

1998

## MSHA Partners, 3rd Quarter 1998

Maine State Housing Authority

Follow this and additional works at: <https://digitalcommons.usm.maine.edu/msha-docs>

---

### Recommended Citation

Maine State Housing Authority, "MSHA Partners, 3rd Quarter 1998" (1998). *Maine State Housing Authority (MSHA)*. 9.

<https://digitalcommons.usm.maine.edu/msha-docs/9>

This Book is brought to you for free and open access by the Maine State Documents at USM Digital Commons. It has been accepted for inclusion in Maine State Housing Authority (MSHA) by an authorized administrator of USM Digital Commons. For more information, please contact [jessica.c.hovey@maine.edu](mailto:jessica.c.hovey@maine.edu).

The mission of the Maine State Housing Authority is to assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs.

3rd Quarter, 1998

# MSHA Partners

A QUARTERLY PUBLICATION OF THE MAINE STATE HOUSING AUTHORITY



**Bangor TV News crew with Robert and Shirley Reynolds in their newly renovated kitchen, funded by FIX ME. They are the program's 3001st customers.**

## FIX ME National Finalist

The Maine State Housing Authority's FIX ME program has been selected as one of 25 national finalists for the prestigious Innovations in American Government award. The 25 finalists were selected from among more than 1,400 initial entries from all over the country.

lender. They have repaired more than 3,300 homes since starting in mid 1995. MSHA plans to repair 1,200 homes in 1998 through the program.

Innovations in American Government, one of the most distinguished public service awards in the country, is sponsored by the Ford Foundation. The John F. Kennedy School of Government at Harvard University and the Council for Excellence in Government administer the program. Innovations recognizes programs and policies that demonstrate original and effective government initiatives, then helps publicize the programs so that they may be used by other states or communities. The program has awarded more than \$13 million since starting in 1985.

"We're very proud to be among the 2% of applicants selected as finalists," said MSHA Deputy Director Dana Totman. "It's a tribute to the effectiveness of the FIX ME program that our entry was selected from among the hundreds of others for special recognition."

"FIX ME is an outstanding example of a government entity, the Housing Authority, continued on next page

## In This Issue:

Homeownership News . . . 2

Survey shows more young people using emergency shelters . . . 3

Federal cap may cause higher interest rates for first-time homebuyers . . . 4

New organization promotes homeownership education . . . 5

Director's Column . . . 6

The September 9th announcement that FIX ME is a finalist means MSHA will receive \$20,000 to help promote the program to other states, and within Maine, as an example of a successful government program. It also means MSHA will compete for the \$100,000 award that is given to 10 of the 25 finalists. That announcement will be made in October.

The FIX ME program is MSHA's program to finance home repairs for low and very low income homeowners. The program offers loans at 2% or 4% interest rates in amounts up to \$15,000 for basic home repairs. Maine's network of Community Action agencies acts as MSHA's

**By the end of the year**

**MSHA expects that FIX**

**ME will have repaired**

**homes for about 3,500**

**Maine homeowners.**

identifying a serious problem, then developing a program that addresses it in a creative way. Until FIX ME, there was no effective state or federal housing program helping low income homeowners with needed home repairs."

MSHA estimates there are about 12,000 homeowners in the state with sub-standard housing they cannot afford to repair and who are eligible for FIX ME loans.

MSHA staff recently visited the 3,000th and 3,001st FIX ME customers since the program began in 1995. Suzanne Mullins in Falmouth had an improved heating system, insulation, and upgraded wiring installed through FIX ME. Robert and Shirley Reynolds in Bangor used FIX ME to replace 19 windows, purchase new kitchen cabinets, repair the roof and paint the exterior of their home.

By the end of the year MSHA expects that FIX ME will have financed home repairs for about 3,500 Maine homeowners.

MSHA intends to use the \$20,000 award to develop materials to present to the public and media demonstrating how FIX ME works. This material will also be presented to representatives from housing finance agencies and community action agencies from other states so that the FIX ME program can be replicated elsewhere. ■

## Homeownership News

### *New Procedural Guide Prepared*

The Maine State Housing Authority has re-written and re-designed its Procedural Guide, which is used by participating lenders in the first-time homebuyer program. It's the first major redesign of the Guide since it was initially created in the 1980s. MSHA's Homeownership division reviewed guides from other states and worked with some participating lenders in developing the new, more user-friendly Guide. Some lenders also reviewed the first draft. Among other things, the new Guide includes tabbed sections, appendices, and an index, none of which were included before. The division has been working on the update for two years. The Guides were distributed in August and became effective September 1.

### *New Mobile Home Financing Guidelines*

Effective in September, the MSHA loan term on single-wide mobile homes is tied to the age of the home. Homes must have a remaining life at least equal to the term of the loan. Another change eliminates the 40-year lease requirement for mobile homes in mobile home parks. In addition, anyone who owns an unattached mobile home and land no longer will be considered a first-time homebuyer simply by anchoring their unit to the ground.

### *Low-Income Financing Tools Seminar Successful*

Four hundred Maine real estate professionals recently attended advanced training concerning ways to help lower income borrowers purchase homes. The Low Income Financing Tools (LIFT) seminar provided information about state and federal programs offering down payment assistance and soft second mortgages available for low-income borrowers. LIFT was designed for agents who had already taken the agency's Reaching MSHA Markets seminar. The seminar featured information about both MSHA and non-MSHA programs. ■





## *MSHA sells bonds to finance homes for over 800 Maine families*

MSHA sold \$60 million in housing bonds in September to generate capital to finance homes for over 800 Maine first-time homebuyers.

"Because of MSHA's financial strength and strong track record, we were able to secure our best rate ever on our bonds," said Director David Lakari. "This will help us keep interest rates in our first-time homebuyer program low, and help more Maine families purchase their first homes. The sale will help hundreds of working Maine families realize their dreams of owning their own home."

MSHA lowered its interest rate to 5.75% in October. This is the lowest rate that MSHA has offered since 1994, and is one of the lowest rates MSHA has ever offered.

The major reason for the low interest rate is the excellent rate MSHA gets for its housing bonds. Proceeds from these bonds are used to make the mortgage loans.

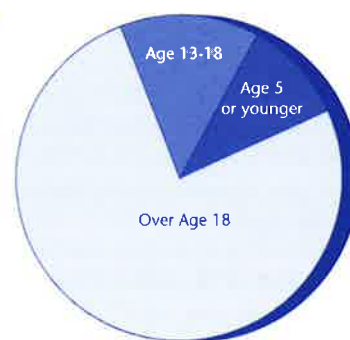
MSHA's bonds are rated AA and Aa by the nation's leading bond rating agencies. The recent sale included a mix of tax exempt and taxable bonds because of the cap on the state's use of tax-exempt bonds. Taxable bonds carry a higher interest rate. Maine's first-time homebuyers have had to pay about \$7 million in additional costs this year because of this shortage of tax-exempt bonds, MSHA calculates. (see related article p. 4)

MSHA plans to help 2,000 Maine families become homeowners for the first time this year, with approximately \$130 million in loans. MSHA's program finances about one in every six home sales in the state.

## Survey shows more young people using emergency shelters

A Maine State Housing Authority survey of homeless shelters shows a significant percentage of shelter users, nearly one-third, are youths age 18 or less. The survey also reveals that shelter usage continues to climb overall in the state.

The survey, taken this summer, showed that 30 percent (141 of 481) of shelter clients that day were age 18 or younger. This included 45 customers age 5 or younger, and 62 customers between the ages of 13 and 18. (see chart)



**Ages of Shelter Customers**

While some shelters specifically serve teens or youths, a high percentage of clients at some general shelters also were young people. At the Portland City Shelter, for example, 28 of the 41 customers (68%) were under age 18.

"The large number of children and teens served by Maine's shelter network is a serious problem," said MSHA Deputy Director Dana Totman, who chairs the state's Task Force on Homelessness and Housing Opportunities. "It's something the Task Force is investigating this summer. We plan to issue a report to the Legislature next year on this problem."

Totman said the problem appears to be growing. A study found less than 20% of shelter customers were youths age 18 or younger in 1992. By 1997 that percentage had grown to about 30%, a figure the survey indicates continues for 1998.

Totman noted the recent spot survey of shelters shows a slight increase in the overall use of emergency housing. The 481 customers represent a 6.5% increase over the number of shelter guests that turned up in a similar spot survey last summer.

"The most significant thing about the number of guests is not the slight increase, but that the number of users is remaining the same or growing despite Maine's much improved economy," Totman commented.

"This indicates the homelessness of today is a long term trend that won't disappear when there are more jobs. Homelessness will continue until there is more transitional housing to help break the cycle, and ultimately more affordable housing."

Previous studies found a large population, as many as 27,000 Maine families, who live on the edge of homelessness and whose situation is not improved even when the economy is growing. ■

# Federal cap may cause higher interest rates for first-time homebuyers

**M**SHA's interest rate on its first-time homebuyer loans may increase in the future due to the federal ceiling in the sale of private activity bonds, MSHA Director David Lakari has warned.

MSHA maintained a 5.95% interest rate for the popular program from March through August. This enabled the agency to help about 1,300 low and moderate income families buy their first homes with \$85 million in loans so far this year. The rate is about one percentage point below conventional mortgage rates.

"We're able to achieve this exceptional rate by selling private activity bonds, which are tax-exempt, and then using a small amount of our limited subsidy money to further reduce interest rates," Lakari explained.

But once the federal ceiling is reached on the tax-exempt private placement bonds, MSHA must sell taxable bonds at a higher interest rate to provide the basic financing for first-time homebuyers. Consequently MSHA cannot reduce the interest rate as low with its subsidy money.

The federal cap on private placement bonds for Maine is \$150 million. MSHA shares the cap with three other agencies that also issue the bonds — the Finance Authority of Maine; the Maine Municipal Bond Bank; and the Maine Educational Loan Authority.

"Unfortunately for potential first-time homebuyers, MSHA is reaching the limit on its share of the \$150 million," Lakari said. "We have already started selling taxable bonds, and this has had an effect on our interest rates. Our rates will still be below conventional rates and will still be bargains for first-time homebuyers, but the interest rate will be higher than necessary unless something is done about the problem."

MSHA and housing finance agencies in other states are working with Congress to increase the current federal ceiling, which has remained unchanged since 1986. Proposed legislation would increase the cap by 40%. All of Maine's Congressional delegation are co-sponsors of the bill, but it is unlikely to be adopted this year due to conflicts between the President and Republicans in Congress over the federal budget. Supporters hope to see Congress act on the legislation in 1999.

Lakari said MSHA expects to reach its goal of helping 2,000 families buy their first homes in 1998.

"It's an excellent market right now, with the lowest rates available in years," Lakari said. "I believe we could have surpassed our goal, if there were bond capacity to allow us to continue using the private activity bonds." ■



**Our rates will still be below conventional rates and will still be bargains for first-time homebuyers, but the interest rate will be higher than it has been unless something is done about the problem.**





## New Organization Promotes Homeownership Education

A new housing advisory group, the Maine Homeownership Education Advisory Council (MHEAC), has organized to develop a standardized homeownership education program for people who want to become homeowners.

Karen Hill, CEO of the American Homeowner Education and Counseling Institute, addressed industry professionals from all over Maine at the organization's inaugural meeting September 24th at the Augusta Civic Center.

Ms. Hill discussed progress on national education initiatives, and helped lead group discussions on how these initiatives relate to Maine. From these discussions, committees will be formed to bring the education project in Maine to life.

The purpose of the Maine education program will be to prevent common problems homeowners, and those in the housing field, see all too often. These problems include neighborhoods deteriorating because of homeowners who don't know how to maintain homes; homeowners who fall behind in their mortgages and other bills because of poor money management; potential homeowners who have difficulty in qualifying for a mortgage; and others.

"These concerns are shared by people in the home buying industry throughout the country," said Debra King-Johnson, a member of the Council and director of the Maine State Housing Authority's Homeownership division. "National initiatives similar to ours are being developed in other states to educate Americans about the economics and responsibilities of homeownership."

MHEAC has adopted a mission of developing a standardized, comprehensive education program to be delivered by a network of industry professionals throughout Maine. The goals are to improve the quality, consistency and effectiveness of homeownership education; coordinate delivery of homeownership education programs; and identify potential funding and other resources.

Sponsors of the Council are the Mortgage Bankers Association of Maine; the Maine Housing Technical Assistance Consortium; and Maine's Community Action Program Housing Council.

"We've taken the first steps, but we can't accomplish our goals alone," Ms. King-Johnson said. "We need more volunteers from within the industry to chair committees, head work groups, and lend their professional expertise as we develop the education program."

For more information about the Council and a list of the members, call MHEAC coordinator Patricia B. Sperber at (207) 791-8406. ■

**The goals are to improve  
the quality, consistency  
and effectiveness of  
homeownership education;  
coordinate delivery of  
homeownership education  
programs; and identify  
potential funding and  
other resources.**



## Director's Column by David Lakari, Director, MSHA

### *Building a better program*

What's that old saying about building a better mouse trap? The world will make a beaten path to your door?

That's what MSHA has done with FIX ME, its home repair program, and that's been the result — more than 3,300 loans since the program began in 1995.

Last year FIX ME received a Special Achievement Award from the National Council of State Housing Agencies, the organization that represents state housing finance agencies like MSHA in all 50 states.

This year, as the article in this issue illustrates, FIX ME has been selected as one of 25 finalists (out of 1,400 entries) in the distinguished Innovations in American Government Program, sponsored by the Ford Foundation.

What makes FIX ME so special?

Since starting, the program has been funding repairs for about 1,000 to 1,200 homes a year for Maine low-income homeowners, following the initial phase in period. If the numbers alone aren't impressive, consider that no previous MSHA home repair program ever exceeded 200 loans a year.



More than the numbers, though, FIX ME represents government at its best. It's an example of government seeing a problem, then developing an effective program to address it.

In a state with a high percentage of homeowners, a high percentage of older homes, and a large number of low-income households, the problem is obvious. There are thousands — some 12,000, MSHA estimates — of homeowners without sufficient

income to maintain or repair their homes. Yet prior to FIX ME, there was no state or federal program designed to deal with it.

FIX ME contains two key innovations. First, Maine's community action agencies are MSHA's partners and lending agents for the program. They are familiar with the consumers and were trained by MSHA to underwrite loans.

The second key is that FIX ME is a loan program, not a grant. It is based on the premise that low-income owners will repay a loan, if the payments are affordable. So far that has proven true. Delinquency rates are within projections, which are not much higher than those for conventional home repair loans. MSHA is proud of FIX ME's accomplishments and proud it achieved national recognition, but we'll continue to work to improve the program.

**MSHA**

MAINE STATE HOUSING AUTHORITY

353 Water Street

Augusta, Maine 04330-4633

BULK RATE  
U.S. Postage  
**PAID**  
Portland, ME  
Permit No.477

Have you seen  
our Web site?

[www.mainehousing.org](http://www.mainehousing.org)