Convergence Philadelphia

Cindy Waldron – VP Research and Analytics

Research by Jaya Dey, Sijie Hickly, and Arathi Nair
Who is “Mortgage Ready”?

“Mortgage Ready”
(all the following)
• 45 years or younger
• Credit Score ≥ 661
• DTI ≤ 25%
• No foreclosures or bankruptcies in 84 months
• No severe delinquencies in 12 months

“Near Mortgage Ready”
(all the following)
• 45 years or younger
• Credit Score ≥ 600 and < 661
• DTI ≤ 25%
• No foreclosures or bankruptcies in 84 months
• No severe delinquencies in 12 months

“Not Currently Mortgage Ready”
(any of the following)
• 45 years or younger
• Credit Score < 600
• DTI > 25%
• Foreclosures or bankruptcies in 84 months
• Severe delinquencies in 12 months

Note: Using all credit visible with no mortgage trade lines in Credit Bureau. Mortgage readiness – Based on research criteria not actual underwriting. © 2023 Freddie Mac. All Rights Reserved
How many are “Mortgage Ready”? 

<table>
<thead>
<tr>
<th></th>
<th>Overall Population</th>
<th>Non-Hispanic White Americans</th>
<th>Black Americans</th>
<th>Latino Americans</th>
<th>Asian Americans and Pacific Islanders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq(M)</td>
<td>Percent(%)</td>
<td>Freq(M)</td>
<td>Percent(%)</td>
<td>Freq(M)</td>
</tr>
<tr>
<td>&quot;Not Currently Mortgage Ready&quot;</td>
<td>34.6</td>
<td>33%</td>
<td>16.5</td>
<td>27%</td>
<td>7.2</td>
</tr>
<tr>
<td>&quot;Near Mortgage Ready&quot;</td>
<td>10.5</td>
<td>10%</td>
<td>5.4</td>
<td>9%</td>
<td>1.7</td>
</tr>
<tr>
<td>&quot;Mortgage Ready&quot;</td>
<td>38.2</td>
<td>36%</td>
<td>22.0</td>
<td>37%</td>
<td>3.1</td>
</tr>
<tr>
<td>&quot;Mortgage Owner&quot;</td>
<td>22.8</td>
<td>21%</td>
<td>16.1</td>
<td>27%</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: Freddie Mac calculations using anonymized credit bureau data for January 2023. Due to changes made in approach used for authors’ calculations, these numbers are not comparable with previous versions of the deck.

### Points:

- The orange circles indicated the “mortgage ready” in each segment. This is an opportunity as this population has credit characteristics indicating they could get a mortgage.
  - **38.2 Million “Mortgage Ready” Overall Population**
  - **3.1 Million Black American are “Mortgage Ready”**

- The Red Block shows that 53% of Black Americans are not currently Mortgage ready based on our criteria. More efforts are needed to move this population to Near or Mortgage ready.
Affordability overall is challenging, especially for lower income borrowers of the future.

Note: Freddie Mac calculation using anonymized credit bureau data and Home Value Explorer (HVE) data. Green line represents fair market value for single-family home. Blue, orange, gray and black lines represent the typical budget for “Mortgage Ready” Non-Hispanic White, Black, Latino and AAPI consumers, respectively. Individual budget was calculated based on a back-end DTI cap of 43% and 3% down payment for 30-year fixed-rate mortgage contract. Interest based on PMMS. Budget for Mortgage Ready

Fair Market value for median SF Homes
Overall, Low Income Borrower are more constraint with homes greater than their budget can afford.

Low Income borrower has income <= 80% AMI

Overall, SF Homes > Budget depending on geography

Fair market value for median SF Homes

Budget for Mortgage Ready

Note: Freddie Mac calculation using anonymized credit bureau data and hive data. Mortgage capacity measures the maximum house price a "Mortgage Ready" renter can afford based on 3% down payment and 30-year fixed-rate mortgage payment (PMMS30, Freddie Mac), with back-end debt-to-income ratio set at 43%. Due to changes made in approach used for authors' calculations, these numbers are not comparable with previous versions of the deck.
Middle-Income “Mortgage Ready” renters have enough income to support their debt and a mortgage payment.

Note: Freddie Mac calculation using anonymized credit bureau data and Home Value Explorer (HVE) data. Green line represents fair market value for single-family home. Blue, orange, gray and black lines represent the typical budget for “Mortgage Ready” Non-Hispanic White, Black, Latino and AAPI consumers, respectively. Individual budget was calculated based on a back-end DTI cap of 43% and 3% down payment for 30-year fixed-rate mortgage contract. Interest based on PMMS. Due to changes made in approach used for authors’ calculations, these numbers are not comparable with previous versions of the deck.
Down Payment is still a barrier for Middle-Income “Mortgage Ready” Renters based on where they live.

- Overall, Middle-Income “mortgage ready” consumers need over $10,000 in down payment and closing costs even with 6 months of savings.
  - Overall, a year of saving for the Black Americans $5,110 is not enough to cover estimated closing costs.
- More focus on this barrier for this population could reduce the homeownership gap.

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Gross 3% Down Payment (Median)</th>
<th>Estimated Closing Cost (Median)</th>
<th>6mo Saving (Median)</th>
<th>Cash Required at Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White Americans</td>
<td>$9,184</td>
<td>$6,733</td>
<td>$2,648</td>
<td>$13,269</td>
</tr>
<tr>
<td>Black Americans</td>
<td>$8,226</td>
<td>$6,037</td>
<td>$2,532</td>
<td>$11,731</td>
</tr>
<tr>
<td>Latino Americans</td>
<td>$10,977</td>
<td>$8,052</td>
<td>$2,519</td>
<td>$16,510</td>
</tr>
<tr>
<td>Asian Americans and Pacific Islanders</td>
<td>$12,102</td>
<td>$8,875</td>
<td>$2,738</td>
<td>$18,238</td>
</tr>
</tbody>
</table>

Source: Freddie Mac calculations using anonymized credit bureau data and Freddie Mac Home Value Explorer data for January 2023. Savings was calculated by assuming each individual saves 7.5% of his/her post-tax income. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. We estimate net income by subtracting both state and fed taxes from gross income at the individual-level. Median house price value at the individual’s county of residence was used to derive for both down payment and closing cost calculations. Estimated closing costs net of credits gives the median net closing costs incurred by borrowers after discounting for lender credit. We assume closing cost as a percentage of sales price for all borrowers is 2.2% (Mota and Palim 2021). Due to changes made in approach used for authors’ calculations, these numbers are not comparable with previous versions of the deck.
What does the “mortgage ready” population look like in Philadelphia?

Higher numbers of “mortgage ready” population reside in the city and the surrounding northern counties.

Affordability and time to save for down payment factors are better than the national average.

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>United States</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF Affordability</td>
<td>20%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Housing Stock (ratio)</td>
<td>3.2</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Time to Save for 3% Down (yr)</td>
<td>3.0</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Cash Required at Closing</td>
<td>$16,653</td>
<td>$14,000</td>
<td></td>
</tr>
</tbody>
</table>

**SF Affordability**

\[
SF\ Affordability = \frac{\# \text{ of "Mortgage Ready" who can afford house}}{\text{"Mortgage Ready" Population}}
\]

Note: Based on data from Redfin.com for January 2023 to investigate housing stock. According to industry rule of thumb, housing stock is adequate if Housing Stock Indicator exceeds 6.0. Freddie Mac calculations using anonymized credit bureau data for January 2023. Time to Save is calculated by dividing down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 7.3% of net income in 2019. Freddie Mac calculations at the CBSA-level using anonymized credit bureau data for January 2023 and Freddie Mac Home Value Explorer data for November 2022. Note: According to NAR’s methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.27% mortgage rate as of January 2023, 30-year contract), then that house is affordable for him/her/them.
What does the “mortgage ready” Black population look like in Philadelphia?

Higher numbers of “mortgage ready” Black population reside in the city and the surrounding counties. Affordability and time to save for down payment factors are better than the national average.

<table>
<thead>
<tr>
<th></th>
<th>Black</th>
<th>United States</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF Affordability</td>
<td>19%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Housing Stock (ratio)</td>
<td>3.2</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Time to Save for 3% Down (yr)</td>
<td>2.9</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Cash Required at Closing</td>
<td>$13,925</td>
<td>$10,505</td>
<td></td>
</tr>
</tbody>
</table>

**SF Affordability**

\[
\text{SF Affordability} = \frac{\# \text{ of "Mortgage Ready" who can afford house}}{\text{"Mortgage Ready" Population}}
\]

Note: Based on data from Redfin.com for January 2023 to investigate housing stock. According to industry rule of thumb, housing stock is adequate if Housing Stock Indicator exceeds 6.0. Freddie Mac calculations using anonymized credit bureau data for January 2023. Time to Save is calculated by dividing down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 7.3% of net income in 2019. Freddie Mac calculations at the CBSA-level using anonymized credit bureau data for January 2023 and Freddie Mac Home Value Explorer data for November 2022. Note: According to NAR’s methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.27% mortgage rate as of January 2023, 30-year contract), then that house is affordable for him/her/them.
What does the “mortgage ready” Latino population look like in Philadelphia?

Higher numbers of “mortgage ready” Latino population reside in the city and the surrounding counties.

Affordability and time to save for down payment factors are better than the national average.

<table>
<thead>
<tr>
<th></th>
<th>Latino</th>
<th>United States</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF Affordability</td>
<td>9%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Housing Stock (ratio)</td>
<td>3.2</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Time to Save</td>
<td>3.9</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>Cash Required at Closing</td>
<td>19,695</td>
<td>12,802</td>
<td></td>
</tr>
</tbody>
</table>

**SF Affordability** = \( \text{# of “Mortgage Ready” who can afford house} / \text{“Mortgage Ready” Population} \)

Note: Based on data from Redfin.com for January 2023 to investigate housing stock. According to industry rule of thumb, housing stock is adequate if Housing Stock Indicator exceeds 6.0. Freddie Mac calculations using anonymized credit bureau data for January 2023. Time to Save is calculated by dividing down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 7.3% of net income in 2019. Freddie Mac calculations at the CBSA-level using anonymized credit bureau data for January 2023 and Freddie Mac Home Value Explorer data for November 2022. Note: According to NAR’s methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.27% mortgage rate as of January 2023, 30-year contract), then that house is affordable for him/her/them.
Freddie Mac First-Time Homebuyer Affordability Map

Select Year

Select by Income Group

Select by Race/Ethnicity

Ranks affordability

Size of bubble is # of Mortgage Ready

Affordable details by geography

© 2022 Mapbox | © OpenStreetMap

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- Many cities that are affordable to all income levels are no longer affordable for the LMI community.
Where can you find Freddie First Time Homebuyer Affordability Map?

• **Published paper on** [www.Freddiemac.com/research](http://www.Freddiemac.com/research)
  - Freddie Mac First-Time Homebuyer Affordability Map: A Novel Approach to Measure Affordability for Future Borrowers
  - Map link is in the paper.

• **For Questions, please contact**
  - Cindy_Waldron@freddiemac.com or Jaya_Dey@Freddiemac.com

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Affordable Housing Initiative: MI Focus

August 4, 2022
Philadelphia Area Overview
We are focusing on the City of Philadelphia and its surrounding areas

The Greater Philadelphia Area has three main regions that statistical data is available for:

- **The Philadelphia MSA** (Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area, MSA #37980)
- **The Philadelphia MD** (Philadelphia, PA Metro Division, MD #37964)
- **The City of Philadelphia** (Philadelphia County, County ID #42101)

Of these three, we will focus on the City of Philadelphia because:

1. For all practical purposes, “Philadelphia County” is the city, so this aligns with both available data and the common understanding of what area data about Philly applies to.
2. Data is readily available through HMDA.
3. The demographics are significantly different at the MSA, MD, and City level.

We will compare the City of Philadelphia to the Philly MSA, Philly MD, and the US for context.

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The Geographic Limits of Philadelphia MSA, MD, and County

Philadelphia County is the city limits. For locals, this geographic border is important. Areas outside Philadelphia County are the Greater Philadelphia Area (read: not “actually Philly”).

Philadelphia MSA includes: Montgomery, Bucks, Delaware, New Castle, Chester, Camden, Burlington, Gloucester, Cecil, and Salem Counties.

Philadelphia MD is Philadelphia and Delaware counties.

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Demographics in the Greater Philadelphia Area

<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>Philadelphia MSA</th>
<th>Philadelphia MD</th>
<th>City of Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>331,893,745</td>
<td>6,228,601</td>
<td>2,150,100</td>
<td>1,576,251</td>
</tr>
<tr>
<td>Minority %</td>
<td>24%</td>
<td>32%</td>
<td>49%</td>
<td>56%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$64,994</td>
<td>$74,533</td>
<td>$54,520</td>
<td>$49,127</td>
</tr>
<tr>
<td>Homeownership %</td>
<td>65%</td>
<td>67%</td>
<td>57%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Geographic boundaries and Philly demographics from 2021 Census information, US demographics from 2020 Census information. Minority % defined as non-white population percent.
Demographic data from 2021 census information. Minority % is defined as percent of people who are not non-Hispanic White. Homeownership % is defined as percent of housing units which are owner occupied.
Geography matters in the Greater Philadelphia Area

These scatterplots show how different indicators correlate for census tracts. Each tract is represented by a dot. Large dots are for Philadelphia and Delaware Counties. Small dots are for counties in the MSA outside of the MD.

**Minority % vs. Homeownership %**

While there is variation, there is a strong negative relationship between Minority % and Homeownership %. Census tracts with higher minority % tend to have lower homeownership %, but there is plenty of variation. Many of these tracts are within the Philly city limits.

**Minority % vs. Median Family Income**

Demographic data from 2021 census information. Minority % is defined as percent of people who are not non-Hispanic White. Homeownership % is defined as percent of housing units which are owner occupied. Philadelphia MSA includes: Montgomery, Bucks, Delaware, New Castle, Chester, Camden, Burlington, Gloucester, Cecil, and Salem Counties. Philadelphia MD is Philadelphia and Delaware counties. The City of Philadelphia is Philadelphia County.
Philadelphia Area
Loan Application Initial Analysis
Philadelphia’s demographics shift significantly depending on the geographic area…

The three largest racial groups in the City of Philadelphia are White (44%), Black (44%) and Asian (8%).

Within our data, the applications for home loans are represented as follows:

### Home Loan Applications in Philadelphia MSA

<table>
<thead>
<tr>
<th>Race</th>
<th>Applications</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>72,062</td>
<td>55.08%</td>
</tr>
<tr>
<td>Race Not Available</td>
<td>32,423</td>
<td>24.78%</td>
</tr>
<tr>
<td>Black</td>
<td>15,126</td>
<td>11.59%</td>
</tr>
<tr>
<td>Asian</td>
<td>8,336</td>
<td>6.37%</td>
</tr>
<tr>
<td>Other</td>
<td>2,682</td>
<td>2.20%</td>
</tr>
</tbody>
</table>

A significant amount of applications have no race information.

### Home Loan Applications in Philadelphia MD

<table>
<thead>
<tr>
<th>Race</th>
<th>Applications</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>16,533</td>
<td>45.83%</td>
</tr>
<tr>
<td>Race Not Available</td>
<td>9,614</td>
<td>26.65%</td>
</tr>
<tr>
<td>Black</td>
<td>6,423</td>
<td>17.81%</td>
</tr>
<tr>
<td>Asian</td>
<td>2,735</td>
<td>7.58%</td>
</tr>
<tr>
<td>Other</td>
<td>769</td>
<td>2.13%</td>
</tr>
</tbody>
</table>

The number of applications is disproportionately small for Black people in Philadelphia.

Loan application information is from 2020 HMDA data. Population and demographics are from the 2021 Census information. “White” includes both Hispanic and Non-Hispanic people.
… but these shifting demographics are not reflected equitably in the number of applications.

The upward slope of the lines for White and Asian people show that they are overrepresented in applications compared to their population percent as the geographic area changes.

Meanwhile, the Black population is underrepresented in applications compared to their population percent (downward slope).

Note: These numbers are percent of applications with known race; about a quarter of applications recorded during 2020 did not have race information attached.
In fact, the application rate becomes even more disproportionate.

White and Asian applications become **steadily more overrepresented (steeper upward slopes)**, even as White people represent less of the population.

Meanwhile, Black applications become **steadily more underrepresented (steeper downward slope)** even when they are equal in number to White people.

Minority application volume is an important driver, so we plan to look closer at this gap (and at application volume for Black people in particular).

Note: These numbers are percent of applications with known race; about a quarter of applications recorded during 2020 did not have race information attached.

Loan application information is from 2020 HMDA data. Population and demographics are from the 2021 Census information. “White” includes both Hispanic and Non-Hispanic people.
The approval rate also shifts geographically

Approval rates are above 65% for all groups in the Greater Philadelphia Area.

However, approval rates **drop for Black people** within the Philly Metro District and the City proper.

This provides extra evidence that it is worth looking more closely at the context of applying for a home loan for Black people.

Note: About 27% of approved applications and about 17% of denied or excluded applications did not have race information attached.

Loan application information is from 2020 HMDA data. "White" includes both Hispanic and Non-Hispanic people.
Applications can be categorized by their results

We are further filtering the data to focus in on:

- **Approved applications**, which usually become loan originations and help weed out multiple applications per homebuyer
- **Denied applications**, which tell us about barriers to homeownership
- **And excluded applications**, which were withdrawn or incomplete. Reasons why these applications were never finished may help find other barriers to homeownership

Many applications fail or are abandoned before they are approved or denied.

Loan application information is from 2020 HMDA data. “White” includes both Hispanic and Non-Hispanic people.
Applications are denied for several reasons:

Applications are denied for similar reasons across all groups and across the whole geographic area. The top five reasons are:

1. Debt to income ratio
2. Credit history
3. Collateral
4. Other
5. Credit application incomplete

The most common denial reasons don’t change much from MSA to MD, but do vary by race.

Loan application information is from 2020 HMDA data. “White” includes both Hispanic and Non-Hispanic people.

HMDA defines these as:

**DTI:** “Income insufficient for amount of credit requested, and Excessive obligations in relation to income”

**Credit history:** “Insufficient number of credit references provided; Unacceptable type of credit references provided; No credit file; Limited credit experience; Poor credit performance with us; Delinquent past or present credit obligations with others; Number of recent inquiries on credit bureau report; Garnishment, attachment, foreclosure, repossession, collection action, or judgment; and Bankruptcy”

**Collateral:** “Value or type of collateral not sufficient”
There are multiple places in the loan application process where gaps can emerge.

Several metrics along this pipeline can be targeted with interventions once further research is complete.

- **Application Volume**: Number of Black or minority applicants filling out applications
- **Error Rate**: Rate of missing information or other errors on the applications
- **Approval Rate**: Rate at which Black or minority applicants are approved instead of declined
- **Loan to Approval Rate**: Rate at which approved loans become a loan origination

In addition to targeted metrics, conditions outside this pipeline (e.g., housing market, foreclosure rates) may be worth investigating for the effects on the pipeline as a whole.

Differences in how many people fill out the application, and if application is filled out correctly

Differences in how many people are declined, or in the reasons why they get declined

Differences in why approved applications are abandoned and do not become loan originations
Convergence: Uniting for Housing Affordability; Understanding the Market – Data Driven Highlights

Philadelphia Launch Event
March 15, 2023
About Reinvestment Fund

- We are a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities.

- Since 1985, Reinvestment Fund has made $2.7 billion in cumulative investments and loans.

- We are supported by 830 investors that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.

How we work:

- Lending & Investing
- Capacity Building & Capital Access Programs
- Policy Solutions
- PolicyMap
In just the last few years, Philadelphia has been active passing laws, promulgating policy, and funding/supporting government/nonprofit initiatives

- Assessment of Fair Housing (forthcoming, 2023)
- Wells Fargo Wealth Opportunities Restored Through Homeownership “BIPOC WORTH” Initiative (2022)
- Philadelphia Accelerator Fund (2022)
- Philadelphia Home Appraisal Bias Task Force (2021/2022)
- PHA Landlord Incentive Program (2021)
- Inclusionary Zoning (2021)
- Neighborhood Preservation Initiative [$400 million] Bond Sale (2021)
- Dedicated Funding For Housing Trust Fund (2019/2021)
- Tenant Screening Protections (2021)
- New Normal Budget Act (2020)
- Emergency Rental Assistance (2020-2022)
- Eviction Moratoria (2020-2021)
- Philly First Home
- Housing Advisory Board (2015)

Annually, the City (using principally a portion of its CDBG allocation) supports a significant number of housing counseling agencies, legal assistance groups, and since approximately 2008, the Residential Mortgage Foreclosure Diversion Program.
Housing Action Plan – Guiding & “Oversight” of Activities

- Create or preserve 100,000 housing units in 10 years (85% ≤ 120% median income and 15% market rate)
- Public dashboard of accomplishments
  

**Annual Goal: 10,000 units**

- 5,997 units completed

**10-Year Goal: 100,000**

- 47,162 units completed as of June 30, 2022

In 2022, Philadelphia is on track to meet its annual goal.
City dedicates significant federal and local resources to housing production and preservation, neighborhood improvements, and critical amenities and infrastructure.

<table>
<thead>
<tr>
<th>Program</th>
<th>Source of Funds</th>
<th>Uses of Funds</th>
<th>Expected Amount Available Year Five</th>
<th>Expected Amount Available Remainder of Con Plan $</th>
<th>Narrative Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDBG</td>
<td>public - federal</td>
<td>Acquisition Administration and Planning Economic Development Housing Public Improvements Public Services</td>
<td>43,989,090 6,750,000 313,000 51,852,090 204,208,360</td>
<td>CDBG funds support home repair, housing counseling, neighborhood economic development, education, and community improvement projects and programs</td>
<td></td>
</tr>
<tr>
<td>HOME</td>
<td>public - federal</td>
<td>Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership Tenant-Based Rental Assistance</td>
<td>13,200,672 0 0 13,200,672 52,802,688</td>
<td>HOME funds support affordable rental/special needs housing production; and tenant-based rental assistance to prevent homelessness</td>
<td></td>
</tr>
<tr>
<td>HOPWA</td>
<td>public - federal</td>
<td>Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities Short-Term Rent, Mortgage and Utility Supportive services Tenant-Based Rental Assistance</td>
<td>8,731,093 0 0 8,731,093 34,924,372</td>
<td>The HOPWA program will fund programs and services specifically for persons with HIV/AIDS, including Tenant-Based Rental Assistance, housing counseling and supportive services</td>
<td></td>
</tr>
<tr>
<td>ESG</td>
<td>public - federal</td>
<td>Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid Re-housing (rental assistance) Rental Assistance Services Transitional housing</td>
<td>3,815,940 0 0 3,815,940 15,263,760</td>
<td>ESG funding will support Rapid Re-housing, Emergency Shelters Data/HRIS Systems, and a range of other Homeless Prevention programs</td>
<td></td>
</tr>
<tr>
<td>Housing Trust Fund-RF</td>
<td>public - local</td>
<td>Homeowner rehab Multifamily rental rehab Homeless Prevention</td>
<td>16,000,000 0 0 16,000,000 64,000,000</td>
<td>Housing Trust Fund-Recording Fee earnings will be used to support affordable rental preservation projects; homeowner preservation and homeless prevention activities</td>
<td></td>
</tr>
<tr>
<td>Housing Trust Fund-GF</td>
<td>public - local</td>
<td>Multifamily rental new construction Multifamily rental rehab Other</td>
<td>27,870,000 0 0 27,870,000 111,480</td>
<td>Housing Trust Fund-New earnings will be used to support affordable rental production and preservation projects; Housing counseling activities and targeted title assistance.</td>
<td></td>
</tr>
<tr>
<td>Neighborhood Preservation Initiative</td>
<td>public - local</td>
<td>Multifamily rental new construction Multifamily rental rehab Homeowner rehab Homeless Prevention Other</td>
<td>91,450,000 0 0 91,450,000 365,800,000</td>
<td>Neighborhood Preservation Initiative funds will be used to support affordable rental production and preservation projects; housing counseling activities and targeted title assistance; rental assistance; closing costs downpayment/seller assistance; and business assistance</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>public - local</td>
<td>Other Foreclosure Prevention Vacant land management ESG Match</td>
<td>7,876,000 0 0 7,876,000 31,504,000</td>
<td>Local funds are used to support foreclosure prevention, vacant land management through PHS and ESG match funding</td>
<td></td>
</tr>
</tbody>
</table>
PHFA/State Activity

- PA Whole Home Repair Program
- Keystone Home Loan Program
- K-Flex / K-Fit (Keystone Forgivable in Ten)
- Forthcoming pilot (from WORTH)

### Table 18: PHFA’s K-Fit Program Statistics For CY 2021

<table>
<thead>
<tr>
<th>Area</th>
<th>Loan Volume</th>
<th>% to Minority Borrowers</th>
<th>Av K-Fit Loan</th>
<th>Avg Credit Score</th>
<th>% Scores 660-700</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allegheny</td>
<td>132</td>
<td>12.9%</td>
<td>$7,729</td>
<td>728</td>
<td>13.2%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>829</td>
<td>57.4%</td>
<td>$10,832</td>
<td>717</td>
<td>38.5%</td>
</tr>
<tr>
<td>Statewide</td>
<td>2217</td>
<td>40.1%</td>
<td>$7,574</td>
<td>720</td>
<td>38.2%</td>
</tr>
</tbody>
</table>

*Other PA counties with more than 50 loans include: Berks (112, 63.4% minority), Bucks (94, 21.3%), Dauphin (51, 33.3%), Delaware (146, 54.8%), Lancaster (63, 23.8%), Lehigh (88, 78.4%), Montgomery (119, 37%) and York (90, 18.9%).

Reinvestment Fund tabulation of data provided by PHFA.
Selected Market Factors To Consider
A very small percentage of renters—the core population for 1\textsuperscript{st} time homebuyers—earned just a few hundred dollars from assets

<table>
<thead>
<tr>
<th></th>
<th>PA</th>
<th>Allegheny</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner</td>
<td>Renter</td>
<td>Owner</td>
</tr>
<tr>
<td>White NH</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; $100</td>
<td>22.9%</td>
<td>9.5%</td>
<td>24.7%</td>
</tr>
<tr>
<td>&gt; $250</td>
<td>20.3%</td>
<td>8.2%</td>
<td>21.9%</td>
</tr>
<tr>
<td>&gt; $500</td>
<td>18.5%</td>
<td>7.4%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Black NH</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; $100</td>
<td>7.2%</td>
<td>1.4%</td>
<td>6.8%</td>
</tr>
<tr>
<td>&gt; $250</td>
<td>6.3%</td>
<td>1.2%</td>
<td>6.1%</td>
</tr>
<tr>
<td>&gt; $500</td>
<td>5.8%</td>
<td>1.0%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Hispanic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; $100</td>
<td>7.2%</td>
<td>1.8%</td>
<td>15.1%</td>
</tr>
<tr>
<td>&gt; $250</td>
<td>6.3%</td>
<td>1.6%</td>
<td>12.5%</td>
</tr>
<tr>
<td>&gt; $500</td>
<td>5.8%</td>
<td>1.3%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>
### Summary of Market Characteristics

#### Average Values of Market Indicators by MVA Category

<table>
<thead>
<tr>
<th>Count</th>
<th>Median Sales Price Condo Adj.</th>
<th>Variance of Sales Price</th>
<th>Permits</th>
<th>New Construction</th>
<th>Vacancy</th>
<th>Foreclosures</th>
<th>Owner Occupancy</th>
<th>Renter Subsidy</th>
<th>% Residential</th>
<th>% Code Violations</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$769,030</td>
<td>0.54</td>
<td>6%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td>34%</td>
<td>4%</td>
<td>25%</td>
<td>1%</td>
</tr>
<tr>
<td>B</td>
<td>$412,453</td>
<td>0.40</td>
<td>9%</td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
<td>61%</td>
<td>4%</td>
<td>64%</td>
<td>2%</td>
</tr>
<tr>
<td>C</td>
<td>$281,485</td>
<td>0.37</td>
<td>6%</td>
<td>1%</td>
<td>3%</td>
<td>8%</td>
<td>44%</td>
<td>5%</td>
<td>29%</td>
<td>3%</td>
</tr>
<tr>
<td>D</td>
<td>$276,197</td>
<td>0.45</td>
<td>7%</td>
<td>2%</td>
<td>9%</td>
<td>8%</td>
<td>43%</td>
<td>67%</td>
<td>35%</td>
<td>6%</td>
</tr>
<tr>
<td>E</td>
<td>$242,267</td>
<td>0.32</td>
<td>5%</td>
<td>0%</td>
<td>4%</td>
<td>10%</td>
<td>77%</td>
<td>6%</td>
<td>76%</td>
<td>4%</td>
</tr>
<tr>
<td>F</td>
<td>$154,329</td>
<td>0.44</td>
<td>6%</td>
<td>1%</td>
<td>11%</td>
<td>15%</td>
<td>58%</td>
<td>11%</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>G</td>
<td>$86,128</td>
<td>0.68</td>
<td>7%</td>
<td>0%</td>
<td>10%</td>
<td>14%</td>
<td>50%</td>
<td>14%</td>
<td>52%</td>
<td>9%</td>
</tr>
<tr>
<td>H</td>
<td>$76,689</td>
<td>0.81</td>
<td>8%</td>
<td>1%</td>
<td>14%</td>
<td>8%</td>
<td>50%</td>
<td>55%</td>
<td>39%</td>
<td>13%</td>
</tr>
<tr>
<td>I</td>
<td>$44,984</td>
<td>0.85</td>
<td>7%</td>
<td>0%</td>
<td>12%</td>
<td>7%</td>
<td>47%</td>
<td>9%</td>
<td>49%</td>
<td>11%</td>
</tr>
<tr>
<td>Unclassified</td>
<td>$548,204</td>
<td>0.17</td>
<td>2%</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>15%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Block group averages</td>
<td>$247,859</td>
<td>0.49</td>
<td>6%</td>
<td>1%</td>
<td>6%</td>
<td>9%</td>
<td>54%</td>
<td>12%</td>
<td>48%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Combining MVA and the Displacement Risk Ratio helps identify solid target areas for 1st time buyers.
Problematic parts of MV’s Homeowner Benefit Agreement

- Homeowner gets a small amount of money (hundreds of dollars) – a “promotion fee”.
- MV gets a 40-year exclusive right to sell the property.
  - 3% (if a cooperating broker) or 6% commission on future value of the home.
- Early termination fee is the greater of 3% of the “future value” of the property or the fair market value at the time of the breach.
  - Even possible to trigger the fee if a family/heir transfer without adequate notice to MV.
  - From what we can see the “future value” is about 10x the amount people actually receive.
- Security is a mortgage “even though this Agreement is not and does not represent a loan”.
- Agreement has a “binding arbitration” clause.
- Agreement includes a waiver of class action relief.
- If the Agreement is breached, the effective annual interest rate of the mortgage can be upwards of 40 or 50% depending upon when a breach occurs.
37% of Philadelphia’s homeowners are Black compared to 69% of MV Realty’s clients.
Low appraisals remain an issue in Philadelphia’s Communities of color
Thoughts about gaps in our local ecosystem

- **Programmatic**
  - Down-payment and closing cost assistance that is available across a larger portion of the income spectrum.
  - Beyond (or before) counseling, basic education on finances, credit, homeownership.
  - Small balance loans.
  - Third Rail: If producing affordable units is a primary concern, reduce the impact of related policy objectives on the cost of construction.

- **Data/Transparency**
  - **DATA GAP**: Public, de-identified data on appraisals.
    - Pilots with lenders on appraisals people receive in purchase and refinance transactions.
    - Pilots that reconceptualize the role of the appraisal itself (what risk does it pr.
  - Systematic learnings from the WORTH PHFA pilot.
  - Affirmative protection of fair housing and consumer rights that (as observed with MV Realty) are under constant threat, and impair wealth accumulation through the home.
Contact Information

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Reinvestment Fund

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