



**CITY OF JACKSONVILLE
DEPARTMENT OF PLANNING & DEVELOPMENT
HOUSING SERVICES DIVISION**

My name is Darrell V. Griffin, Sr. and I am the Division Chief for the City of Jacksonville, Planning and Development Department, Housing Services Division. I bring greetings from Mayor John Delaney and Jeannie Fewell, Director of the Planning and Development Department. I am here today, speaking in support of the proposed legislation H.R. 1276, American Dream Downpayment Act.

Before telling you about the fantastic homeownership programs we administer in the City of Jacksonville, allow me the opportunity to provide some demographic data about our City, which is located in northeast Florida. Jacksonville is approximately 840 square miles of landmass, with a population of 807,012 people. According to the 2000 Census, Jacksonville’s racial composition is as follows: 65.80% White, 27.80% Black, 4%Hispanic and 2.4% categorized as other. There are 303,747 households in Duval County, of which 63% are owner-occupied. Of those owner occupants, 76% are owned by Whites, 19% by Blacks, 3% by Hispanic and 4% are of other nationalities. In Jacksonville, the area median income for a family of four is \$55,400.

The City of Jacksonville, Planning and Development Department, Housing Services Division’s (PDD-HSD) strategy for providing affordable housing is to encourage public/private partnerships to stimulate the construction and reconstruction of residential properties and to increase and improve the supply of affordable housing. The PDD-HSD administers several homeownership programs which are designed to encourage homeownership and make the purchase of a home possible for low-and-moderate income residents who are 80% of the median income and below. The City of Jacksonville anticipates allocating from its 2004 funding \$1million of its \$3.8 million in HOME Investment Partnerships Program funds to our award winning downpayment assistance programs called the Headstart to Homeownership (H2H) Program and the HOME-Purchase and Rehabilitation (HOME-PAR) Program. The H2H Program has twice been awarded the Department of Housing and Urban Development’s prestigious “Best Practice Award.”

HEADSTART TO HOME OWNERSHIP (H2H) PROGRAM

The H2H Program targets qualified applicants whose income is 80% or less of the median income for Jacksonville. H2H offers financial assistance up to \$14,999, to provide down payment, closing cost and principle reduction assistance to eligible families/individuals who currently do not own a home and wish to purchase a home as their primary residence. Perspective homeowners may purchase any single-family housing unit, newly built or existing, including patio homes, town homes, and condominiums located within the consolidated City of Jacksonville. In addition to meeting the income criteria listed below, the applicant must have a minimum down payment of \$500.

| Family Size | * Minimum Gross Income (50% of Median) | * Maximum Gross Income (80% of Median) |
|--------------------|---|---|
| 1 | \$19,450 | \$31,150 |
| 2 | \$22,250 | \$35,600 |
| 3 | \$25,000 | \$40,050 |
| 4 | \$27,800 | \$44,500 |
| 5 | \$30,000 | \$48,050 |
| 6 | \$32,250 | \$51,600 |
| 7 | \$34,450 | \$55,150 |
| 8 | \$36,700 | \$58,700 |

* The gross income limits are effective as of February 2003 and are adjusted annually.

The maximum purchase price for one-family unit for Duval County as of February 2003 is \$154,600. Local Lenders provide a first mortgage for the purchase of the property. The Lender will offer their funding at their "par" market rate without origination or discount points for 30 year fixed-rate conventional loans and FHA –Insured loans with a maximum loan-to-value of 97%. The City of Jacksonville will provide a subsidy in the form of down payment, closing costs, and/or principal reduction assistance for eligible persons. The amount of financial subsidy received will be based on your total household size and income. The City's financial assistance will be in the form of a 2nd mortgage, at 0% interest, for five years, with the repayment of the subsidy deferred and a portion forgiven annually until the term has ended. If the property is sold before the end of the City's mortgage term, or the applicant ceases to occupy the property as their principal residence, the applicant must repay the City an amount equal to the portion of the loan amount, which has not yet been forgiven. In the event the borrower either transfers title to the property or moves from the premises prior to the expiration of the forgiveness period, the pro-rated principal balance of the second mortgage shall immediately become due and payable. In the event of the borrower's death, prior to the expiration of the forgiveness period, the second mortgage shall continue in force as long a member of the immediate family lives in the housing unit, meets the income level requirements and maintains the home as their primary place of residence.

All homes sold under the H2H Program are inspected by licensed Home Inspection Properties and must be in compliance with Section 8 Housing Quality Standards (HQS) prior to closing.

HOME-PAR PROGRAM

The goal of the HOME-PAR program is to encourage and support homeownership and revitalization efforts within the Mayor's Intensive Care Neighborhoods, and targeted areas with adopted Neighborhood Action Plans. Implemented in March, 2003 the HOME-PAR Program offers financial assistance up to \$25,000 to families and individuals 80% of the median income who wish to acquire and rehabilitate a substandard home, which after rehabilitation will become the owner's primary residence.

Like the H2H program the City's subsidy may be used for down payment, closing cost and principal reduction assistance. In addition, funding may be used to provide gap financing when the cost to acquire and renovate the home exceeds the after-rehab appraised value. The applicant must have a minimum down payment of \$500. The lender will provide a first mortgage for the acquisition and rehabilitation of the property with a maximum loan-to-value of 97%. The City subsidy will be in the form of a second mortgage in an amount not to exceed 120% loan to value.

The rehabilitation work performed under the HOME-PAR program must be completed by licensed general and residential contractors in good standing with the Department of Professional Regulations and the Department of Consumer Affairs. The contractor furnishes all labor, materials, equipment, permits, licenses and services for the proper completion of the project. All work performed is subject to inspections by the Lender, the Building Inspection Division and the PDD-HSD Inspector to ensure compliance with the terms of the contract, applicable codes and standard trade practices. The Contractors provide a full one-year warranty to the homebuyer, for the workmanship on all contract items other than roofing. A five-year warranty will be provided on the labor for all roofs installed.

KEYS TO SUCCESSFUL HOMEOWNERSHIP PROGRAMS

- ✓ Lenders provide market interest rates, fix mortgages and **No** discount points or origination fees are assessed.
- ✓ To prevent over indebtedness, debt-to-income ratios may not exceed 33% for housing expenses and 43% for the total monthly obligations or the back-end ratio.

- ✓ Minimal down payment required.
- ✓ Homebuyers are provided with professional home inspections and licensed general contractors.
- ✓ One-year warranties are provided on all rehab projects, with a five-year warranty of the roofs.
- ✓ Eligible closing costs include homebuyers Home Shield Warranty, up to six months construction interest and gap financing.
- ✓ Homebuyers are required to attend homebuyer training prior to closing.
- ✓ Applicants denied for poor credit or who are currently over-extended are referred to Consumer Credit Counseling, tracked the process and referred back to our office once credit is repaired.
- ✓ Forgiveness clauses in the City’s second mortgage promotes equity and ensures wealth building; provided the homebuyer maintains the home as their primary residence.

PROGRAM AND HOMEBUYER DEMOGRAPHICS

Through the partnership of local lenders, realtors, inspection companies, and contractors, the PDD-HSD have assisted 1,199 families and individuals in purchasing a home under the H2H and HOME-PAR programs since 1997. During this time, the PDD-HSD leveraged \$73,946,139 in private financing with \$9,184,077 in federal HOME funds; which equates to an 8 to 1 ratio. The average home sales price is \$67,574 and the average City subsidy is \$7,698.

As the data below reflects there has been an equal number of participation among Blacks and Whites. However, our typical homebuyer profile under our programs is an African-American female head-of-household, age twenty-eight, with two children and an annual income of \$25,559. The oldest homebuyer served was 82 years old and the youngest was 19. Below is the racial and gender breakdown of the 1,199 homebuyers served to date.

| RACE | GENDER | TOTAL | ** RACIAL % |
|-----------------|--------------|------------|-------------|
| * White | Male | 231 | 19% |
| | Female | 272 | 23% |
| | Total | 503 | 42% |
| Black | Male | 119 | 10% |
| | Female | 384 | 32% |
| | Total | 503 | 42% |
| Hispanic | Male | 74 | 6% |
| | Female | 46 | 4% |
| | Total | 120 | 10% |
| Asian | Male | 26 | 2% |
| | Female | 9 | 1% |
| | Total | 35 | 3% |
| Other | Male | 25 | 2% |
| | Female | 13 | 1% |
| | Total | 38 | 3% |

* Includes Bosnian and Russian homebuyers.

** Percentages rounded to the nearest tenths

PROBLEMS IN OBTAINING HOMEOWNERSHIP

- ✓ Approximately 50% of the applicants who apply for assistance are declined for poor credit and referred to Consumer Credit Counseling Services.
- ✓ Habitual poor credit scores highlight the need for early intervention and education in the importance of maintaining positive credit. This includes consumer and homebuyer education and credit counseling.

- ✓ Applicants, under 50% of the median income generally have difficulty making enough income to adequately cover the cost of living and the added responsibilities of maintaining a home.
- ✓ Homeownership programs and additional support services must continue and be expanded to help people move out of poverty and into the middle class.

NEIGHBORHOOD ACTION PLANS

Because many of our older neighborhoods in Jacksonville have undergone fundamental changes in physical conditions, land use, and demographics within a period of a few decades, the Planning and Development Department (PDD) has prepared several Neighborhood Action Plans (NAP) designed to promote revitalization and reinvestment into these areas. These plans contain detailed descriptions of the existing neighborhood conditions and an assessment of community needs in terms of infrastructure improvements, housing rehabilitation, potential for new construction, human services support, and redevelopment of commercial corridors within these neighborhoods. The PDD has engaged nonprofit Community Development Corporations (CDCs) and the local residents in a grassroots effort to determine how to best address these needs using available resources. Because vacant land and disposition is a key element of our neighborhood strategies, the City of Jacksonville has improved the process for acquiring and conveying real-estate through local government action.

Three NAP's have recently been approved and adopted by the City Council and the Mayor has allocated \$5 million in general revenue funds to support the implementation of these plans. The PDD is guided by the awareness that stimulating reinvestment requires a succession of activities during a number of years, generating incremental improvements and dedicated financial and human resources over an extended period.

We are also aware that homeownership is a key component to the revitalization of these neighborhoods and that these older areas must be saved, as they provide much historic significance to our City and a great source of affordable homes for our residents. Studies have shown that an infusion of home purchases by first-time homebuyers in a concentrated area is a key indicator of future economic success and a stabilizing force to businesses and schools in the area. With the current climate of low mortgage interest rates, dedicated financial and human resources, the emergence of CDCs and the availability of homebuyer assistance programs like the H2H and HOME-PAR programs, many neighborhoods and communities in Jacksonville and throughout our country can be restored.

SUMMATION

Homeownership is the largest and in many cases the only source of wealth building for most families and individuals, especially for the perspective homebuyers we target at 80% of the median income and below. The successful revitalization of Jacksonville's intensive care neighborhoods and neighborhood action plan areas demonstrate that public funding delivered to homeownership and neighborhoods, as part of a well-organized reinvestment strategy, can leverage private financing and other valuable resources and produce lasting benefits, both physical, economic and social. However, it is imperative to have continued federal and state funding to sustain a base of capital investment and program delivery to ensure the continued success of these and other initiatives. Consequently, we fully support the legislation to enact the American Dream Downpayment Act.