

# Home Attainability Conference

## Financing Barriers for Affordable Homeownership

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# What is Affordable Housing?

Department of Housing and Urban Development (HUD) defines an "affordable dwelling" as one **that a household can obtain for 30 percent or less of its income.**

Challenges with the definition:

1. Programs are based on this definition
2. Most programs (national and local) contemplate 80% of area median income (AMI) as the qualifying formula
3. AMI swings "wildly" from city to city

# Accessible and Attainable Affordable Housing

We need to address “Accessible and Attainable Homeownership”

- Creating a pool of affordable housing (development)
- Creating down-payment opportunities
- Keeping prices under control

# Accessible and Attainable Affordable Housing

1. Basic value system of homeownership
  - Confidence/self-esteem
  - Accumulation of wealth
2. Building the economy
  - Job creation
  - Tax base
  - Improved infrastructure

# Economic Impacts of Affordable Housing Investment

- Investment in affordable housing creates an economic multiplier effect
- Increases housing development and home purchase activity
- Builds the local tax base
- Boosts job creation and labor income

# Why are Banks Committed?

- We believe we can do well by doing good
- We are part of building communities
- Our support and leadership in the affordable housing story is paramount

Banks use their balance sheet, external partnerships and access to the Federal Home Bank of Atlanta to facilitate Affordable Housing opportunities

# How Do Banks Support Attainable Homeownership?

- Developer support: financing for construction of affordable rental and owner-occupied housing
- Down-payment assistance and mortgages

# Partnership with Federal Home Loan Bank of Atlanta

## The Total Affordable Housing Program

AHP General Fund	AHP Homeownership	Community Investment and Economic Development Programs
<ul style="list-style-type: none"> <li>• \$500,000 for rental and ownership development</li> <li>• Competitive application</li> </ul>	<ul style="list-style-type: none"> <li>• Down payment, closing costs, principal reduction for home purchase and rehabilitation</li> <li>• First-come, first-served</li> </ul>	<ul style="list-style-type: none"> <li>• Discounted advances for residential or economic development projects</li> <li>• First-come, first-served</li> </ul>
<p>Developer/Builder Driven</p> <ul style="list-style-type: none"> <li>• New construction</li> <li>• Rehabilitation</li> <li>• Multifamily</li> <li>• Single family</li> <li>• Acquisition</li> <li>• Construction/permanent financing</li> </ul>	<p>Mortgage Professional Driven</p> <ul style="list-style-type: none"> <li>• First-time Homebuyer</li> <li>• Community Partners</li> <li>• Community Rebuild and Restore</li> </ul>	<p>Enables housing development and community revitalization activities</p>



# Example of Economic Impacts of Affordable Housing Investments



SOUTH CAROLINA  
Rental, Home  
Construction and  
Rehabilitation Activities

Economic Basis



**\$59.57** MILLION

**TOTAL AHP SUBSIDY**

AHP provides real estate finance equity for both rental and for-sale housing. AHP is more often referred to as a subsidy or grant and is delivered to FHLBank-member financial institutions to assist in the funding for construction, rehabilitation and purchase of affordable housing.

**\$81.33** MILLION

**TOTAL AHP SUBSIDY  
INFLATION-ADJUSTED**



**\$626.87** MILLION

**DEVELOPMENT COST**

Development Cost refers to the cost of acquiring land or pre-existing housing units, demolition and/or relocation costs and any costs incurred while constructing, rehabilitating or redeveloping housing.

**\$851.50** MILLION

**DEVELOPMENT COST  
INFLATION-ADJUSTED**



**546**

**PROJECTS**

Projects refers to the distinct use of AHP funding for a specific acquisition, construction or rehabilitation of building(s) or housing unit(s).



**8,792**

**TOTAL UNITS**

Total Units refers to the total number of single-family and multifamily units constructed using AHP funding, where each individual dwelling unit in a multifamily building is counted separately.

**Inflation-Adjusted** refers to the measure of return that takes into account the time period's inflation rate. For example, \$100 in 1990 is worth \$198 in 2020. This study reports all economic impacts in inflation-adjusted dollars.

# Example of Economic Impacts of Affordable Housing Investments

SOUTH CAROLINA  
Rental, Home  
Construction and  
Rehabilitation Activities

Economic Impact



**\$1.55** BILLION

#### TOTAL ECONOMIC BENEFITS

Total Economic Benefits measure the economic activities associated with rental, home construction and rehabilitation enhanced by AHP funding.



**11,930** JOBS

#### JOB CREATION

Job Creation includes new full-time, part-time, temporary, permanent, salary-based and fee-based jobs generated by the addition of AHP-enhanced rental, home construction and rehabilitation activities.



**\$539.02** MILLION

#### LABOR INCOME

Labor Income refers to all forms of income that stem from employment, such as salaries and hourly wages and profits made by developers, builders and contractors.

All dollars are in inflation-adjusted dollars.

**1.80**

#### MULTIPLIER (IMPLAN Factor)

Multiplier is a term used for the economic ripple effect measured by an economic impact model. In this case, the multiplier effect accounts for how each additional job or dollar of output enhanced by AHP funding impacts the home construction and rehabilitation of affordable rental and housing units.

# Example of Economic Impacts of Affordable Housing Investments

## SOUTH CAROLINA Home Purchase Activities

### Economic Basis



**\$10.87** MILLION

#### TOTAL AHP SUBSIDY

AHP provides real estate finance equity for both rental and for-sale housing. AHP is more often referred to as a subsidy or grant and is delivered to FHLBank-member financial institutions to assist in the funding for construction, rehabilitation and purchase of affordable housing.

**\$12.98** MILLION

#### TOTAL AHP SUBSIDY INFLATION-ADJUSTED



**\$173.65** MILLION

#### FIRST MORTGAGES

First Mortgages refers to the volume and value of first-lien position mortgages financed by lenders in a home purchase activity.

**\$204.20** MILLION

#### FIRST MORTGAGES INFLATION-ADJUSTED

**1,766**

#### TOTAL UNITS

Total Units refers to the total number of single-family and multifamily units constructed using AHP funding, where each individual dwelling unit in a multifamily building is counted separately.

Inflation-Adjusted refers to the measure of return that takes into account the time period's inflation rate. For example, \$100 in 1990 is worth \$198 in 2020. This study reports all economic impacts in inflation-adjusted dollars.

# Example of Economic Impacts of Affordable Housing Investments



**\$399.70** MILLION

#### TOTAL ECONOMIC BENEFITS

Total Economic Benefits measure the economic activities associated with home purchases, enhanced by AHP funding.



**2,054** JOBS

#### JOB CREATION

Job Creation includes new full-time, part-time, temporary, permanent, salary-based and fee-based jobs generated by the addition of AHP-enhanced home purchase activities.



**\$133.24** MILLION

#### LABOR INCOME

Labor Income refers to all forms of income that stem from employment, such as salaries and hourly wages and profits made by developers, builders and contractors.

All dollars are in inflation-adjusted dollars.

**1.83**

#### MULTIPLIER (IMPLAN Factor)

Multiplier is a term used for the economic ripple effect measured by an economic impact model. In this case, the multiplier effect accounts for how each additional job or dollar of output enhanced by AHP funding impacts the home purchases of affordable housing units.

# AHP-Funded Development in South Carolina

## Darlington Downtown Lofts Rental Redevelopment Darlington, SC

### **Financing: Total Cost- \$5.6 million**

FHLBank Atlanta Subsidized Advance: \$340,000

Low-income Housing Tax Credits: \$2.9 million

Historic Tax Credits: \$1 million

Community development block grants: \$500,000

HOME funds: \$500,000

Use: 28 1, 2 and 3 bedroom apartments for low-income families and individuals



Thank You