

To the Carrboro Board of Aldermen,

We are writing to make you aware of an issue that affects affordable housing. Fannie Mae has passed a rule under which they do not consider condominiums in a development where one entity owns more than 10% of the deeds as loan worthy. At Pacifica, 7 of 46 units are owned by the Community Home Trust and two of the 16 condominium units are owned by the Community Home Trust. As the Aldermen know, the Home Trust makes use of the community land trust (CLT) model when selling their homes. Homeowners at Pacifica recently reported difficulty refinancing the mortgages on their homes and Carrboro residents will have problems buying or selling condominiums at Pacifica for the same reason. Since lending financial institutions cannot sell a mortgage for a Pacifica condominium to Fannie Mae, they are either unwilling to offer financing or they will offer financing at a substantially higher rate because they must then hold the mortgage in their own portfolio.

This new rule is a major impediment to a worthwhile strategy to create and maintain affordable housing in areas where the price of home ownership can be prohibitive for low and moderate income families. Home trusts also represent one of the best tools to deal with issues of gentrification and are an important way for local governments to permit developers to increase density above what was originally zoned as a way to create a stock of affordable housing. Furthermore, the participation of a CLT permits local governments to feel assured that a stock of affordable housing will not only be created, but also maintained.

The presence of the Home Trust units at Pacifica represents the commitment of community members to affordability as an important part of our commitment to sustainability. However, these affordable units were also required by the Town of Carrboro as part of the rezoning package that enabled Pacifica to be built. Because these units were required by the town, and because Carrboro is committed to expanding the stock of affordable housing, we would like to request that the Town of Carrboro urge Congressman David Price and Senators Richard Burr and Kay Hagan and HUD Secretary Shaun Donovan to investigate the practices of Fannie Mae, which is under the authority of the Federal Housing Finance Agency. Political pressure should be exerted on Fannie Mae to create an exception for CLT's. Unless CLT's are treated differently local governments will lose an important tool for creating affordable housing and dealing with the issue of gentrification because of the barriers to home mortgage financing created by this rule.

Sincerely,

The Pacifica HOA
(I will have our president sign on behalf of the HOA)

Friends,

This is a problem we at the Home Trust have been facing for some time – but Greg’s call was the first time I had heard that market-rate owners were impacted by Home Trust homes in their development.

Anita and I are trying to determine if this is a Fannie Mae issue that is impacting other CLT’s around the country, which we suspect it is.

Just fyi, Fannie Mae (and Freddie Mac) are the purchasers of most residential mortgages. As you probably know, both are in government receivership and are managed by the Federal Housing Finance Administration (FHFA). As a result of the mountains of bad debt purchased by Fannie and Freddie, the entire residential financing business has been in deep uncertainty for the past several years. No one is sure how it will ultimately work out. But it will take years to work out.

That being said, this notion that CLT properties increase the risk to banks in any given development is ridiculous. Any intelligent person who looks at the model and the track record of CLT’s nationally would realize that CLT loans are in fact far **less risky** than market-rate loans. And locally, Community Home Trust has not had one foreclosure. Yet several banks will not work with our buyers.

This is an increasing problem for us –and one that I have talked about publicly for some time. We’ve also been trying to increase our lending relationships, with little results to show for our efforts. Clearly, this problem is well beyond our ability to manage. However, we will do our best to learn what we can from the National CLT Network. They have been working on these problems for several years – though with limited progress.

We are happy to participate with you our local elected officials to help shed light on this problem. It is obviously in our best interests, and our homeowners best interests and the Town’s best interest to resolve this problem and allow rational decision-making to occur.

We would also welcome an opportunity to address this problem to elected officials like Congressman Price and Senators Burr and Hagan. With the support of local governments , perhaps we can make progress addressing this dilemma. We are also happy to participate in efforts to educate lenders. There is simply no valid reason for a lender or a holder of residential loans to shy away from CLT properties – in fact, they should embrace them.

Please let us know what we can do to help move the needle on this issue. I will copy Mayor Kleinschmidt so he is aware of our willingness to participate. I am also copying my board of directors to keep them informed.
Thanks,

Robert

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