ROOTS TO GROW

STRATEGIES TO PROMOTE SUBSIDIZED HOMEOWNERSHIP

JUNE 2024

CAFHA

WOODSTOCK INSTITUTE

EXECUTIVE SUMMARY

Since releasing CAFHA's last report on the Housing Choice Voucher (HCV) Homeownership Program in 2021, CAFHA and our partners have worked to advance recommendations to grow the program at the federal and local level. This report, compiled in partnership with Woodstock Institute, picks up where the last left off and documents progress made, strategies tested, and lessons learned while advocating for: greater program investment, the removal of regulatory barriers, stronger supports for program participants; and partnerships among the U.S. Dept of Housing and Urban Development (HUD), Public Housing Authorities (PHAs), lenders and real estate professionals, and housing counselors and the advocacy community.

This work is critical to unlock the abundant potential of the HCV Homeownership Program, an existing tool to support housing choice voucher renters to become housing choice voucher homeowners. In reviewing the national data on average PHA subsidy contributions per household, and average lengths of time that households participate in the voucher program, **the Homeownership Program is a wise investment for PHAs and beneficial for households that are eligible and interested.**

Homeownership has long been accepted as a core component of the American dream, as it confers several economic benefits on homeowners, including the ability to pass down a home across generations, sell for profit, borrow against, and reduce housing costs. In Chicago, during the average program participation tenure, at the average subsidy contribution, $71,834.00 is directly invested in each buyer's home equity.

With this opportunity comes a substantial investment in individuals, families, and communities, and one that will reap dividends for generations to come. **In Chicago, if even 10% of voucher renters became voucher homeowners, an estimated 1.3 Billion worth of assets could be accumulated by these participants and their families.**

Our research demonstrates that voucher holders want homeownership opportunities, and those that have already seized it have found great success, pride, and personal growth in the transition to homeownership. **With continued program innovation, communication, and partnerships, more voucher holders will be able to access the homeownership subsidy and thereby grow their assets, their housing stability, and fortify their roots in community.**

The report provides a review of strategies to inform HUD, PHAs, community partners, and real estate professionals and bolster long-term program investment and growth at the federal and local levels. **Key strategies assessed in this report are:**

- **Strategy 1:** Building a support system for voucher holders through peer mentorship: review of a peer one-on-one support system and homeowner club developed by and for voucher holders
- **Strategy 2:** Increasing affordable inventory through affirmative marketing strategies, community partnerships, and expanding eligible homes for purchase: review of successful marketing strategies employed by the Chicago Housing Trust, and a proposal to expand units eligible for purchase to include 2-4 flats.
- **Strategy 3:** Calling in the real estate community to collaboratively address housing discrimination and level the playing field for purchasers: outlines input from realtors and lenders and calls on PHAs to regularly convene their real estate partners—from housing counselors and advocates to real estate agents and lenders to fully understand the on-the-ground realities impacting participants success and challenges.
- **Strategy 4:** Fostering long-term homeownership success through regulatory changes: proposes removal of the cap on subsidy assistance and the provision of a more gradual off-ramp to the program.

ACKNOWLEDGEMENTS

The Chicago Area Fair Housing Alliance (CAFHA) is a membership-based nonprofit, fair housing organization serving the Chicago Region. Our mission is to combat housing discrimination and promote equitable place-based opportunity through education, advocacy, and collaborative action. CAFHA report contributor: Patricia Fron, Co-Executive Director and Abdi Maya, Training and Communications Manager (Report Design/Editing).

Woodstock Institute is a leading nonprofit research and policy organization working in the areas of fair lending, wealth creation, financial systems reform and safe, affordable financial products and services. Woodstock Institute works to advance economic justice and racial equity within financial systems through research and advocacy at the local, state, and national levels. Woodstock report contributor: Amber S. Hendley, Director of Research.

This report was made possible through the generous support of the JPMorgan Chase Foundation, and The Chicago Community Trust.

THE COMMITTEE

CAFHA also recognizes the contributions of its Housing Choice Voucher Working Group, Homeownership Committee. Members of this Committee include voucher holder renters and homeowners, housing advocacy and counseling organizations, legal service organizations, realtors and lenders, and government entities, and is committed to collaboratively advancing recommendations to make homeownership accessible and advantageous for voucher holders.

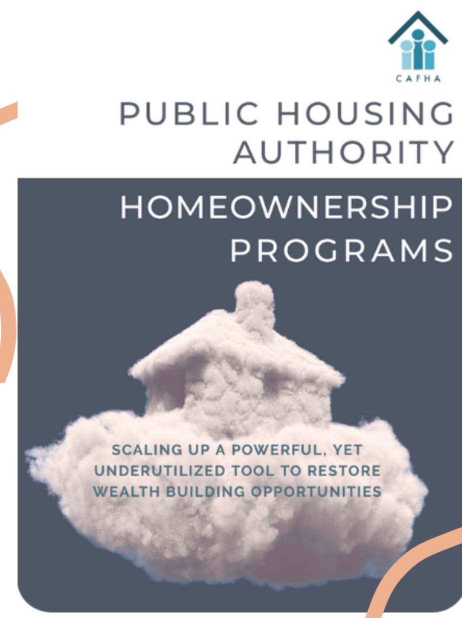
1st Ward Aldermanic Office of Daniel La Spata
Chicago Commission on Human Relations
Chicago Housing Trust
Far South CDC
HOPE Fair Housing Center
Housing Choice Partners
Impact for Equity
Legal Aid Chicago
Neighborhood Housing Services of Chicago
Old National Bank
South Suburban Housing Center
Steps Inc. Consulting
The Chicago Community Trust
CAFHA HCV Leaderboard:

- Patrick Barberousse
- Ceola Coleman
- Jerry Johnson
- Yolanda Logwood
- Laura Martin
- Nabi Yisrael

INTRODUCTION

In 2021 CAFHA released a first-of-its kind report detailing opportunities, barriers, and impacts of the Housing Choice Voucher Homeownership Program from the perspective of program participants. The report, [Public Housing Authority Homeownership Programs: Scaling Up a Powerful, Yet Underutilized Tool to Restore Wealth Building Opportunities](), was based on extensive qualitative data gathering, including direct testimonials from Housing Choice Voucher (HCV) holders across Cook County.

Uncovered through this research was the simple fact that HCV holders, like the majority of households in the United States, hold deep-seated homeownership aspirations, and that public housing authorities (PHAs) already possess the tools to turn these ambitions into reality. PHAs can allow voucher holders to shift rental assistance to homeownership assistance and thereby subsidize homeownership through the existing federal HCV Program. This subsidy, when layered with supplemental resources and supports, has abundant potential to make homeownership accessible to lower-income households typically denied access to this critical wealth building tool.



Importantly, with 65% of the over 2 million voucher holders across the country identifying as Black or Hispanic[1] (and in Chicago, 86% identifying as African American specifically),[2] intentional and significant growth in this program can serve as a step toward addressing the glaring racial homeownership gap.

> **"The number one reason I purchased a home was stability: both physically and financially. Living in a stable environment gives you more permanent roots and helps you think about your future. In terms of financial stability - there is no risk of rent increasing every year. I wanted to invest in myself, my family, and teach my children to build themselves up."**[3]
>
> \- Ms. Mannings, HCV Homeowner & Mentor

FINDINGS & KEY THEMES FROM THE 2021 REPORT:

- At the time of the 2021 report release, few voucher holders, housing industry professionals, and housing advocates knew the program existed.
- Of the 438 Cook County voucher holders engaged through the research, the vast majority (92%) desire to own a home in the future
- When asked how homeownership could impact their lives, respondents noted it would provide greater safety, stability, and independence

- For voucher holders, homeownership is not just about growing wealth, but shifting power and gaining control over the decisions that impact their lives
- HCV Homeownership Programs are underutilized and underfunded
- In Cook County, if scaled up to meet the desires of the largely Black population of voucher holders, HCV Homeownership Programs could create new opportunities that have been historically and unjustly siphoned from Black families

With coordination locally and nationally over the past several years, **CAFHA and our partners have grown program awareness and made significant progress in building the political will to activate this program.** This report picks up where the last left off and documents progress made, strategies tested, and lessons learned while advocating for programmatic change.

Among the many recommendations made to address barriers hindering the program's success, CAFHA documented and continues to work toward key items including:

- Advocating for a federal-level expansion of the program
- Pushing for a significant investment of resources for administrative support and technical assistance to PHAs interested in starting, growing, and innovating homeownership programs
- Strengthening local PHA program design, marketing, and partnership efforts
- Engaging the real estate community in the crafting of industry education, loan products, and down payment assistance that works with the program

BACKGROUND

The Housing Choice Voucher (HCV) Program is the federal government's premier program to help individuals and families afford private market homes. The program provides subsidies to over 2.3 million households with about a $27 billion budget authority in 2023. According to HUD's HCV Dashboard, on average as of April 2024, the voucher program assists households by providing $1,032.00 in per unit, per month support (in Chicago, the average per unit, per month subsidy is about $1,368.00). The HCV Homeownership Program allows PHAs to make monthly housing assistance payments directly to or on behalf of a low-income first-time homebuyer to assist in meeting their monthly homeownership expenses.[4]

The HCV Homeownership Program is considered a special voucher type under the Housing Choice Voucher Program, which typically supports low-income family's rental costs. It is important to note that the Homeownership Program does not detract from the rental voucher program because it largely assists existing voucher participants with affording their homes; the only difference is the home is owned by the participant instead of a landlord.

Per HUD's 2022 Program Guidebook: "The HCV Homeownership Program is more accurately described as the 'homeownership option' in the Housing Choice Voucher (HCV) program. The primary difference is that a PHA administering a tenant-based voucher program has the option to allow families to use their voucher assistance to purchase, rather than lease, a home."[5]

In 2000, the U.S. Department of Housing and Urban Development (HUD) opened the door for homeownership voucher subsidies through regulatory changes to the voucher program. Under these changes, public housing authorities were given the flexibility to implement a homeownership voucher program as a subset of existing housing voucher programming. PHAs can offer eligible and interested HCV renters the opportunity to transition to a homeownership voucher.[6]

HUD heralded the program launch as "one of the most exciting developments in tenant-based assistance," noting that, "under this program, many low-income families will have the opportunity to use Federal housing assistance that would otherwise be paid to a landlord as rent to purchase and build equity in a home of their own."[7]

HOMEOWNERSHIP PROGRAM PARTICIPATION

HUD's Housing Choice Voucher (HCV) Homeownership Program has been in existence for over two decades, yet the program remains an obscure rarity within the more widely known and utilized rental voucher program.

Many PHAs do not offer the program at all, and those that do face challenges in marketing it to potential program participants and other key stakeholders such as housing counselors (who provide the HUD required homeownership education to participants), lenders, and realtors. Without such awareness, participants are inhibited from taking the leap of faith required to make this future-focused move, and your typical real estate professional is ill-equipped to navigate the program. Taken together, few voucher holders enroll in the program at all; even fewer make it to a successful closing. As of November 2023, there were **9,749 active Homeownership Program participants nationwide, making up less than 1% of all Housing Choice Vouchers.**[8]

For the vast majority of PHAs offering the homeownership program, it is a small component of their overall voucher programming. For example, the Chicago Housing Authority (CHA) - one of the largest HCV Homeownership Programs in the country - as of November 2023, had 395 active homeownership program participants (households currently receiving an HCV Homeownership subsidy), making up just 0.75% of its total voucher programming.[9]

Since initiating its Choose to Own program in 2002, 861 CHA participants have closed on homes, for an average of 39.1 closings per year.[10] In addition to the lack of program awareness, these minuscule numbers boil down to several factors:

- insufficient program resources and technical assistance,
- regulatory barriers, and
- housing market constraints.

RECENT PROGRAM PROGRESS

Recent exciting developments at the federal level are taking aim at these programmatic shortcomings and through strategic implementation should result in enhanced program access and proliferation. Tapping into the HCV Homeownership Program's potential requires coordination between HUD and the agencies thereunder that intersect with this program and PHAs across the country. It requires open lines of communication interdepartmentally at HUD and externally with PHAs to truly understand program opportunities and barriers and grow investment in and support for this program. Fortunately, this work is already underway.

Since the 2021 report was released, CAFHA has coordinated with national partners convened by the National Housing Resource Center to help spur a HUD examination of the program, and significant progress has been achieved at the HUD level since:

- HUD developed and released an extensive new program guidebook to help PHAs understand the program regulations and provide real-world tips for program setup and implementation[11]
- HUD launched two committees - one internal and one external to better coordinate efforts and communicate about the program among key stakeholders. The internal committee includes HUD departments that shape policy and design programming; the external committee includes PHAs from across the country
- HUD launched a user-friendly public data portal to share and track program data[12]
- HUD created a new webpage dedicated to the program with new educational and marketing materials for PHAs to start and grow these programs[13]
- And importantly, HUD increased resources for PHAs to administer the program. HUD increased the administrative fee to PHAs from $200 per homeownership voucher closing to $1,500 per closing and added a one-time $2,500 supplemental fee for PHAs that start a new Homeownership Program[14]

Taken together, the environment for program growth has greatly improved over the last few years.

THE OPPORTUNITY

From the PHA perspective, initiating a Homeownership Program comes with up-front costs, so too does getting participants homeowner-ready. This fact alone may disincentivize PHAs. However, in the long-run, the costs are diminished by the fact that homeowners make fewer moves requiring less administrative intervention, and importantly, per month costs remain relatively stable (aside from property tax increases and maintenance costs) while rental rates across the country are rising year over year with no bounds. HUD's 2022 Guidebook spells this out for PHAs:

> *After a family has purchased a home, the workload can be expected to decrease while the earned administrative fees continue. The PHA is still responsible for regular recertifications and may elect to continue HQS Inspections or not. Some families may sell one home and purchase another, but it is expected that homeownership families will not move nearly as often as families who are renting. The PHA's efforts in planning and implementing the program are rewarded in later years when the administrative burden for the homeownership family is lower yet the on-going administrative fee is the same.... A successful homeownership program can be a tremendous asset to a PHA and help meet local needs.*[15]

In addition to lower long-term administrative costs to the PHAs, the voucher subsidy itself is also less costly. For example, as of April 2024, HUD reports that the average per unit cost (to the PHA) for the voucher program overall is $1,032.00 per month, and for the Homeownership Program, $794.00 per unit, per month. In Chicago, that figure is $1,368.00 on average per unit, per month subsidy for the overall voucher program, and $907.00 for the Homeownership Program.[16] Many factors may play into this, such as the relatively higher income level of homeowner-ready households, lowering the PHA subsidy portion.[17]

In 2023, the median CTO home purchase price was $215,000.00. This price point would put the average monthly homeowner cost at $1,716.24[18] (assuming there is no additional down payment assistance and excluding mortgage insurance, homeowner association dues, and homeowner's insurance). Comparatively, the CHA's payment standards (which are the allowable unit costs based on market assessments) to rent a 2-3 bedroom apartment in 2023 ranged from $1,679.00 to $3,199.50.

Despite any differences in the income levels of program participants, the simple fact remains, for many families, it is more cost-effective to own a home in the long run than to rent one.

TABLE 1: CHA PAYMENT STANDARDS, AS OF NOVEMBER 2023

Bedrooms	0	1	2	3	4	5	6	7	8
Payment Standard	$1,370	$1,475	$1,679	$2,133	$2,524	$2,903	$3,281	$3,660	$4,038
Mobility Payment Standard*	$2,055	$2,212.50	$2,518.50	$3,199.50	$3,786	$4,354.50	$4,921.50	$5,490	$6,057

**Mobility payment standards can be up to 150% of payment standards, see more on page 19-20.*

As rents climb at the whim of the market, homeowners benefit from the layering of additional subsidies like down payment assistance, while also being locked into much of their monthly and annual home costs (barring property tax increases and maintenance costs). For example, a recent Urban Institute study demonstrated that the housing-cost-to-income ratio has increased for renters over the past 30 years resulting in record-high numbers of renters being "rent burdened" or paying more than 30% of their income on rent. Conversely, for homeowners, the housing-cost-to-income ratio has declined.[19] One key reason for this, as explained in the study, may be that homeowners can refinance their home loans when interest rates decline resulting in the lowering of their monthly housing costs, sometimes significantly.[20]

In the long run, homeowners can grow their share of ownership in their investment. **While much work needs to be done to make the investment of homeownership equitable for Black homeowners, heavily subsidizing homeownership is one key way to tip the scales in the right direction.**

> **"I grew up in an intergenerational home with lots of family members on the south side of Chicago. We all lived together and it worked for us, but I always knew I wanted a backyard and basement. Over the years, while renting, I got tired of slum landlords, and repairs not being made. I realized that when you own your home, you can control your own environment and take time to figure things out."**[21]
>
> \- Ceola Coleman, HCV Homeowner & Homeowner Mentor

Across the country, HCV Homeownership Programs have the potential to invest an average of $142,920.00 in each participant household and $285,840.00 per participant household headed by a senior and/or person with a disability.[22] Given the average overall HCV program tenure of 6.6 years, that investment more conservatively amounts to about $62,885.00 per household.

Recalling that PHA-provided subsidy values are higher on average for the rental program than they are for Homeownership Programs, larger PHA payments go directly to landlords in the private market and have a less direct bearing on the future housing stability and wealth generation of participants. **Homeownership vouchers are true investments in the participants and their families; for even in the event of a future sale of the property, the housing authority cannot recapture payments.**

SEIZING THE OPPORTUNITY

HUD's 2022 Program Guidebook offers an outline of the key elements for a successful HCV Homeownership Program including:

- bankable program participants;
- affordable units;
- willing lenders; and
- agency and partner capacity to pull it all together.

To contextualize, we sought input from staff members of the Public Housing Authorities Directors Association (PHADA), a membership association made up of 1,900 public housing authorities across the country; we also gleaned insights from housing counselors housing authorities, and other industry experts who participate in a national homeownership working group. All articulated that while PHAs espouse a favorable view of the program, many struggle to build successful Homeownership Programs. Doing so requires strong support for the program among PHA leadership.

Starting a new program requires an extra lift in terms of time and resources at the front end, and if leadership does not buy in, it simply won't happen.

Another critical element is investing in staff training and capacity, developing local market expertise, and cultivating dynamic program-level leadership. This takes resources from HUD, and at times, the leveraging of external resources. These resources support the third critical element: relationship building with community partners - from housing counselors, to lenders, and realtors. Developing and maintaining partnerships will ensure that participants have the necessary supports essential for success in the program.

PHAs must have internal and external coordination to construct a supportive ecosystem for participant success. Important considerations include: determining how best to communicate the homeownership opportunity to current voucher holders, and how to pave the best onramp to the program - whether that is through coordination with other complimentary PHA programs like Family Self Sufficiency (which helps participants set, invest in, and achieve personal goals) or strategic partnerships with entities like housing counseling agencies, local and state fair housing enforcement entities, and the philanthropic community.

Unlike the rental voucher program, the voucher alone will not get families into units. For homeownership, it truly takes a village inclusive of the real estate community, service providers, and others. PHAs with the partnerships, financial resources, and staff expertise are best positioned to successfully support participants.

Critically, relationships with housing counselors and supportive service providers, and lenders and realtors, must be nurtured and built on a foundation of deep understanding and appreciation for the program and its participants. This will ensure that participants have access to the full range of experts needed to close on homes most suitable to their needs and most advantageous to their families in the long term. **Only by thinking big and aiming for the bold will this program's true potential be reached.**

The remainder of this report is dedicated to reviewing a few select strategies based on the 2021 report's recommendations. **It is our hope that HUD and PHAs can learn from our efforts, and that it will spark continued creativity that fuels long-term program investments and growth.** The central features of the proceeding strategies center on building program awareness, supporting participants, building partnerships, and growing options for affordable and accessible home inventory.

STRATEGY 1: BUILDING A SUPPORT SYSTEM

LAUNCHING A PEER HOMEOWNER MENTOR PROGRAM AND HOMEOWNERS CLUB

The 2021 report recommends partnering with philanthropy and nonprofits to launch a peer "Homeownership Mentor" program. The program is modeled after the "Community Navigator" or "Promotores" program, where community members receive specialized training to provide peer support, information, and services to their communities and serve as liaisons between community members, service providers, and government entities.

As part of The Chicago Community Trust's 3C (Connecting Capital and Community) initiative - a collaborative initiative between lenders, developers, and community navigators that aims to give Chicagoans a path to homeownership in two West Side communities: East Garfield Park and Humboldt Park,[23] **philanthropic dollars and an existing network of partners were leveraged to build an HCV Homeowner Mentor program by and for voucher holders.**

The HCV Homeowner Mentor program can expand the administrative capacity of the Homeownership Program and create an income-generating opportunity for those who have successfully gone through the program and put Mentors on a track to becoming housing industry professionals if so desired.[24]

In the 2021 report, voucher participants noted that:

> *"People should be partnered with someone, a mentor. [Someone who has gone through the program] have them be homeowner coaches who engage participants in the process. These people who have completed the program could help people understand the process...individuals should be able to do some one-stop shopping with individuals who have completed the program."*[25]

Evidence that such an idea works is noted in recent research led by Raj Chetty, Professor of Economics at Harvard University where experts worked to understand how voucher renters make successful moves to new communities.

In this research, they found that what they called "navigators" made a significant difference. "Families were feeling really relieved, supported, optimistic, more confident." One participant noted, "Wow, this program, like they're with you at all times, they help you, they're there to guide you."[26] The Navigator model emphasizes support, respect, and customer service: "People need monetary support, of course. But sometimes they need emotional and logistical support too."[27] **If this is the case for rental housing, imagine the implications of purchasing a home—one of the most universally exciting, terrifying, and life-changing moves a person can make.**

With the investment from The Chicago Community Trust, CAFHA partnered with Neighborhood Housing Services of Chicago (NHS), a HUD-participating housing counseling agency, and Breakthrough Urban Ministries, a social service agency and community anchor in Chicago's East Garfield Park community. **Over several months, CAFHA's Housing Choice Voucher Leaderboard, a group of HCV holders and housing advocates, envisioned and built an HCV Homeowner Mentor program.** This work required collaboration to discuss, assess, and ultimately craft a vision for the program. The HCV Leaderboard also worked to develop job descriptions for prospective Mentors and helped design roles among partners.

Efforts resulted in the recruitment of five HCV Homeowner Mentors who were compensated for their time and provided with training and support. In the first six months of the program 17 prospective HCV homeowners were matched with HCV Homeowner Mentors.

The HCV Homeowner Mentor program is an additional offering for program participants who are already working with a housing counselor to meet their HUD-required training needs. Homeowner Mentors are housing choice voucher holders who have the lived experience of using a voucher to purchase a home of their own. They serve as guides for prospective homeowners and provide one-on-one support throughout the homebuying process by working with their housing counselor counterparts to help participants meet program requirements and set personal goals.

> **"It was an overwhelming process and there were many times I wanted to give up because it was just too much. But by me not being a quitter, I told myself I was going to figure this out. My mother never got to see my place or live in my home, but I know she would be proud. I think this program is highly needed because participants don't always know about the various types of loans, how to increase their credit score, and how to fully explore their options. I share that with my mentees and I enjoy taking my experiences, good and bad, and sharing them with my mentees."**[28]
>
> - Ceola Coleman, HCV Homeowner & Homeowner Mentor

Neighborhood Housing Services of Chicago, Director of Homeownership Services, Danielle Matthews, concurs that this program is a valuable tool in opening doors to homeownership: "Homeownership is important to me because it gives a foundation to create wealth for families, specifically for African American families... **We face so many different barriers. It is important to use all the tools and resources to make homeownership accessible.**" One of the most valuable aspects of the Mentor program in her opinion is simply, "the outlet to ask questions...and get answers that are not necessarily by the book but based on personal perspectives."[29]

> **I wanted to help others because the [homebuying] process can become frustrating leaving a lot of self-doubt and it can create fear and hold people back from reaching their goals. I'm like everyone else, we work, we take care of our family, and we run into certain problems that might hinder us. I can help others get past these little hurdles and help them realize that even though it might take a little bit longer, other people have experienced these things and still reached their goal...I feel very excited to see my mentees going on the right path and overcoming challenges. By being patient and just listening, I can determine if assistance is needed or they just need to vent - and we figure it out. Sometimes the problem isn't as large as they thought, and they realize it can be dealt with. Some people need the extra assistance and some don't; but for those that need it, letting them know they are not alone makes a big difference.**[30]
>
> - Ms. Mannings, HCV Homeowner & Homeowner Mentor

An additional component of this program was the establishment of a Homeowner Club for Housing Choice Voucher Homeowners to offer peer support, tips, and resources on an ongoing basis. The Club, while still in its infancy, is a place for HCV Homeowners to access trusted resources and recommendations for everything from grant programs and free homeowner resources, to home maintenance and tips for locating reliable and affordable contractors for home repairs.

Tips for implementing this strategy:

- Identify financial resources at the outset to build a comprehensive program inclusive of Mentor compensation, training, and overall program management
- PHAs and community organizations/housing counseling agencies should outline clear partnerships, spelling out specifically how the program will be managed and how it will intersect with HUD-required counseling
- Develop the program with guidance from HCV Homeowners that is built on close coordination between those providing HUD-required housing counseling and Mentors
- PHAs can build trust among potential program participants by effectively marketing this new opportunity, socializing the program, and demonstrating the benefits of it
- Define and track measures of success such as indicators for preparedness for homeownership, time to closing, and confidence as a new homeowner

STRATEGY 2: INCREASING AFFORDABLE INVENTORY

CHICAGO HOUSING TRUST - AFFIRMATIVE MARKETING STRATEGIES

In Chicago, the Chicago Housing Trust (Housing Trust) has opened doors to higher-cost areas of the city and newer developments that are accessible for people with disabilities since 2006. Historically, the Housing Trust's inventory was predominantly made up of 1-2 bedroom condos located downtown and in other high-cost or gentrifying areas.

In 2021, the City of Chicago's Department of Housing updated its inclusionary housing ordinance, the Affordable Requirements Ordinance (ARO).[31] Included in the revisions were incentives for developers to generate larger, family-sized units both downtown and in neighborhoods throughout the city. As a result, presently, 3-, 4-, and 5-bedroom units are 52% of the total inventory.

Chicago Housing Trust units pose an opportunity for prospective homebuyers looking to own in high-cost and competitive areas, and those with accessibility needs, as rapidly appreciating geographic areas and accessibility features impose costs that typically restrict access for lower-income households.[32]

Recommendation from 2021 report: Enhance partnerships to increase affordable home options. For example, housing authorities across the country have found success in partnering with local community land trusts to create more affordable options for homeownership.

Typically, Land Trusts can be run by government agencies, nonprofits, or other entities. **Land Trusts can be used for housing or other community amenities. The defining feature is that ownership of the land is separated from ownership of the structures on the land which creates an opportunity to offer affordable ownership options where land is costly.**

> *"This separation of land and building allows homeowners and businesses to have control and security as owners, while the community has a backstop to ensure that when the land changes hands it stays affordable and in community-serving uses. For homeowners, this means getting a below-market price on a home (land can account for 20 to 50 percent of a house's price, depending on location) and getting support from the [Land Trust] to stay a homeowner. They get a 99-year renewable, inheritable lease on the land, so their tenure is just as secure as a typical homeowner's. In exchange, they agree to restrictions on how much they can resell the property for, according to a formula that will let them build some equity but will also keep the home affordable for others of the same income level."*[33]

When releasing the 2021 report, the Housing Trust reported that while their program is compatible with the CHA's Choose to Own Program, no participants had purchased via the Housing Trust. Since then, **The Housing Trust joined CAFHA's HCV Homeownership Committee and began an effort of affirmative marketing to the CHA's Choose to Own participants.** In the housing development context, affirmative marketing means conducting targeted outreach to populations that are least likely to apply for available housing.

The Housing Trust has implemented the following strategies: [34]

- Emphasizing affirmative statements in housing advertisements that encourage Choose to Own purchasers to apply for housing opportunities
- Aligning program parameters to comply with FHA standards and CHA's programs
- Hosting bi-annual meetings with Choose to Own participants to share program details and information about units available for purchase
- Promoting housing opportunities at 15-25 resource fairs throughout the city each year
- Hosting trolley tours of available units and accompanying workshops featuring one-stop shopping with loan officers and housing counselors
- Implementing internal policies that prioritize applicants based on income, household size, and geography; benefitting larger-sized households from previously redlined communities

These strategies have helped the Housing Trust better serve lower-income households, including voucher holders, and take stock of the historic impacts of racially discriminatory housing policies. **Since implementing these changes, three Choose to Own purchasers have closed on Housing Trust homes in 2023 and five others leveraged $20,000 in CHA's downpayment assistance program.** Together, they totaled 15% of the Housing Trusts closings that year.[35] Similarly, by 2023, the Housing Trust experienced a 50% increase of BIPOC homebuyers since implementing these strategies in 2021.[36]

While a central feature of the Chicago Housing Trust is ensuring long-term affordability by restricting the appreciation homeowners accrue; these limitations are balanced by the opportunity to purchase a home in a high-cost or gentrifying area, the ability to sustain that home via decreased property taxes, and often, the security afforded by a home that is newly constructed.

This means significantly reduced maintenance needs and repair costs down the road, and importantly, accessibility features typically missing from Chicago's aging housing stock. Critically, the Chicago Housing Trust units build the stock of affordable options in areas of the City facing mounting market pressures that drive prices well out of reach for middle- and lower-income buyers.

Tips for implementing this strategy:

- Identify local community land trusts, housing cooperatives, or other affordable homeownership partners and their programs
- Assess how these programs can better intersect with existing PHA programs, the potential barriers to voucher holder participation and their solutions, and where opportunities for direct outreach and marketing to voucher holders exist
- Develop an affirmative marketing strategy in collaboration with target audiences and inclusive of local fair housing organizations
- Identify opportunities for voucher holders to view units and tour homes
- Provide extensive but accessible information about the benefits and drawbacks of purchasing units with resale restrictions so buyers can make the most informed decision

EXPANDING ALLOWABLE UNIT TYPE

2021 report recommendation: Conduct an audit of the Homeownership Program regulations to identify areas that can be amended for greater accessibility and success. For example, consider: Amending regulations to increase the types of properties that are eligible for purchase, for example 2-unit buildings.

Under current HUD regulations, voucher holders may only purchase single-unit properties. In Chicago and suburban Cook County, two-flats are an iconic part of the housing landscape.[37] The University of DePaul's Institute for Housing Studies notes that in some neighborhoods, more than 60% of the housing stock is comprised of two- to four- unit buildings.[38] Two-to-four unit buildings are the veritable backbone of many Chicago communities, perhaps most significantly in Black and Latino communities: "Over 73 percent of rental units in 2 to 4 flats are occupied by a person of color, and the majority of 2 to 4's are owned by a Black or Latino head of household."[39]

Lending guidelines define properties with one to four residential dwelling units as single-family homes.[40] Ensuring that HUD's definition of "eligible units" for the Homeownership Program aligns with that of a single-family mortgage loan could serve a dual purpose.

First, it would increase home purchase options for voucher holders, and importantly, options that are adaptable to changing family needs like intergenerational arrangements. Secondly, it could help boost local strategies to preserve these property types that have been under threat due to both disinvestment on the one hand and redevelopment on the other.[41]

Had these homes been accessible to CTO homebuyers, and assuming they meet HUD safety standards, the homebuyer and community would have benefited for a few potential reasons:

- **Any addition of affordable units to the pool of properties available to HCV purchasers helps in a tight market**
- **Putting 2-4s in the hands of owner-occupants will help stem the tide of investor ownership, deconversion, and gentrification**
- **Creating pathways for HCV holders to purchase 2-4s would allow families to explore intergenerational and other shared living arrangements or even the prospect of becoming a landlord themselves or supporting a business like a home daycare or home salon**

2-4s offer adaptable opportunities that single units cannot. Especially for the entrepreneurial-minded, and those whose income prospects may exceed the maximum amount to qualify for the subsidy at some point, having the option of renting a unit would provide stabilization in the face of subsidy loss.

"Preservation of [2-4 unit properties] supports existing owner-occupants, facilitates wealth-creation opportunities for new owner-occupants, and stabilizes the housing and lives of both renters and owners by preventing evictions and foreclosures. This is how we expand the availability of affordable homes and promote community revitalization. This investment also helps to catalyze economic development by creating jobs, returning vacant properties to the tax rolls, and providing support for local entrepreneurs and homeowners."[43]

Tips for implementing this strategy:

- Amend the regulatory language regarding the definition of "eligible units" for the program. Currently, the regulations specify: "The unit is either a one-unit property (including a manufactured home) or a single dwelling unit in a cooperative or condominium."[44]
- Once the regulatory change has occurred:
  - Connect the HCV Homeownership program to the Family Self Sufficiency or other programs that promote income-generating opportunities for participants
  - Develop relationships with community organizations and advocates working to create opportunities for HCV purchases of 2-4s as part of an overarching preservation strategy

STRATEGY 3: CALLING IN THE REAL ESTATE COMMUNITY

ENGAGING WITH REAL ESTATE PROFESSIONALS TO LEVEL THE PLAYING FIELD FOR VOUCHER PURCHASERS AND ROOT OUT HOUSING DISCRIMINATION

CAFHA and Woodstock Institute convened two roundtables in November 2023 and January 2024 to understand the barriers and opportunities to the HCV Homeownership Program in the Chicago region from the real estate professional perspective.

From these conversations, a few key themes emerged:

- **Partnerships:** Regular engagement with lenders, realtors, and housing counselors is critical to ensuring that voucher holders have access to real estate support with expertise in the program. By convening at regular intervals, PHAs are better able to promote the program, generate awareness among new potential partners, share information and updates, and collaborate to problem-solve any barriers.

- **Discrimination:** In Chicago, the CHA rider has been found to generate stigma associated with the actual and perceived differences in the purchase process with the voucher. Contract riders are documents that deal with extra details, provisions, or conditions associated with a contract.

  A few ways to combat discrimination and bring about greater parity with non-voucher purchasers would be to:

  - Where possible, simplify and pare down the rider language, remove the housing authority logo, and introduce the rider at a later phase of the purchase process

  - Provide fair housing education, including, where relevant, how source of income protections apply to home sales. In Illinois for example, it is illegal to discriminate based on the type of financing or to reject an offer based on participation in a subsidy program. Collaboration with fair housing agencies will provide clear and concise education to real estate industry groups, and service providers.

- **Voucher Calculations and Payment Standards:** PHAs should have the flexibility to increase the payment standards in the Homeownership Program to allow HCV holders broader access to the market and increased prospects of purchasing in areas where values are on the rise. Currently, PHAs are required to calculate subsidy amounts in the homeowner program based on the same general payment standards applied to the renter voucher program. These payment standards are based on a localized assessment of Fair Market Rents (FMRs) published annually by HUD. PHAs are generally required to set payment standards within a range of 90-110% of FMRs to ensure that the subsidy matches the market and PHAs do not overspend on unreasonably priced units.
  - In Chicago, the CHA has the flexibility to go above the 110% threshold in certain circumstances, under the "exception payment" guidelines. The exception payment standards allow the CHA to provide rents up to 150% for families seeking to move to "mobility areas," defined as having poverty levels below 20% and low violent crime rates. Exception payments are allowed where PHAs can demonstrate a need to "help families find housing outside of high-poverty areas, or because voucher holders have trouble finding housing to lease under the program within the voucher term."[45]

  - In the 2021 report, CAFHA highlighted that the CHA was not allowing for exception payments in the Homeownership Program and demonstrated the missed opportunity by showing the difference in voucher value if one were to rent vs. own in a mobility area (see TABLE 2). Since then, the CHA has changed its policy and the share of mobility area home purchases has increased each year. In 2023, more than half of the homes purchased using the CHAs Choose to Own Program were in mobility areas (see TABLE 3).

TABLE 2: CHA PAYMENT STANDARD DIFFERENCES TABLE

Bedrooms	0	1	2	3	4	5	6	7	8
Payment Standard	$995	$1,198	$1,355	$1,620	$1,933	$2,223	$2,556	$2,939	$3,380
2021 Exception Payment Standard*	$1,656	$1,836	$2,125	$2,698	$3,220	$3,703	$4,258	$4,897	$5,632
Reduced value of voucher if purchasing vs Renting in "Mobility Area"	-$661	-$638	-$770	-$1,078	-$1,287	-$1,480	-$1,702	-$1,958	-$2,252

**150% FMR available in "Mobility Areas"*

TABLE 3: NUMBER OF CHA CTO CLOSINGS BY YEAR

Year	2018	2019	2020	2021	2022	2023
Number of Mobility Area* Closings	8	9	7	5	9	22
Number of All Closings	36	42	55	55	64	43

** Mobility Area is defined as a Chicago community area with 20% or fewer of its families with income below the poverty level and a below median reported violent crime count (normalized by the community area's total population).*

- However, despite this recent progress, local industry partners engaged for this research expressed frustration with the geographic confines of the mobility areas. Especially in the homeownership context, the geographic limits of mobility areas fail to take into consideration the future trajectory of a neighborhood. This means that HCV purchasers often cannot compete in communities with increasing investments and market speculation.

Take for example South Shore, a predominantly Black neighborhood, that despite facing racist disinvestment practices like redlining, and the disproportionate impact of the foreclosure crises, has been home to thriving cultural and architectural anchors. South Shore today is a hotbed of speculation since the announcement that the Obama Presidential Center will be constructed there. Importantly, this 19-acre Obama Center campus currently under construction is a massive investment that is expected to bring not just a library but also open space, athletic programs, large-scale events, and other community amenities.[46]

For decades, South Shore has had some of the highest numbers of voucher holder renters in the City. However, for voucher holders seeking to own here, far fewer options exist. To expand options, PHAs should have the flexibility to increase the payment standard in areas like South Shore where prices are on the rise. This, in addition to expanding the allowable types of homes that can be purchased, would have a major impact.

According to the Chicago Metropolitan Agency for Planning's community Data Snapshot of South Shore, about 14% of South Shore's housing stock is single unit, 10% are 2-flats, and an additional 16% are 3-4 flats.[47] South Shore has had two CTO purchases in the history of the program making up less than 1% of the CTO purchases overall, yet about 10% of all voucher renters live here - one of the top ten community areas that have over 1,000 voucher holders across the City.[48]

Currently, HUD requires that rental and homeowner payment standards mirror one another, and that exception payment standards (like the CHA's mobility payments) be based on the rental market.

However, the fair market rents are a point-in-time assessment and do not take into account the market pressures imposed (especially in the ownership context) by community investments. PHAs should be able to demonstrate these nuances and make the case to HUD through a request to increase the exception payments to match the market. Safeguards would remain to ensure that the standards indeed reflect the market since voucher holders would still need to qualify for a mortgage loan and an appraisal of the property would need to be completed before purchase.

The Payment Standard is "the maximum monthly assistance payment for a family assisted in the voucher program (before deducting the total tenant payment by the family)."[49] According to the Housing Choice Voucher Program Guidebook, at least annually, PHAs must review payment standards in accordance with its policy to determine whether adjustments are needed for some or all unit sizes.[50]

- **Loan underwriting:** HUD should maintain an up-to-date guidebook and actively promote it with accompanying training geared toward lenders and loan officers on how best to implement the underwriting models. CAFHA's 2021 report findings showed that lenders used various methods for incorporating voucher payments and many found it difficult to understand the best approach to work with voucher payments. Chapter 6 of HUD's Housing Choice Voucher Homeownership Guidebook is devoted to financing the PHA homeownership transaction, spelling out four models for underwriting the homeownership loan with the HCV subsidy and addressing valid concerns expressed by lenders unfamiliar with the program.

Locally, community-based realtors are at the heart of making the CHA's Choose to Own programs work. Nicole Wheatly of Steps Inc. Consulting exemplifies the mission-driven real estate practitioner. For over three years, she has worked tirelessly with her CTO clients, the CHA, home inspectors, and lenders to help participants make the most of this homeownership opportunity. Nicole has launched grant programs to assist with post-purchase repair and maintenance needs, devised new systems to make Choose to Own work more efficiently for participants, fought back against discrimination, and has been a steadfast proponent of increasing investments in this program. **"I firmly believe that everyone, regardless of income, who has a heartfelt desire to own a home, should have the opportunity to do so in the neighborhood of their dreams. This is the true essence of the American dream of homeownership."**

- Nicole Wheatly, Steps Inc. Consulting

Tips for implementing this strategy:

- Hold regular convenings with real estate partners to understand the on-the-ground realities impacting participants' success and challenges
- PHAs should foster true partnerships with reciprocity in terms of responsiveness and information-sharing to adapt the program (wherever possible) in light of learnings from partners
- HUD should expand flexibility to allow PHAs to demonstrate nuances between the renter and owner markets when making the case for exception payment standards
- Lenders and PHAs should collaborate as part of Community Reinvestment Act (CRA) activities to provide loan products and down payment assistance for low- and- moderate-income purchasers. The HCV Homeownership Program should be uplifted as an opportunity to further CRA goals

STRATEGY 4: FOSTERING LONG-TERM HOMEOWNERSHIP SUCCESS

One of the biggest fears inhibiting participants from joining the program is the existing cap on the homeownership subsidy. Per the HUD program guidelines, the maximum term of homeownership assistance is set at 15 years if the initial mortgage has a term of 20 years or longer, or 10 years in all other cases. Time limits are not applicable "in the case of a family that qualifies as an elderly or disabled family."[51] These time limits do not exist in the rental program and cause hesitancy on the part of potential program applicants.

Moreover, as with the voucher program overall, **participants are removed from the program once their income exceeds the "low-income" or 80% AMI threshold.** (See TABLE 4). For example, when a single-person household reaches the income limit at $62,800 in annual income, they no longer are eligible to receive a voucher. While for many, the long-range goal is to "graduate" from the program and gain "self-sufficiency," the cessation of the subsidy can feel abrupt and create instability.

TABLE 4 - INCOME LIMITS - EFFECTIVE APRIL 1, 2024[53]

HOUSEHOLD SIZE	10% INCOME LIMIT	30% INCOME LIMIT	40% INCOME LIMIT	VERY LOW-INCOME LIMIT 50%	VERY LOW-INCOME LIMIT 80%
1 PERSON	$7,850	$23,550	$31,400	$39,250	$62,800
2 PERSON	$8,970	$26,910	$35,880	$44,850	$71,800
3 PERSON	$10,090	$30,270	$40,360	$50,450	$80,750
4 PERSON	$11,210	$33,630	$44,840	$56,050	$89,700
5 PERSON	$12,110	$36,330	$48,440	$60,550	$96,900
6 PERSON	$13,010	$39,030	$52,040	$65,050	$104,100
7 PERSON	$13,910	$41,730	$55,640	$69,550	$111,250
8 PERSON	$14,800	$44,400	$59,200	$74,000	$118,450
9 PERSON	$15,700	$47,100	$62,800	$78,500	$125,600
10 PERSON	$16,600	$49,800	$66,400	$83,000	$132,800

> **"The program is supposed to incentivize hard work and encourage people to grow—when in reality it is almost punished in a way. I want to make more money and grow in my career I shouldn't be penalized for doing that."**[52]

Tips for implementing this strategy:

- Remove the existing cap on the homeownership subsidy and allow for a more gradual off-ramp when incomes rise above the low-income thresholds based on AMI targets.
  - For example, when a household exceeds the low-income threshold, explore providing a longer notification period before payments stop so that families can better prepare. Additionally, for PHAs that require participants contribute to savings, there should be a sustained savings threshold in combination with the income threshold to better ensure stability.
- Assist participants in identifying outside sources for down payment assistance to combine with the voucher to bring the overall home mortgage cost down to ensure long-term affordability.

> **LISTEN IN:** The *Navigating Homeownership* episode of the 4th Season of Change Agents the Podcast spotlights personal stories from Chicago voucher holders participating in Chicago's Choose To Own program and their journey in achieving homeownership.[54]

CONCLUSIONS AND NEXT STEPS

In the book, Poverty by America, Pulitzer Prize-winning author, Matt Desmond, stresses that contrary to typical beliefs in the United States, most renters can afford monthly homeownership costs. What is holding renters back is often not related to personal factors but to systems at play.

> **"Poor renters are also excluded from homeownership, not because they are too poor to make regular mortgage payments—if people can pay rent they almost certainly can afford a mortgage—but because several factors discourage them from even trying."**[55]

This illuminates the fact that while we must continue to invest in individuals and their capacities to improve credit scores and grow incomes that will allow them to make substantial down payments, pay their closing costs, and maintain the integrity of their homes, the real targets for improving homeownership opportunities are the institutions and entities that control the type of homes that are developed, rehabbed, and preserved; the financing options for purchasing these homes; and how these homes and their communities are valued and invested in.

The HCV Homeownership Program, when combined with more favorable lending conditions and partnerships, and connected to affordable home inventory can serve as a key part of the puzzle to disrupt historic inequities.

Since 2021, CAFHA's reporting has shed light on this opportunity and helped drive awareness and activation of this program. This report provides concrete strategies to bring together PHAs, community partners, and the real estate industry to more fully realize HUD's vision for this program and better serve program participants who largely desire the opportunity to own their homes.

CAFHA's research demonstrates that over 90% of voucher holders desire to own their own homes, and if 10% of current voucher holders had access to the program, this would equate to over 230,000 new homeownership opportunities across the country and about 6,300 in Chicago alone.[56]

With this opportunity comes a substantial investment in individuals, families, and communities, and one that will reap dividends for generations to come. If the CHA reaches the 10% aspirational program participation figure, and assuming that the average purchase price for homes in 2023 remains the average into the future, this equates to over 1.3 Billion dollars in asset creation for families.[57]

In the months and years ahead, CAFHA and our partners will continue to advance a more favorable environment for HCV Homeownership Program growth with the ultimate goals of:

- Ensuring that all PHAs are informed about the Homeownership Program and those that find it beneficial to do so, can house a successful Homeownership Program
- Growing public awareness of the program to generate community partnerships
- Developing transparent data collection and information sharing about program successes and challenges
- Setting and meeting benchmarks for program growth at the federal and local levels

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[17] However, this does not account for those on fixed incomes such as seniors and people with disabilities. For example, in 2023, 12,231 or 23.17% of all CHA participants received SSI benefits. Information obtained through a Freedom of Information Act Request submitted to the Chicago Housing Authority. May 2024.

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[57] This figure is calculated by taking the average annual CTO median home purchase multiplied by ten percent of the number of HCV participants that year (aspirational voucher holders). This represents the potential wealth gained if the homes, at a minimum, retain their values and the mortgage loans are paid off before or at the end of the loan term.

June 2024. Chicago Area Fair Housing Alliance and Woodstock Institute.