said Mayor Landrieu. "This program will put Hurricane Katrina recovery dollars to use for their intended purpose – helping the citizens of New Orleans rebuild their lives and neighborhoods post-Katrina. It will also reduce blight and stimulate the local economy. This has truly been a partnership between the public, private, faith-based and non-profit sectors. We're glad to get this program off the ground."

Funding for the initiative comes from federal Community Development Block Grant dollars provided by the State of Louisiana for housing recovery from hurricanes Katrina and Rita.

"The State of Louisiana's investment of \$52 million will help residents of New Orleans become first-time homebuyers and will be a boon to the real estate market in the city," said Brad Sweazy, housing manager for the Louisiana Office of Community Development – Disaster Recovery Unit. "We are happy for the opportunity to be partners with the City of New Orleans as we continue to help citizens rebuild and recover after hurricanes Katrina and Rita."

Local faith-based non-profit Jeremiah Group has been a staunch proponent of using the disaster recovery funding for homebuyer assistance.

“The Jeremiah Group has been working on this strategy for four years, so it's a great feeling to see the \$52 million finally ready to be used to increase opportunities for homeownership in New Orleans,” said Jacqueline Jones, lead organizer for Jeremiah.

Jeremiah leader Karl Weber added, “The efforts of Jeremiah's work will lead to greater neighborhood stability, opportunities for families to build wealth, and more properties generating income for the City. This is really a significant success.”

The term “soft second” comes from the fact that the government is subsidizing money for potential homeowners through forgivable loans to purchase property and become first-time homebuyers. This subsidized loan bridges the affordability gap between the price of the home including closing costs and the maximum amount a homebuyer can borrow with a first mortgage loan. The homebuyer will receive only the amount of soft second funding that is needed to close the affordability gap which will be determined by need and annual household income. To be eligible for assistance, homebuyers must complete a pre-approved 12-hour homebuyer training course to prepare them to qualify for a mortgage and to become homeowners, sign a purchase contract for a home and obtain a commitment for a first mortgage.

PROGRAMS

The *Direct Homebuyer Assistance Program* provides down payment and closing costs subsidies to eligible first-time homebuyers. The subsidies will bridge the affordability gap between the price of the home including closing costs and the maximum amount a homebuyer can borrow with a first mortgage loan. The homebuyer will receive only the amount of soft second funding that is needed to close the affordability gap.

The *Affordable Home Development Program* is designed to provide a steady inventory of houses that will be available for sale and be affordable to residents of low and moderate income. Through an open and competitive process, the City will award developers a set-aside of soft second subsidies for the purchasers of their completed homes. Awards will be made with special consideration for areas of the city with the most need for redevelopment. The program will encourage the rehabilitation of blighted, historic properties and infill housing. This initiative will be released next month in combination with a Request for Proposals that includes the availability of LLT and City-owned properties for development. It is part of the City's disposition strategy for LLT properties, though the program is not limited to those properties only.

HOUSEHOLD ELIGIBILITY

The programs will spur mixed income development in areas across the City by assisting families with incomes up to 120% of the Area Median Income (AMI) to purchase single-family homes in New Orleans. At least 50 percent of the program funds will be targeted

to homebuyers at or below 80% AMI. Homebuyers with incomes at or below 80% of AMI will also be eligible for up to \$10,000 down payment and closing cost assistance in both programs. Homebuyers with incomes between 81% and 90% of AMI will be eligible for up to \$5,000 in down payment and closing cost assistance.

These programs will be implemented in a manner that is consistent with the Mayor's place-based development strategy and will promote housing development and neighborhood stabilization to leverage the City's current investments in infrastructure.

A list and map of the City's place-based areas is attached at the end of this release.

To participate in the program, potential homebuyers can apply through a participating realtor, lender, or homebuyer training provider. Once the applicant applies and is approved for a first mortgage at a participating bank, the lender will then send documents to the city to review eligibility and to determine the amount of the subsidy. All reviews at the City and State level are completed before a house can move to closing. A list of lenders, realtors and housing counseling agencies currently participating in this program is attached to this release.

In order for participants to be eligible for any level of forgiveness of the subsidy, the homeowner must reside at the house for a minimum of 5 years. The homeowner must repay the "soft second" mortgage in full if the first mortgage goes into default or if the house is sold within the first 5 years. Twenty-five percent of the "soft second" loan is forgiven after year 5 and an additional 15% each year thereafter until the loan is zeroed out after 10 years.

"The soft second subsidy reduces obstacles for low and moderate households who are ready for homeownership," said Brian Lawlor, Director of Housing Policy for the City of New Orleans. "The timing is right for this type of assistance: rents are high, there is a supply of homes in this affordability range and mortgage rates are at record lows. These funds will fill the gap for households who have been paying high rents but have been unable to save enough to purchase their own home. This initiative will help contribute to the overall growth and sustainability of our city and will incentivize individuals to purchase property in areas that need continued development and stabilization."

District C Councilmember Kristin Gisleson Palmer stated, "The launch of this soft seconds homebuyer program is another important step in the continued effort to promote homeownership opportunities for low and moderate income families. The use of these federal funds will further the City's commitment to place-based development strategies and will help to rehabilitate many blighted properties still affecting our neighborhoods."

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Place-Based Areas

1. **Mid-City** - Tulane Avenue - S. Carrollton Avenue, N. Carrollton Avenue – Bienville Street - S. Broad Avenue
2. **B. W. Cooper** – S. Claiborne Avenue – Napoleon Avenue - S. Broad Avenue - Washington Avenue – Earhart Boulevard
3. **River View Landry** – Mardi Gras Boulevard – Mississippi River – Opelousas Street – Elmira Street – Patterson Avenue – Leboeuf Street – Homer Street - Sumner Street
4. **Hollygrove** – S. Carrollton Avenue – S. Claiborne Avenue – Monticello Street – Palmetto Avenue – Cherry Street – Dixon Street – Mistletoe Street- Hamilton Street– Pontchartrain Expressway (Interstate-10)
5. **New Orleans East** – Read Boulevard – Morrison Avenue – Vanderkloot Drive – Hayne Boulevard – Bullard Avenue – Interstate-10
6. **7th Ward** – St. Claude Avenue, N. Rampart Street – Esplanade Avenue – N. Broad Avenue – Florida Avenue – Elysian Fields Avenue
7. **Lower Ninth Ward** – Forstall Street – Galvez Street - Avenue F - St. Claude Avenue
8. **Pontchartrain Park** – Chef Menteur Highway, Gentilly Boulevard – St. Roch Avenue - Leon C. Simon Avenue– France Road
9. **Central City** – Louisiana Avenue – S. Claiborne Avenue – Martin Luther King Boulevard – Oretha Castle Haley Boulevard – Philip Street – S. Saratoga Street
10. **St. Roch** – Elysian Fields Avenue – Hope Street – Press Street – St. Claude Avenue
11. **Gert Town** – S. Carrollton Avenue – Pontchartrain Expressway – S. Broad Street – Earhart

Orleans Parish Area Median Income Limits Per Family Size

Buyers Purchasing Homes in Place-Based Strategy Neighborhoods

	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons	Home Purchase Assistance
Up to 80% AMI	\$34,250	\$39,150	\$44,050	\$48,900	\$52,850	\$56,750	\$60,650	\$64,550	\$65,000
>80% AMI to 90% AMI	34,251 to \$38,550	\$39,151 to \$44,050	\$44,051 to \$49,550	\$48,901 to \$55,000	\$52,851 to \$59,450	\$56,751 to \$63,850	\$60,651 to \$68,250	\$64,551 to \$72,650	\$55,000
>90% AMI to 110% AMI	\$38,551 to \$47,080	\$44,051 to \$53,790	\$49,551 to \$60,500	\$55,001 to \$67,210	\$59,451 to \$72,600	\$63,851 to \$77,990	\$68,251 to \$83,380	\$72,651 to \$88,770	\$35,000
>110% AMI to 120% AMI	\$47,081 to \$51,360	\$53,701 to \$58,680	\$60,501 to \$66,000	\$67,211 to \$73,320	\$72,601 to \$79,200	\$77,991 to \$85,080	\$83,381 to \$90,960	\$88,771 to \$96,840	\$25,000

Orleans Parish Area Median Income Limits Per Family Size

Buyers Purchasing Homes Out of Place-Based State

	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons	Home Purchase Assistance
Up to 80% AMI	\$34,250	\$39,150	\$44,050	\$48,980	\$52,850	\$56,750	\$60,650	\$64,550	\$65,000
>80% AMI to 90% AMI	\$34,251 to \$38,550	\$39,151 to \$44,050	\$44,051 to \$49,550	\$48,901 to \$55,000	\$52,851 to \$59,450	\$57,751 to \$63,850	\$60,651 to \$68,250	\$64,551 to \$72,650	\$45,000
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