

HB1031 has been passed by a vote of both the House and the Senate, and is awaiting signature from Governor Stitt. If the Governor signs the bill, the first of two public hearings will be scheduled to solicit public comment on program implementation. You may provide public comment now by utilizing this [discussion board](#).

Name: Oklahoma Housing Stability Program

Funding Source: State of Oklahoma

Proposed Funding: \$215 million

Purpose: Increase the number of Single-Family residences available for purchase across the State of Oklahoma for families with incomes up to 120% of Area Median Income (OHFA Board of Trustees may consider waivers to ensure program goals are met).

Provide gap financing to aid and incentivize the production of rental housing across the State of Oklahoma.

Remove the barrier to homeownership for Oklahomans caused by the lack of available funds for down payment and closing costs associated with buying a home.

Impact: Increase the number of single family housing units available for purchase.

Stabilize and increase the production of multifamily housing units available for rent.

Enhance employment stability among construction trades, including home builders, associated trades and home inspection, mortgage lending and real estate professions.

Provide homeownership opportunities that would not have been made available otherwise.

Note: Providing the program through one entity that provides services statewide reduces the complexity of administration and cost.

Homebuilder Subsidy for Homeownership **40% of allocation after Admin Cost**
\$81,700,000

A 0% interest recourse loan program, which will provide 90% of the financing to for-profit and not-for-profit homebuilders committed to building single-family residences available for purchase in the State of Oklahoma. The 90% recourse loan will be tied to the budget submitted at the time of application, less any builder profit included. The homebuilder must provide 10% of their own money to finance. The sales price of these homes will initially be capped at \$160/sq. ft. in Metropolitan Statistical Areas (urban areas) and \$140/sq. ft. in Non-Metropolitan Statistical

Areas (rural areas). The OHFA Board of Trustees would evaluate and possibly adjust these limits based on market conditions. The home sizes may range from 1,300 sq. ft. – 2,200 sq. ft. In exchange for building and selling the homes at a discounted price, a pro-rata share of the original loan will be forgiven as each house closes. 10% of the original loan will be forgiven for developments located in Metropolitan Statistical Areas (urban areas); 15% of the original loan will be forgiven for developments located in Non-Metropolitan Statistical Areas (rural areas). For example, if the homebuilder promised to build 30 homes in a rural area, 0.5% of the original loan would be forgiven as each house is sold. The remainder of the original program loan must then be paid back to OHFA. The homes must be sold to individuals whose annual income does not exceed 120% of Area Median Income for the prospective county and family size. This will be enforced by a deed restriction that will be filed at closing and will last for 3 years, at which point the deed restriction will expire. Additionally, the home purchased must be owner-occupied for a period of no less than three years. Applicants must propose to build a minimum of 5 units and no more than 100 units at a time. Before submitting another application to OHFA for this program, all proposed units must be sold and the loan must be repaid. Applicants must have a minimum of 2 years' experience building single family homes. To ensure funds are available throughout the State of Oklahoma, 75% of the funds will be set-aside for proposed developments located in Non-Metropolitan Statistical Areas (rural areas) and the remaining 25% of the funds will be set-aside for proposed developments located in Metropolitan Statistical Areas (urban areas). To ensure timely expenditure of these funds, these set-asides may be adjusted by the OHFA Board of Trustees periodically.

Preference shall be given to applicants seeking to build homes in communities that have been under a federally declared natural disaster within twelve (12) months of the date of application.

Funds may not be combined with the Oklahoma Affordable Housing Tax Credit to construct homes.

Example: A builder applies to build an 1,800 sq. ft. home in rural Oklahoma for a budgeted \$130/sq. ft. equaling a cost of \$234,000; and a 90% recourse loan of \$210,600 with a 10% builder contribution of \$23,400. The builder then sells the home for \$252,000 (1,800 sq. ft. at maximum sales price of \$140/sq ft.); builder pays \$179,010 back to OHFA, resulting in 15% of the loan being forgiven (\$31,590), and the builder's contribution of \$23,400 is returned at closing. $\$81,700,000 / \$210,600$ (amount originally borrowed) = 388 new homes produced. Using the example above, approximately \$69.4 million (388 homes*net payback of \$179,010) will remain to be loaned out in future rounds of funding.

Potential program impact: Approximately 388 homes produced in the first round of funding with \$69,445,000 ($\$81,700,000 * 85\%$ paid back following loan forgiveness) to be lent to homebuilders in funding rounds in subsequent years. This cycle will repeat until funds are depleted.

Developer Subsidy for Rental Housing

**40% of allocation after Admin Cost
\$81,700,000**

Provide equity gap financing in an amount up to 10% of the Total Development Cost to for-profit and not-for-profit developers committed to building single-family and/or multifamily rental units across the State. Developers must have a minimum of 2 years' experience developing single family homes and/or multifamily apartment units. To ensure funds are available throughout the State of Oklahoma while also incentivizing rural development, 75% of funds will be set-aside for proposed developments located in Non-Metropolitan Statistical Areas (rural areas) and the remaining 25% of funds will be set-aside for proposed developments located in Metropolitan Statistical Areas (urban areas). To ensure timely expenditure of these funds, these set-asides may be adjusted by the OHFA Board of Trustees periodically.

Preference shall be given to applicants seeking to build homes and/or multifamily apartment units in communities that have been under a federally declared natural disaster within twelve (12) months of the date of application.

Funds may not be combined with the Oklahoma Affordable Housing Tax Credit to construct rental housing.

Example: 1,400 sq. ft. rental units are built for \$150/sq. ft. equaling a total cost to build of \$210,000 per unit. $\$210,000 * 10\%$ subsidy = \$21,000 subsidy for each unit. $\$81,700,000 / \$21,000 = 3,890$ rental units built.

Potential program impact: Approximately 3,890 rental units produced.

Consumer Down Payment and Closing Cost Assistance

**20% of allocation after
Admin Cost
\$40,850,000**

Provide grants of 5% of the purchase price to fund down payment and closing costs associated with the purchase of a home. The homebuyer must occupy the unit for at least 3 years, otherwise the assistance provided must be repaid. The repayment will be done on a pro rata basis (e.g. If an individual occupies the home for 2 years and then sells it, 1/3 of the original assistance provided must be repaid). The repayment will be enforced by deed restriction. Any prospective homebuyer receiving funds from this program must combine it with one of OHFA's down payment assistance programs (3.5% silent second mortgage, which is due and payable upon sale of the home or refinance).

At least 15% of the Consumer Down Payment and Closing Cost Assistance will be set aside for homebuyers who purchase homes built with funds utilizing the Homebuilder Subsidy Program.

Preference shall be given to homebuyers seeking to purchase homes in communities that have been under a federally declared natural disaster within twelve (12) months of the date of the

OHFA interest rate lock.

Example: 1,800 sq. ft. homes are built and sold at \$150/sq. ft. equaling a sales price of \$270,000. Each homebuyer receives 5% in down payment and closing cost assistance equal to \$13,500. $\$40,850,000/\$13,500 = \text{approx. } 3,025$.

Potential program impact: Approximately 3,025 homebuyers will achieve the dream of owning a home.

**Administration/Compliance/Marketing
allocation
\$10,750,000**

Up to 5% of total

Program administration will be carried out by OHFA staff (new and existing); including program supervisors, finance personnel, program analysts, and compliance specialists.

Marketing will be conducted by OHFA staff and will include outreach to the Oklahoma Home Builders' Association and other entities to identify home builders with the capacity to participate.

Marketing will also include outreach to potential homebuyers and renters through employers, realtors, community groups, and others.

Additional Program Details

Homebuilder Subsidy for Homeownership

OHFA will market the opportunity to local for-profit and not-for-profit homebuilders, the Oklahoma Home Builder's Association, and other community groups.

Homebuilders will be required to submit an OHFA application. The application must include builder experience (must have a minimum of 2 years' experience building single family homes, experience must be proportional to the number of units being proposed), financial and background information, location(s) for build, number of units planned (applications must be for a minimum of 5 homes and a maximum of 100 homes), house plans, as-built appraisal(s), proposed sub-contractor relationships, marketing plans, budget, market study, and other required items.

Homes must meet a minimum build criteria, including:

Minimum sq ft. between 1,300 – 2,200 sq ft.

Maximum sales price of \$160/ sq. ft. in urban areas and \$140/sq. ft. in rural areas

Minimum of a two-car attached garage

Nationally recognized building codes

Building facades that are a minimum of 60% brick

Builders will receive up to 90% of the total development cost (less any builder profit) in the form of a recourse loan to be paid as draw requests are submitted. Once a draw request is received, OHFA's inspection contractor will conduct an inspection and document the construction progress. OHFA staff will review the inspection report and disburse approved draws. Builders will pay all construction inspection costs.

Preference shall be given to applicants seeking to build homes and/or multifamily apartment units in communities that have been under a federally declared natural disaster within twelve (12) months of the date of application.

Funds may not be combined with the Oklahoma Affordable Housing Tax Credit to construct housing.

Upon completion, builders will have 12 months to sell the home to an individual or family whose household annual income does not exceed 120% of Area Median Income for the prospective county and family size (OHFA Board of Trustees may consider waivers to ensure program goals are met). Upon closing, a pro-rata share of the original loan to the builder will be forgiven as each house closes, which will allow the builder to sell the home to a homebuyer at an affordable price.

Developer Subsidy for Rental Housing

OHFA will market the opportunity to local for-profit and not-for-profit developers, the Oklahoma Home Builder's Association, and other community groups.

Developers will submit an OHFA application, which will include development experience (must have a minimum of 2 years' experience developing single family homes and/or multifamily units, experience must be proportional to the number of units being proposed), financial and background information, location(s) for build, number of units planned (applications must be for a minimum number of 5 units, but for no more than 100 units), proposed sub-contractor relationships, description of multi-unit development, as-built appraisal(s), marketing plan, budget, market study, and other required items.

Homes/units built will have to meet a minimum build criteria, including:

Nationally recognized building codes

Selected developers will receive a subsidy amount of up to 10% of the construction cost to be paid as draw requests are approved. Once a draw request is submitted, OHFA's inspection contractor must conduct an inspection and document the progress. OHFA staff will review the inspection report and disburse approved funds. Developers will be required to pay construction inspection costs.

Preference shall be given to applicants seeking to build homes and/or multifamily apartment units in communities that have been under a federally declared natural disaster within twelve (12) months of the date of application.

Funds may not be combined with Oklahoma Affordable Housing Tax Credits to construct housing.

Consumer Down Payment and Closing Cost Assistance

Homebuyers will be required to use an OHFA-approved lender partner when applying for a mortgage.

Homebuyers will be eligible to receive a total of 8.5% down payment and closing cost assistance when combining the 5% down payment and closing cost assistance grant from the Oklahoma Housing Stability Program with OHFA's 3.5% down payment assistance second mortgage.

Preference shall be given to homebuyers seeking to purchase homes in communities that have been under a federally declared natural disaster within twelve (12) months of the date of the OHFA interest rate lock.