Country Homes Best Practices: Moving on Up

Participants

Local Government Agency: Laramie County Wyoming

Non-Profit Agency: Wyoming Family Home Ownership Program (WYFHOP)

Developer: Creekside Homes LLC

Builder: Phoenix Builders

Lender: Jonah Bank

Background

In 2011 Creekside Homes LLC approached WYFHOP in creating a development located in the Country Homes subdivision that could have the potential to benefit low to moderate income households. Creekside Homes LLC had knowledge of the WYFHOP program in the community which assists families through a two year program towards home ownership. A formal partnership was formed in the spring of 2011 with WYFHOP, Creekside Homes LLC and Laramie County. An application was submitted to the Wyoming Business Council for a Community Development Block Grant in August of 2011. The grant request was to assist with the public infrastructure for 19 lots in a 70 lot subdivision. The grant award was received in March of 2012 for $500,000. All matching funds came from the developer. Upon completion of the public infrastructure ten lots were deeded from Creekside Homes LLC to the WYFHOP program.

Program

Once grant funds were awarded our partnership progressed and in April 2012 a bid was accepted from S&S builders for the construction of the infrastructure. Final completion of construction was made in July 2013. The 10 lots were deeded to WYFHOP in July 2013. WYFHOP prepared 10 families through their program of home ownership from July 2013-December 2016 and all lots were developed with single family residential housing. The final WYFHOP family closed on their home in December 2016.

The WYFHOP Program consists of a twelve-week financial preparedness classes, a savings phase of 18-24 months, purchase of home and then a five year maintenance phase where follow up with families and additional trainings are offered.

Unique Features

1. Unique Partnerships and Collaborations:
   a. This project combined a developer with a non-profit entity and a local government agency to successfully bring low to moderate income housing to a single family residential development. Once development was completed, the success was dependent upon WYFHOP's ability to place families on the lots.
   b. The lender is the critical component in this model based on the risk they take. WYFHOP tried to minimize some of that risk by requiring participating families to have at least three months' worth of mortgage payments saved up before qualifying for the loan.
2. WYFHOP Program
   a. Our nonprofit entered into agreements with the builder and lender, though in retrospect it would be wise to have these agreements drafted by an attorney.
   b. WYFHOP is largely supported by the faith based community and this community provides significant donations and support.
   c. The nonprofit had a very short timeframe to get families committed to building homes, our prices were based on a short timeline with no add-ons being considered. In doing this, we limited our flexibility for families who had more savings to rely on, and also released some of the control to the builder.
   d. WYFHOP is a HUD-certified secondary FHA lender, a certification which lends legitimacy to any secondary lender. If a nonprofit does not have this certification they can work within existing programs to recreate this step.
   e. WYFHOP earned a set amount per lot for each appraised lot value to recapture investment for future secondary loans and/or provision of direct services to families, contributing to the nonprofit's long-term sustainability.
3. WYFHOP Families
   a. The Country Homes Project allowed families to start out with significant equity in their property, by having WYFHOP buy down the costs of the homes by contributing majority of the value of each lot. This provides each family with a higher net worth and added incentive to remain in the home for the required 5 years of habitability.
   b. All participating families qualified to purchase a home under the same qualification standards applied to every homebuyer working with Jonah Bank, acquiring a mortgage and retaining full ownership of the home; all mortgages were kept under $160,000 with the average being under $155,000.
   c. Families saved for the down payment 100% on their own, and no nonprofit funding went toward down payments. Average down payments ranged from $6,000-$9,000 in the Country Homes Project.

d. After purchase, families continue to work with WYFHOP for a minimum of five years and during that time. The program also has them reach out to financial planners to create wills, retirement plans and investments.
e. Families had anywhere from $30,425 to $39,000 in equity starting out in their new homes and it is expected these same families will reach the $70,000 equity mark by year five.

Discussion

The need for low to moderate income housing is documented in Laramie County and this unique project and partnership allowed development to occur to benefit this population.

1. Nonprofit could act as their own lender if they had enough cash capability. It was found that working with one specific lender allowed us to streamline the process for our families and cut out some time.
2. One challenge faced was that our families were not always fully included in the home building process. This may result from a failure to communicate or understand clear expectations by all parties and inefficient or missing channels of communication between families and the builder and/or lender.
3. Each lot was appraised before and after construction and two forms of loans were used on each property for the home owners (construction and mortgage). The values of the land in Country Homes ranged from $35,000-$42,000 and approximately $10,000 from each lot was retained by the nonprofit.

Implications

There were a lot of lessons learned throughout this project that can be carried forward to the success of additional projects.

1. Have clear expectations in writing of each partner:
    a. In retrospect we need to have a standalone agreement with our builder to outline in writing any and all expectations ahead of time.
    b. We also needed to have a specific agreement with our lender to insure that our nonprofit was being protected.
2. If we did this again:
    a. We would remove the partnership with the builder and have the nonprofit create a timeline with contractors to follow requests. The build would be managed by the nonprofit and the contractors would report to the nonprofit as a consultant role.

b. Have a nonprofit attorney review all aspects of the project to make sure full protection occurs.
c. Work more with our families on social skills to properly communicate with lenders and builders to be able to ask the right questions throughout the process.
d. WYFHOP is now comfortable in working with families on new build projects thanks to this model.

Closing Comments

The Average renter is estimated to have a net worth of $10,000, whereas the average homeowner has a net worth of $60,000 that is a $50,000 difference!

Contacts and Additional Resources

1. WYFHOP Program-Tammy Howard, Executive Director 307-514-5831 http://www.wyfhop.org/
2. Laramie County Government: Sandra Newland, Grants Manager 307-633-4201
3. Creekside Homes LLC: Brad Emmons 307-637-6017
4. Wyoming Business Council-Community Development Block Grant Program http://www.wyomingbusiness.org/content/community-development-block-grant-cdbg-
5. Wyoming Tribune Articles:

   http://www.wyomingnews.com/

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