SHARED EQUITY HOMEOWNERSHIP: LOCAL PERCEPTIONS, NATIONAL PERFORMANCE, AND CONSIDERATIONS FOR GROWTH

By

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LIST OF ABBREVIATIONS

AMI	area median income
CLT	community land trust
CLT Survey	The 2011 Comprehensive CLT Survey
DPA	down payment assistance
DRH	deed-restricted housing
Ford	Ford Foundation
Ford's MOI	Ford Foundation's Metropolitan Opportunity initiative
FHA	Federal Housing Administration
HUD	U.S. Department of Housing and Urban Development
IZ	inclusionary zoning
LEC	limited equity housing cooperative
MBA	Mortgage Bankers Association
MBA Survey	Mortgage Bankers Association's National Delinquency Survey
NAHC	National Association of Housing Cooperatives
Network	National Community Land Trust Network
NMO	national membership organization
OCC-OTS	Office of the Comptroller of the Currency & Office of Thrift Supervision
PAH	permanently affordable homeownership
REOs	real-estate owned properties
ROC	resident-owned communities
ROC-USA	ROC USA, LLC

SAM	shared appreciation mortgages
SEH	shared equity homeownership
UHAB	Urban Homesteading Assistance Board
VA	Veterans Affairs

CHAPTER 1

INTRODUCTION

Shared equity homeownership (SEH) is resale-restricted housing that provides affordable homeownership opportunities for lower income households. The innovative aspect of this model is that homes remain affordable *in perpetuity* for buyer after buyer. Unlike traditional affordable housing programs, SEH requires only an initial public investment to make a home affordable, and subsequently, resale restrictions ensure the home's affordability is maintained without additional subsidization. Hence, the public's investment in affordable housing is retained over time to help more lower income households. Additionally, many SEH programs steward both the homes and homeowners to ensure that properties are maintained over time as community assets and that residents successfully *attain* and *sustain* homeownership to increase their likelihood for building wealth.

The three traditional forms of SEH include: limited equity housing cooperatives, community land trusts, and deed-restricted housing programs that are designed for lasting affordability. The various forms of SEH have been existence since the early-to-mid 1900s, but expansion of SEH programs predominantly occurred within the last three decades. The model has been gaining more attention from community development practitioners, researchers, and policy makers due to its expansion as well as the recent turmoil in the housing market and economy. While ample literature has conceptualized and theorized why the model holds promise (e.g. Davis, 2006; Jacobus, 2007; Jacobus & Abromowitz, 2010; Jacobus & Davis, 2010; Saegert & Benitez, 2005), much remains unknown about SEH, including its current scope, its reception by potential beneficiaries, its outcomes for homeowners, its impact on neighborhoods, and its viability for growth. This dissertation attends to some of these gaps in the literature.

The establishment of SEH programs within various localities requires that targeted beneficiaries actually perceive a need for this alternative form of tenure. In other words, mounting interest in the model by affordable housing providers or government officials is not adequate for SEH to be developed, as a market of interested buyers is necessary for the success of any SEH program. Affordable housing advocates and government officials in Nashville, TN (including myself) turned to the SEH model as a way to prevent the ongoing loss of affordable housing in the city. However, the housing market within Nashville—like many other places—is not as “hot” or unaffordable as many cities with thriving SEH programs (e.g. San Francisco, New York City, Washington, D.C., Burlington, VT, Seattle WA). Consequently, advocates decided that a market study was necessary to comprehend the viability a SEH program in the municipality.

The second chapter of the dissertation, *Shared Equity Homeownership: A Welcomed Tenure Alternative among Low Income Households in Nashville*, presents the findings of this study. Fourteen focus groups with 93 lower income individuals who represented the targeted market for Nashville’s SEH program were conducted. These included individuals who were prospective homebuyers, current renters, and homeowners delinquent on their mortgages. The focus groups explored participants' experiences and perceptions of renting and home owning in the conventional market. Next, a description of SEH was presented, and participants evaluated whether they were interested in SEH and what they perceived as benefits and deficits of SEH relative to existing tenure options.

The study found that well over the majority of participants expressed a personal interest in SEH, supporting that this housing model may have viable markets of buyers in relatively affordable localities. Additionally, participants comprehended the model after a brief description and perceived numerous benefits of SEH relative to their existing housing options. However, they also had concerns about program implementation, which affected their interest in becoming an owner of a shared equity home. This study was conducted in 2009, and the results were used to inform the development of Nashville's SEH program. Notably, the program had its first home for sale in the summer of 2011. As of November 2012, the program completed development of 22 homes and had 19 newly-minted homeowners.

The third chapter of the dissertation sheds some light on the national performance of SEH programs. In the mid-2000s, SEH was gaining attention as an innovative housing solution that could combat the adverse consequences of hot housing markets on lower income households. In particular, permanently affordable homes addressed inaccessibility to homeownership due to rising housing values and resident displacement due to gentrification. The few studies that evaluated the performance of SEH programs amidst warm and hot housing market conditions found impressive outcomes for lower income homeowners (Davis & Stokes, 209, Tempkin, Theodos, & Price 2010). These studies found that the overwhelming majority of homeowners were entering into homeownership affordably, building wealth, and moving into market-rate homeownership when they sold their shared equity homes.

With the onslaught of the foreclosure crisis in the latter part of the 2000s, it was unknown whether SEH programs would continue to show positive outcomes in spite of the systemic presses of the subprime lending boom and economic recession, which disproportionately affected lower income and minority households. The third chapter of the dissertation examines the performance of one form of SEH, community land trusts (CLTs), across the country during cold market conditions. *Stable Homeownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts* presents 2010 data from a national survey of 96 CLTs. Sixty-two CLTs reported the delinquency and foreclosure outcomes of 3,143 owners of CLT homes. The outcomes of these *lower income* CLT owners were compared to rates of delinquencies and foreclosures among owners of *all incomes* in the conventional market, as reported by the Mortgage Bankers Association's National Delinquency Survey (MBA, 2011). At the end of 2010, owners in the conventional market were 10.0 times more likely to be in foreclosure proceedings (4.63% v. 046%) and 6.6 times more likely to be 90 days or more delinquent (8.57% v. 1.30%) than the owners of CLT homes. This chapter is the first empirical exploration of the performance of SEH programs during cold market conditions, and it reviews findings from the largest sample of SEH programs to date in the literature.

Together, these two studies empirically support local feasibility and strong national performance of SEH. Both studies echo the efficacy of the SEH model found within existing—albeit scant—literature (Davis & Stokes, 2008; Temkin, Theodos, & Price 2010). Nevertheless, the question remains that, if this model conceptually, theoretically, and empirically supports positive outcomes for lower income households and frugally invests public funds in affordable housing, then why does its prevalence remain relatively modest?

The fourth chapter, *Shared Equity Homeownership: Challenges and Recommendations for Sector Formation and Growth*, takes up this question by critically contemplating the barriers to sector formation and unit growth. As a primary actor in the national field of SEH, I step back from my role as an advocate and practitioner to critically analyze the existing problems in the SEH landscape that pose obstacles to efficient sector formation and on-the-ground outcomes. The current problems include inadequate buy-in to the sector by practitioners, lack of commitment to the original name and definition of SEH among its conceivers, and a poor investment strategy by the dominant funder. I posit that practitioners, national leaders, and funders need to: 1) commit to a definition for the model and sector; 2) collectively devise and implement a strategic plan; and 3) redesign organizational roles, functions, and coordination in order to form an efficient sector that results in growth. I put forth recommendations that I hope will enable better outcomes for the future of the sector, local programs, and potential beneficiaries.

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CHAPTER 2

SHARED EQUITY HOMEOWNERSHIP: A WELCOMED TENURE ALTERNATIVE AMONG LOWER INCOME HOUSEHOLDS IN NASHVILLE

In spite of recent declines in housing values, residential costs continue to press the majority of U.S. households. Two-thirds of the nation's households have not realized gains in their incomes over the past decade, while 19.4 million households paid more than half of their income on housing in 2009, including 9.3 million owners. More recently, difficulties qualifying for mortgage loans have contributed to increased demand in the rental market, resulting in escalating rents (Joint Center for Housing Studies, JCHS, 2011).

Meanwhile, disparities in homeownership rates by class and race persevere, and any advances in closing these gaps have receded during the foreclosure crisis. In 2009, the homeownership rates from lowest to highest income quartiles were 47.0%, 62.0%, 75.5%, and 88.8% (Economic Policy Institute, 2011). In 2011, 74.4% of whites were homeowners compared to only 45.4% of blacks or African Americans and 47.5% of Hispanics (www. infoplease.com; n.d.). Moreover, the foreclosure filing rate in 2010 was 2.23%, greater than the rates posted in 2007, 2008, and 2009 (respectively 1.03%, 1.84%, and 2.21%). Research has established that both subprime lending and un(der)employment—dominant predictors of foreclosure—disproportionately affect low-income and minority households (Center for Economic and Policy Research, 2010;

Immergluck, 2009; Sum, Khatiwada, and Palma 2010). Above and beyond the greater prevalence of housing cost-burden, high-risk mortgages, and un(der)employment, these households are at greater risk for foreclosure due to financial vulnerability from divorce, illness, child care and transportation expenses (Elmer & Seelig, 1999; Haurin & Rosenthall, 2004, 2005; Reid, 2005; Vandell, 1995). Hence, class and racial disparities in homeownership are likely to grow (RealtyTrac, 2011).

Long before the economic recession and deregulation of the lending industry, research supported that homeownership was tenuous and risky for many low-income and minority households. Reid (2005) conducted longitudinal analyses from 1976 to 1993 using data from a nationally representative sample (Panel Study of Income Dynamics) and found that roughly 50% of first-time, low-income and minority homebuyers were no longer owners five years after purchase. This study illustrates the prevalence of early exit from homeownership for these households. In spite of the variation in results, additional research shows that homeowners of low-cost homes must generally sustain ownership for 5-10 years in order to preclude financial losses from their investments (Belsky & Duda 2002; Belsky, Retsinas, & Duda 2005; Goodman 1998). Ultimately, homeownership provided by the market in both hot and cold conditions has failed to deliver positive outcomes for a significant proportion of lower income and minority households.

One rejoinder frequently recounted as the "lesson learned" from the foreclosure crisis has been, "Homeownership is just not for everyone." However, some housing activists and researchers reject this claim and alternatively posit that homeownership needs to be done differently for lower income and minority households (e.g. Abromowitz, 2010). Shared Equity Homeownership (SEH) is increasingly referenced in academic articles (e.g. DeFilippis & Fraser, 2010; Hackworth, 2007; Immergluck, 2009; Manning, 2009; Shlay, 2006) and policy-focused reports (e.g. Davis, 2006; Flint, 2008; Jacobus, 2007; Jacobus & Abromowitz, 2010) as one way to better deliver the benefits of homeownership and lessen the associated risks. While the model is theoretically and empirically gaining ground as a viable tenure alternative, little is known about the perceived viability and reception of SEH by its potential beneficiaries, namely lower income households. This paper attends to this gap.

Shared Equity Homeownership

Shared equity homeownership (SEH) is a form of resale-restricted, owner-occupied housing that remains affordable in perpetuity, where a non-profit or government organization stewards homeowners and homes. In order to promote successful homeownership, the steward typically: 1) provides pre- and post-purchase education; 2) approves or rejects first mortgages, refinance loans, or home equity lines of credit; 3) offers assistance for major home repairs or improvements; 4) intervenes with delinquent homeowners and their first mortgage lenders to prevent foreclosure; and 5) monitors homeowner compliance with use, occupancy, maintenance, and resale restrictions. In order to keep the homes affordable for future generations of lower income buyers, owners of shared equity homes agree to resale-restrictions that limit the returns they realize at resale so that the home may be resold over time at an affordable purchase price to another lower income household.

Various models of SEH use different contractual mechanisms to preserve affordability. In community land trusts, the steward owns the land on which a home sits, and the buyer purchases the improvements and signs a ground lease. In long-term deed-restricted programs, the steward subsidizes the purchase price of the home in order to lessen the buyer's mortgage loan, and the owner signs a deed-restricted covenant. In limited equity cooperatives, the buyer purchases a share to be a partial owner of the cooperative and signs a shareholder agreement. At the outset, a public investment is required to subsidize the affordable unit, but the model sustains the public's investment to maintain affordability for subsequent owners. SEH starkly contrasts the more common delivery methods for affordable homeownership, which are typically forgivable loans or short-term resale restrictions that stipulate eligible incomes of the owning household (both of which create a windfall for the initial buyer and lose the public's investment in affordable housing).

The few studies that have evaluated SEH report compelling results (Temkin, Theodos, & Price, 2010; Davis & Stokes, 2009; Thaden, 2010, 2011). Studies support that the rates of serious delinquencies and foreclosures for low-to-moderate income homeowners in community land trusts are significantly lower than for owners across all incomes in the conventional homeownership market regardless of loan type (Thaden, 2010; 2011). The most recent study gathered data from 96 community land trusts representing 3,143 owners and compared results to loan performance data reported by the Mortgage Bankers Association's National Delinquency Study at the end of 2010. Homeowners in the conventional market were 10 times more likely to be in foreclosure proceedings than community land trust homeowners (4.63% v. 0.46%) and 6.6 times more likely to be 90 days or more delinquent (8.57% v. 1.30%).

Another study of seven SEH programs across the U.S. found that homes sold and resold for 25-50% lower than the home's appraised value, households earning between

35-86% of the area median income (AMI) could affordably purchase the homes, and the homes remained affordable to households with the same income levels across resales (Temkin, Theodos, & Price, 2010). The authors additionally found that over 90% of residents remained homeowners five years after purchase, increasing the likelihood for financial returns at resale. Additionally, the median individual rate of returns realized by homeowners ranged from 6.5 to 59.6%. In all but one limited equity cooperative program, sellers realized greater returns than if they had rented and invested their down payments in either the stock market or a 10-year Treasury bond. When residents did move, 68-78% (depending upon the program) moved into market-rate, owner-occupied homes.

Consequently, research supports that SEH not only helps lower income households enter homeownership but to sustain homeownership and build wealth. Hence, the model has been theorized as a form of tenure that promotes community stabilization by limiting the impact of “foreclosure contagion” in low-income and minority neighborhoods (Thaden, 2009). Due to the model’s ongoing affordability provision, SEH has also been identified as a tool that buffers the adverse effects of gentrification (Davis, 2010). Ideologically, SEH emphasizes community investment and control of property through collective ownership between a steward and household who is traditionally marginalized by the market. The model minimizes the speculative component of financial property investment by maintaining the property use for affordable homeownership and curtailing financial windfalls for owners (while also enabling adequate wealth accumulation). Additionally, the model values the beneficial “externalities” of homeownership for households and communities, or in arguably better words, the psychosocial and community-based outcomes that may be realized from factors such as residential stability, housing quality, location, and tenure control (see Herbert & Belsky, 2008).

The Market Challenge

SEH's ideological foundation subverts, or at least counters, the notions of homeownership that have been reified by neoliberal capitalism (DeFilippis, 2004). Individualism, personal responsibility, and self-sufficient boot-strapping are engrained in the conceptual fabric of property rights and the right to property, ultimately, creating a strong "American" narrative for what is deemed the way to own and prosper from one's homestead (Shlay, 2006). However, this narrative obscures how the ebbs and flows of market capital investment prescribe the places and people who realize wealth-building from speculative property investment as well as the psychosocial benefits associated with homeownership (DeFilippis, 2001; Herbery & Belsky, 2008). Hence, this narrative may be difficult to counteract in spite of evidence that the market's provision of homeownership delivers differential risks and returns for households and neighborhoods by class and race. Perhaps unsurprisingly, 9 out of 10 Americans continue to report the desire to become homeowners and consider homeownership a critical part of the American Dream (Streitfeld & Thee-Brenan, 2011).

However Americans, or more specifically low-income and minority households, are not irrational for wanting to own a home. In fact, the risks that come with entering the homeownership market are well justified for these households. First, no other investment is able to be leveraged more than property (Herbert & Belsky, 2008). Second, homeownership not only acts as an financial investment but also as a consumption good, meaning that a lower income household would still have to pay rent, which lessens the amount available for alternative investments (Brueckner, 1997; Belsky, Retsinas, & Duda, 2005). Third, owning may provide economic, psychosocial, and community-based benefits, which may change the intergenerational trajectory of low-income and minority families (Boehm & Scholttmann, 1999; Davis, 1991; Harkness & Newman, 2003). Fourth, homeowners do not face the same problems as renters, such as absentee landlords, negligent property management, escalating rents, or lease terminations. Therefore, the issue is not whether conventional homeownership can benefit low-income and minority households or whether homeownership is for "everyone." Instead, the problem is the high risks that lower income and minority households have to assume in order to potentially realize material and non-material returns from homeownership provided by the market.

Seemingly SEH can provide a solution. However, the viability of any alternative relies on its reception by those who may benefit. Too often interventions are rolled out without practical evaluations of their reception and value from the perspective of the supposed beneficiaries. If the story of homeownership within the American Dream has come to be disbelieved by those marginalized by the market's patterns of risk and returns, then the transformative potential of SEH for low-income and minority households and communities is more likely to come to fruition. In other words, for SEH to gain actual ground beyond its theoretical feasibility, its targeted audiences must: 1) maintain pragmatic critiques of their "actual" versus "ought" tenure experiences, and 2) have desire for a tenure alternative that delivers a modified version of the American Dream—one that does not equate success with "going it alone" or pursuing the maximum level of financial returns. Although SEH requires more than the desires of its potential inhabitants for implementation, it is difficult to imagine that the political and institutional will to create SEH will be fostered without the cultural and social will of those who could inhabit this alternative form of tenure. Consequently, the purpose of this study is to explore how lower income households perceive and evaluate SEH relative to market options for renting and owning.

This study takes place in Nashville, Tennessee, which is a growing, mid-sized southern city that has a relatively affordable housing stock as compared to larger northern cities. Based upon the sizes and waiting lists of SEH programs in places with traditionally "hot" housing markets like New York City, San Francisco, or Burlington, Vermont, SEH appears to serve a need of local lower income households. In these markets, SEH programs provide one of the *only* ways for these households to become homeowners. This study considers whether SEH is perceived as serving a need of lower income households in localities where the homeownership market is more widely accessible. The focus groups with potential beneficiaries of SEH took place at a time when homeownership was becoming a dirtier word; the foreclosure crisis was revving up and awareness had grown that *sustaining* homeownership was proving to be as challenging as *entering* homeownership. Hence, this study also captures more recent evaluations of renting and owning in the market by lower income individuals and their desires for an alternative.

Methods

Focus groups were conducted during 2009 as part of a larger action research project supporting an initiative to develop a SEH program in Nashville, TN. The initiative's Steering Committee—comprised of non-profit, government, lending, and academic representatives—had identified their targeted market for the SEH program. These included renters, prospective buyers, and homeowners finding it difficult to maintain their monthly housing payments all with annual household incomes between 30 and 100% of the AMI ($19,450-$64,900 in 2009). However, the committee prioritized serving households making between 50 to 80% of the AMI ($32,450-$51,900 in 2009). During 2009, the median single-family sales price in Nashville was $153,000 (Greater Nashville Association of Realtors, n.d.). Defaulters were considered a potential market for a SEH program, as the Steering Committee thought the program could be uniquely designed to keep people threatened by foreclosure in their homes or offer individuals who have experienced foreclosure another chance at homeownership. However, the Steering Committee was concerned whether any or all of these targeted populations would perceive the benefits of SEH relative to renting or conventional homeownership and have a genuine interest in pursuing homeownership through this alternative.

Consequently, researchers agreed to conduct focus groups with these targeted groups to inform the development of the program. The results were originally presented in a public report (Thaden, Greer, & Saegert, 2010) to inform the program's development. This paper presents a secondary analysis of the data, which explores: 1) What matters to participants about their tenure? What are their tenure goals?; 2) How do they evaluate pre-existing tenure options (i.e. renting and owning) on delivering what matters?; and 3) What are their perceptions of, reception to, and evaluations of SEH versus renting or conventional homeownership?

Sample

The sample consisted of 93 individuals in 14 focus groups: four groups of renters (n =31), four groups of prospective homebuyers (n=30), and six groups of homeowners in default or foreclosure proceedings, which included a handful of participants who had completed foreclosure (n = 32). The range of participants in any focus group was 2-10 (median = 7). The recruitment plan was based upon the Steering Committee's target market for SEH and the sites of recruitment that members reported as most suitable for finding potential SEH buyers.

Because the original intent of this research was to make comparison across group types (renters, buyers, defaulters) by their reported interest in SEH, a purposive sampling strategy was utilized to ensure that approximately the same number of focus groups and subsample sizes were acquired for each type. However, convenience sampling strategies were also used to gain access to potential study participants through collaborating organizations or word-of-mouth, which resulted in eight different sources for recruitment. (All were located in Nashville proper except one organization used to recruit some defaulters, which was in a low-to-moderate income sprawling suburb that reported the majority of their clients lived in Nashville.) Five non-profit housing counseling agencies were used to recruit perspective homebuyers and defaulters who were either participating in homebuyer preparation or education classes or loss mitigation counseling. Renters included residents of a non-profit counseling agency's rental properties, the employees of a large social service organization, members of a voluntary sports organization, and residents from one gentrifying low-to-moderate income neighborhood. Table 1 presents the characteristics of participants by type of focus group.

Table 1. Characteristics of participants by focus group type.

Characteristics	Renters (n=31)				Homebuyers (n = 30)				Defaulters (n =32)			
	Missing	*Range*	*Median*	*Mean*	*Missing*	*Range*	*Median*	*Mean*	*Missing*	*Range*	*Median*	*Mean*
Age	0	23-81	29	39.5	0	22-71	32.5	34.7	0	24-67	48	46.2
Individual Income[1]	4	$7,884-64,000	$28,000	$26,746	2	$5,000-49,500	$21,750	$25,450	4	$0-60,000	$29,500	$28,431
Monthly Housing Cost[2]	3	$100-1,000	$374	$404	6	$305-1,300	$651	$658	4	$280-1,985	$850	$885
		Missing		*%*		*Missing*		*%*		*Missing*		*%*
Female		0		77.4%		0		86.7%		0		75.0%
Married		0		6.5%		0		16.7%		0		37.5%
Has minor in home		0		12.9%		0		76.7%		0		50.0%
White		0		58.1%		0		13.3%		0		31.3%
Completed H.S./GED		1		93.5%		0		96.7%		1		84.4%
Completed B.A./B.S.		1		48.4%		0		23.3%		1		25%

[1] Individual income represents the response to the question "How much did you make last year?", which is less than the household's annual income.
[2] Monthly Housing Cost represents either the mortgage payment or the rent that an individual is paying monthly.

Data Collection

Focus groups were conducted between February 23rd and July 16th, 2009 by two researchers (Thaden & Greer). One researcher was female and both were young and white. They facilitated focus groups together, where one acted as the facilitator and the other acted as the observer to take field notes on group dynamics, including the participants' body language, reactions to the facilitator, and the facilitator's conduct and protocol compliance. Each focus group lasted approximately 1.5 hours and took place at the organization that recruited participants. Participants were given a $15 gift card to a grocery store. After each focus group, the researchers held a peer debriefing session and took additional notes on the experience and their interpretations. All focus groups were fully transcribed from audio recordings by the researchers, incorporating notes from the peer debriefing sessions and the observer's field notes.

Focus groups, rather than interviews, were used as people may be more candid and forthright during dialogue with people who share common experiences (rather than simply answering the questions posed by an interviewer). Further, the dialogic process may enable different opinions and elicit alternative perspectives; however, facilitators must attend to the group dynamics to prevent "group think" or domination of particular actors (Strauss & Corbin, 1998; Hughes & Dumont, 1993). To promote participation of all members and the elicitation of diverse perspectives, the facilitator initially asked individuals to share their names and background information on their current housing to create a climate for sharing. As discussions continued the facilitator would seek out alternative perspectives by asking questions like, "Do others think about this differently?"

and responding to participants' facial expressions or body language. For participants who were quieter, the facilitator would directly ask questions.

The focus group questions were designed as a semi-structured protocol based upon the primary study questions (see above), where the facilitators used a set of predetermined questions for all groups (to allow for standardized comparisons across focus groups and group type) and then a subset of questions designed by group type (to ensure that the unique experiences of each group were adequately explored). Also, facilitators deviated from the list of questions to collect supplemental information as points or topics naturally arose during conversation.

During the first half of each focus group, the facilitator asked questions about renting and owning in Nashville to understand their experiences, evaluations, and perceptions of each. These included, "What do you think people get from owning their home?", "Why do you want to continue renting or not want to continue renting?", "What are challenges that homeowners can have? Are you worried about facing these challenges if you become a homeowner? Why or why not?" (These questions were slightly modified for homeowners experiencing default). During the second half of the focus group, the facilitator introduced the concept of SEH using a 4-5 minute script (see Appendix A) that briefly explained why affordable housing stakeholders in Nashville were considering the development of a SEH program, what SEH is, and how it works (including its resale-restrictions and stewardship services). The script was designed to enable comprehension of SEH by participants with limited financial literacy, especially the critical components of affordability and limited returns from appreciation at resale. Then, the facilitator asked the group about their initial impressions, benefits and costs they perceived, concerns they would have, their level of interest, and their evaluations of SEH relative to renting and owning. At this point in the focus groups, the facilitator answered participants' questions about SEH by providing additional information on typical policies and practices used by established SEH programs.

Data Analysis

An exploratory secondary data analysis of the focus group transcripts was conducted using traditional qualitative analysis methods delineated by Strauss and Corbin (1998). An inductive thematic analysis coded the data to identify categories, properties, and dimensions that respond to the primary research questions. "Categories" capture the key concepts of phenomenon (i.e. factors or themes), "properties" delineate the characteristics and meaning of categories (i.e. perceptions and evaluations), and "dimensions" specify the prevalence, range, and variations of categories and their properties (i.e. level of interest and diversity of responses). Inherent in Strauss and Corbin's qualitative analysis technique is the use of constant comparison and theoretical comparison throughout the process of analysis; hence, all analyses systematically preserved and compared characteristics of each focus group and its type (renters, homebuyers, defaulters) to ensure that findings rendered group differences. The NVivo software program was used for analyses, which enabled coding data into emerging categories, creating memos to identify properties and dimensions, and assigning group type for comparative analysis.

The first stage of analysis open coded the first half of all the transcripts (until the SEH section) for emerging themes capturing the factors that participants noted as "what matters" and their "goals" for their tenure to create categories (Question 1). Next, these factors were used as the organizational structure for the second round of analysis, whereby the data were axially coded for explanations of whether existing tenure options have delivered or could deliver “what matters” (Question 2). “Axial coding” is “the process of relating categories…linking categories at the level of properties and dimensions” (Strauss & Corbin, 1998, p. 123). Memos were written and coded during this process of analysis to facilitate the development of dimensions under each category and to identify the way the categories relate for theory building. This process was repeated to analyze and organize the data on SEH, which captured how participants conceptualized SEH, themes they identified in terms of costs and benefits, and their evaluations, considerations, and interest in SEH. Comparative analysis examined the emerging themes and evaluations of SEH relative to renting and owning across participants’ responses in addition to comparative analysis that examines systematic differences across focus group type.

The dialogical process inherent to focus groups does not yield individual response data by each question posed to the group. Consequently, frequency counts of themes or perceptions by individuals could not be measured; therefore, qualitative data was supplemented by documenting whether each participant expressed an interest in SEH. For defaulters, frequency counts also measured the number of individuals who endorsed: 1. “If you could not keep your home, would you consider SEH in the future?”, 2. “If you could refinance your home into SEH so you would be able to stay in your home, would you consider it?”, and 3.”Looking back, do you think SEH would have been a good option instead of buying your current home?” To check reliability for coding participants’ endorsements of SEH, two researchers separately conducted frequency counts; coders had 100% agreement on participants' responses.

Building upon the work of Lincoln and Guba (1985), Erlandson, Harris, Skipper, and Allen's (1993) delineate "trustworthiness" criteria for naturalistic inquiry, which includes techniques used to evaluate credibility, transferability, dependability, and conformability of qualitative research designs and findings. Data collection and analysis incorporated the following techniques: triangulation of researcher, peer debriefing, aspects of purposive sampling, thick description, and reflexive journaling. Furthermore, the findings presented in the original public report were reviewed by the Steering Committee (which includes staff from the organizations where participants were recruited), which provided a process similar to "member checking."

Using two individuals to conduct focus groups helps to keep researchers "honest" and increases confidence in the findings when similar observations and interpretations are made (Erlandson et al., 1993). As previously mentioned, peer debriefing between the two researchers was conducted during data collection. However, additional peer debriefing was conducted during analysis and reporting. The primary author (Thaden) asked the second researcher and a professor, who had read the focus group transcripts, to review preliminary findings and the final report in order to challenge the author's conclusions and suggest alternative interpretations, which improved the credibility of the findings (Erlandson et al., 1993).

Results

This section presents the goals and hopes that informants had for their tenure (i.e. "what matters"), and how existing tenure options (renting or conventional homeownership) were evaluated on delivering what mattered. Next, this section presents participants' perceptions of SEH relative to existing tenure options, the level of interest that informants expressed in this alternative form of tenure, and their perceived benefits or concerns with SEH.

What Matters in Tenure

Open thematic coding of focus group data revealed eight factors that participants sought from tenure (i.e. "what mattered"). These were: 1) sense of satisfaction and accomplishment, 2) sense of control, 3) agency and action, 4) human development, 5) residential stability, 6) access to neighborhood assets, 7) community engagement, and 8) financial investment. This section is organized by individual and household factors (factors 1-4) and community and economic factors (factors 5-8) to present participants' evaluations of renting and owning and explore whether and how existing housing options were or could deliver what they sought from tenure. However, these factors were not articulated by participants as independent or unrelated hopes. Rather, the results illustrate that the factors were perceived as inter-related and mutually reinforcing, reflecting ecological and transactional theories on the benefits of homeownership across household, community, and economic outcomes (Rohe, Van Zandt, and McCarthy, 2002; Saegert and Evans, 2003). While informants' perceptions and interpretations of renting and conventional homeownership were predominantly consistent across all group types, differing and minority perspectives are also presented.

Individual and household factors. Informants articulated that a dominant goal they sought from their tenure was the promotion of life satisfaction and human development for themselves, their household members, and particularly their children. If conventional homeownership could be attained and comfortably maintained, they believed that it was more likely to facilitate human development than renting. Participants described that, unlike renting, they perceived that homeownership fostered a sense of purpose, accomplishment, and control, which consequently, would enable them to use their agency and take action to create a "home" that fosters positive outcomes for those who reside there.

The relative evaluation of renting versus owning that was repeatedly expressed by focus group members is best captured by the following statement, "Renting feels so ridiculous. I am paying money that is going to somebody else's pocket. Homeownership is a sense of accomplishment. Knowing that something is really yours and you're working to take care of it and maintain it." Informants explained that they did not experience a sense of purpose or accomplishment from renting, as it was "throwing your money away." This sentiment was reinforced by not feeling control over one's home or stability in one's financial situation. As one homebuyer explained, "Renting I find people in my home for repairs and inspections. I have to argue for repairs. Rent can just go up. You don't got privacy, and you don't have control over your place or your neighbors."

Conversely, informants explained that purpose, accomplishment, control, and stability were perceived as a part of the homeownership experience, "Other things in your life may be chaotic but having a home base means that you're gonna be okay. It has to be more psychologically fulfilling to pay a mortgage than rent every month." Numerous participants mentioned that owning a home made work more fulfilling, as their salaries were or would be supporting an investment that benefits their household. Similar to these perceived benefits articulated by participants, life satisfaction and self-esteem from homeownership have been empirically supported as realized outcomes among low-income homeowners (Rohe & Basolo, 1997; Rohe and Stegman, 1994a).

With the sense of accomplishment and control expected from owning, renters and homebuyers anticipated an eagerness and desire to shape their homestead. Empirical studies have also supported increased self-efficacy among homeowners (Galster, 1987; Saunders, 1990). As one homebuyer stated, "You can look at your home as a blank slate and think I can do anything I want with this. That is a freedom that I have not yet experienced." Consequently, many informants expected that homeownership would result in taking different, desired action in one's life. One homebuyer stated, "In renting I am not going to paint or plant like my neighbors who own. But if it's yours, you're going to fix it up. I'd be planting out there because it's mine," and a renter stated, "Having a home and family motivates you to change."

Acting differently in one's residence or life due to ownership was motivated by human development goals: "In this country we are raised by our parents to go to school—maybe not to college—but find a job that you can support yourself and buy a home to raise your family." Many participants equated homeownership with a better way to raise a family and promote their children's development. For instance, one single mother explained her considerations as she was looking at homes for sale, "If you buy a home you're thinking is this home and this place good for my child? Because her quality of living is going to make her whole—who and how she is." The majority of participants expressed that they believed owning a home would enable better outcomes for their children, including providing a space or room that a child would feel belonged to him or her, a stable homestead that would allow them to attend the same school and maintain their peer group, and family wealth that could be used to advance their education (for research supporting the respondents' expectations of positive outcomes resulting from homeownership and residential stability on children, see Boehm & Schlottmann, 1999; 2002; Harkness & Newman, 2002; 2003).

Human development goals were nuanced by the life stages of informants. Younger participants without children explained that owning a home would enable them to start building assets for their future family or professional plans. Participants with children described how owning a home created a stable place for their children to call home and focus on their education. Older informants emphasized that owning a home would provide an asset or wealth that would be passed down to their children. Changing the intergenerational trajectories of one's family has been documented within the literature as a critical reason for entering homeownership (Boehm & Schlottmann, 2002; Saegert & Evans, 2003).

The dominant perspective across all groups was that owning was better than renting, and defaulters agreed with this statement but provided many caveats. Defaulters explained how homeownership—if unaffordable or under poor loan terms—could hinder rather than enable hopes for well-being and human development. Notably, renters and homebuyers also expressed these concerns as the foreclosure crisis was gaining momentum at the time of the focus groups. Defaulters explained that "failing" at homeownership delivered the opposite of hoped-for outcomes. Rather than feeling accomplished, they reported feeling shame, embarrassment, and failure; rather than feeling a sense of control, they reported feeling helpless and less choice in their future tenure options: “Foreclosure is depressing and makes you feel insecure, like the rug can always be snatched up from under you.” Almost all defaulters reported worsening mental and physical health and negative impacts on their children, or as one woman who was in the midst of foreclosure proceedings stated, “It takes the whole family’s health down.” These findings echo the results of Saegert, Fields, and Libman (2009) who studied the experiences of individuals undergoing foreclosure across the country and Greer, Seagert, Thaden, and Anthony (2012) who studied defaulters in Nashville.

Deviating from the dominant perspective espoused by most participants, very young and very old renters expressed how homeownership could injure their well-being or constrain their human development, even if it was affordable. Some younger renters stated a preference for renting so as not to limit their mobility for future employment opportunities. The majority of one focus group with older renters receiving Section 8 rental assistance explained that homeownership would be a poor decision for themselves, as they were financially not going to be able to afford owning a home or be able to conduct or pay for necessary maintenance. Ultimately, the majority of focus groups members were interested in becoming homeowners in order to promote the life satisfaction and the human development of themselves and their families, which are documented benefits of homeownership in the literature (for a review, see Herbert & Belsky, 2008). However, the majority of informants were not financially able to purchase a home in the conventional market without significant compromises in housing quality, location, or affordability. Furthermore, renters who were potentially able to afford homeownership reported significant fears about entering homeownership. They were afraid of becoming “the foreclosure horror story” and afraid that—even with homebuyer education—they would misstep during the buying process and injure their human or economic development.

Community and economic factors. The majority of focus group members articulated the desire for their tenure to help them benefit from neighborhood assets as well as contribute to their community. Because they would weigh neighborhood factors more while purchasing than renting a home, they perceived that homeownership was much more likely to enable residential stability, access to neighborhood assets, and community engagement. As previously mentioned, most informants reported that renting left them feeling insecure and uncertain about their residential stability. Alternatively, most believed that purchasing a home provided greater control over their tenure durations, which they thought would promote the development of household members. For instance, one homebuyer stated, “My oldest daughter is seventeen, and she’s been to four school clusters. That’s just not stable. I want my other children to have a stable environment. I will know their teachers, know where they’re going. That’s really important to me.”

Participants cared greatly about the location of their tenure but more so if they were to own a home, as they related location with access to neighborhood assets, and ultimately, financial returns. For instance, one participant stated, “You hope you made a wise decision about location. That you bought for the school district. And that you pay your house off so your children have something.” Almost all participants echoed that they wanted to become homeowners because “it’s an investment.” However, they defined “

investment" not only by wealth accumulation for their family but also by better quality of life resulting from their households becoming the beneficiaries of existing social capital within their neighborhoods and from becoming the producers of social capital through investing in their neighborhoods.

Informants were interested in forging social networks that would contribute to the development of themselves, their families, and their neighbors. For instance, one defaulter explained that when she had been an owner, she realized benefits from participating in PTA meetings held at different homes in the neighborhood, which led to exchanging information about schools, community services, and child care assistance. As another individual stated, "I think there is a sense of community that comes with owning. That's a way to connect with people outside of your other circles you wouldn't get to otherwise….If I owned I would make a larger effort to know the people around me." Empirical studies have found that place attachment is higher among homeowners (Brown, Perkins, & Brown, 2003) and that strong social ties reduce mobility particularly for lower income homeowners (Dawkins, 2006).

However, informants were just as interested in contributing to social capital as they were in receiving benefits from existing neighborhood assets where they owned a home. For instance, one individual expressed that enabling more people to become successful homeowners promotes economic development:

> The more people can afford and the more people have a sense ownership, then they do create more sense of community. And that will help any community. That will help businesses surrounding the community. It will definitely help the

> economy of the whole situation just by people taking more pride in where they live rather than, 'well, I just rent here.'

And just as participants expressed treating their properties differently as owners, they also explained they would treat their neighborhoods differently by becoming more engaged civically and locally. Research has supported that these expectations of homeownership tend to come to fruition (e.g. DiPasquale & Glaeser, 1999; Kingston & Fries, 1994; Perkins, Brown, & Taylor, 1996; Rohe & Stegman, 1994b). For instance, a defaulter explained that as a renter she expected to call the landlord to take care of neighborhood problems, but as a homeowner, she was more committed to the neighborhood's well-being. When repeated issues with crime occurred, she called her city council members, the police, and the Mayor. She reported feeling that being a homeowner gave her more currency in these interactions, and crime "settled down" from her actions, which felt "pleasant."

Acting differently as a function of being a homeowner was also anticipated by renters and homebuyers who had not yet had this experience. As one renter explained:

> If I owned a place, I would make it a beautiful home. I would care if there was graffiti around the corner from my house. I would go and fix it up. I would attend my community meetings to figure out crime issues in my neighborhood. Whereas now, I am probably going to move in three months and how much of a dent can I really put in my community association if I am there for only three months?

Ultimately, social investment in one's neighborhood was perceived as a direct investment in the economic development of oneself and one's household. Informants articulated that improving the neighborhood meant that one's investment in a home would be more likely to see greater financial returns and that their children were more likely to succeed within a better neighborhood. Alternatively, participants repeatedly reported that as renters they did not have a financial stake in the neighborhood and little or no assurance that the residence would be their long-term home. Consequently, they were not as invested or ready to engage in community-building efforts within the neighborhoods where they rented. Multiple studies have found that homeowners are more likely to participate in community organizations than renters (e.g. Perkins, Brown, and Taylor, 1996; Rohe & Stegman, 1994a; 1994b).

Defaulters maintained a unique perspective on goals relating to social capital. Many of the defaulters who had gone through foreclosure were displaced from the neighborhoods where they had owned, and consequently, reported that their families experienced extreme hardship from losing access to neighborhood assets and social networks. For instance, one mother stated, "My daughter wouldn't even look me in the face," explaining she blamed her mother for being removed from her school and friends. The psychological consequences of losing the homes and communities where defaulters had invested was so devastating that one participant reported considering suicide after moving into a rental unit in a dangerous neighborhood.

While moving to a better neighborhood to reap the perceived benefits of existing social capital and participating in one's community were desired outcomes from homeownership, all participants interested in owning reported that they would not be able to afford owning a home in the neighborhoods where they would self-select to live. And many participants were willing to compromise on the neighborhood where they lived in order to enter homeownership; however, the majority of participants in prospective homebuyer focus groups reported that they had yet to purchase a home because the compromises on either the quality or characteristics of homes or their location for the sake of affordability was proving too great.

Evaluation of Shared Equity Homeownership

As reviewed above, informants articulated the desire for their tenure to enable individual, social, and economic well-being, which they perceived as more likely to come to fruition from homeownership—if and only if—it was sustainable and financially sound. At the very least, however, informants explained that they did not want their residence to hinder or constrain the well-being and development of themselves or household members, explicating why many wanted to exit the rental market as well as why many were reticent to purchase a home that could prove to be financially unsustainable. Their perceived benefits of homeownership, as well as their concerns if homeownership proves to be unaffordable, are well supported in the literature (Herbert & Belsky, 2008; Saegert, Fields & Libman, 2009; Thaden, 2010). Nevertheless, the majority of participants perceived that successful conventional homeownership was out of reach due to challenges posed by housing values, affordability of monthly mortgage payments and ongoing repairs, down payment requirements, credit histories, or desired housing quality and location. Consequently, many perceived SEH as a practical and welcomed alternative to conventional market ownership.

None of the participants had heard of “shared equity” before the focus groups. But after hearing the description of SEH (Appendix A) and asking the facilitator additional information about how SEH programs typically work, many informants perceived that SEH may be more likely deliver the perceived benefits of homeownership “done right,” including a sense of accomplishment, control, and agency; human development; residential stability; access to neighborhoods with assets; and opportunities for community engagement. And consequently, many participants believed that SEH would be more likely to result in better financial outcomes for themselves and the future generations of their families than renting or conventional homeownership. As illustrated by Figure 1, 73% of responding participants expressed interest in SEH if a program was available in Nashville.

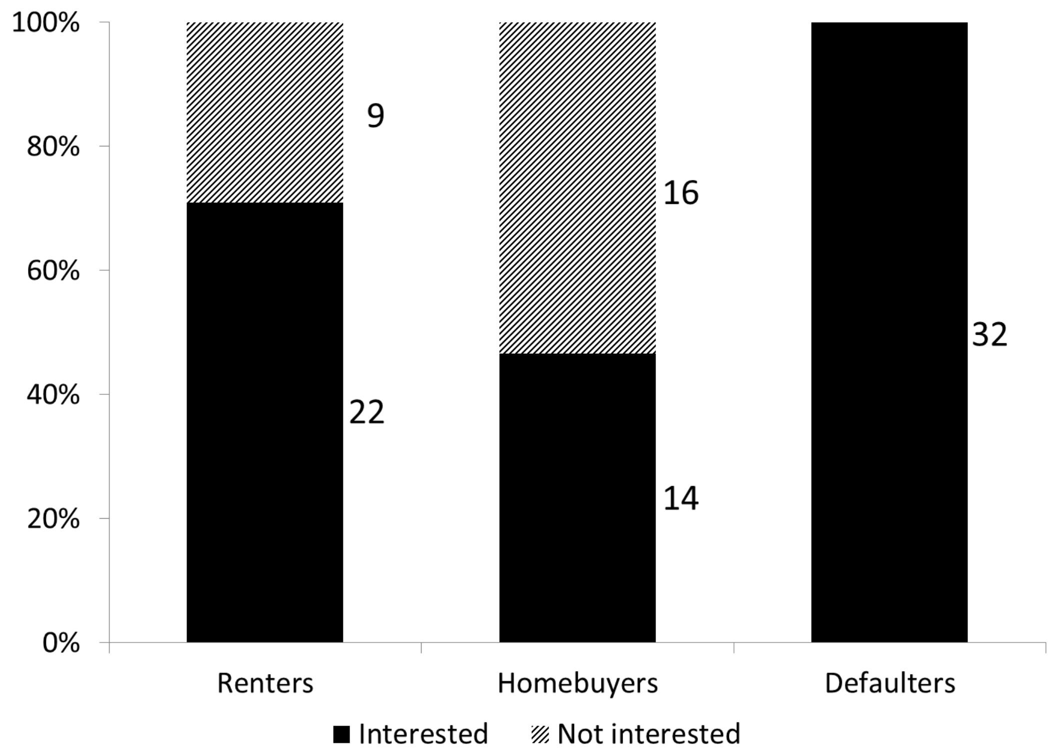

Figure 1. Lower income renters, homebuyers, and defaulters who expressed interest in shared equity homeownership if it was available in Nashville (n =93).

Defaulters, who had lived through the hardships of unsustainable mortgage payments or losing their homes, homogenously expressed interest in SEH, perceiving that the affordability it offered and the financial assistance provided to owners would have provided a better tenure alternative to the homes they struggled to own in the conventional market. Roughly, two thirds of renters and just under half of homebuyers expressed interest in SEH. The following section will review participants' perceived benefits, costs, or concerns with SEH.

Perceived benefits. Regardless of whether informants personally expressed an interest in becoming shared equity homeowner, many perceived benefits of SEH and expressed hope that it would become a tenure option for members of their family or community. The perceived benefits were that SEH:

1. Provides access to homeownership for those who would otherwise not be able to own a home. Across all groups, the prevailing benefit of SEH was that it would enable a greater number lower income and minority households to experience homeownership safely. As one defaulter stated,

> It gives a larger number of people the chance to enjoy the benefits of homeownership…People now don't feel like it's in their best interest to get a home, but I feel like a program like that would say to people you can still have what you want. You can still own a home.

2. Enables entrée into homeownership faster and more easily. Many participants expressed that SEH made homeownership, "more attainable" and "easier." Renters and potential homebuyers explained that saving for a large down payment and emergency savings (on top of being able to afford a more expensive monthly mortgage payment) to own in the conventional market was too daunting. Some estimated that it would take 7-12 years to be ready for home purchase, which felt unattainable or kept being postponed as urgent expenses arose that eroded saving for a down payment (e.g. car repairs or medical bills). For instance, one homebuyer stated:

> As I get older and haven't been able to save a lot of money, I am increasingly fine with having a home rather than an investment, so yeah, I would be into that [SEH]…I mean, it's still an investment, just not as much…I think ideally everyone would choose not to compromise, but it's like the reason why we're having this conversation, because some people can't do it without having to compromise.

3. Acts as step between renting and conventional homeownership. Informants often conceptualized SEH on a housing continuum between renting and private market homeownership, where SEH was considered a "step up" from renting that could be used to boost individuals into conventional homeownership. As one renter said, "It's kind of interesting for people who are pulling themselves up by their bootstraps to get out of renting. This is maybe like a halfway point towards traditional homeownership." A potential homebuyer explained that for her,

> Shared equity is getting me used to a mortgage, getting me used to owning a home, not having to reap all the repercussions of owning. If shared equity was available, I would probably be much more likely to go and buy a home now rather than waiting until I got married. Because then I am saving money, and it is not costing me as much money up front. So then in ten years, I can sell it and put the savings into a down payment in a home. It kick starts you.

4. Prepares and trains households to successfully own a home in the conventional market. Many participants who had experienced default and who had gone through homebuyer education courses expressed the value of education on home buying and owning, and they believed that SEH offered a more intensive, experiential education on homeownership. As one buyer stated,

> I think it gives you the experience of being a homeowner and what it's about to where if you do want to go in the private sector—the next level of housing—then you are more aware of the rules and regulations and all that stuff that is going to be thrown at you… It's like getting an education in house buying and then you pay your tuition back. It's almost like going to school to a buy a house.

Similarly, a defaulter explained that this education was worth realizing less returns at resale, "I think owning a shared equity home would feel like arms wrapped you telling you you're going to be ok. And so what? You make less money at the end of the day. That sounds like a fair deal to me." Due to observing the foreclosure crisis, some renters articulated having fear about making uneducated decisions if they purchased homes in the market. Purchasing through a SEH program—whose mission is to promote successful, affordable homeownership—allayed these fears, rendering them more likely to pursue homeownership with the help of a partnering organization that is looking out for their best interests.

5. Allows lower income homeowners to access better neighborhoods. If affordable homes offered by a SEH program were in good condition and located in better neighborhoods than homes within reach through conventional homeownership, some participants preferred SEH. One homebuyer explained, "Let's say I had $100,000 but the house I want costs $150,000. Well, I look at my circumstances and there is no way I could get that. But shared equity would let me afford that house?! I can invest in that house. I don’t see any problem with that!” Informants sharing this perspective explained that SEH would allow them to live in more expensive homes in better neighborhoods, and consequently, they thought it was possible to realize similar or better financial returns even when sharing the appreciation than owning a lower-cost home in a worse neighborhood and realizing 100% of the sale’s proceeds. As one informant concluded, “The higher you can jump socioeconomically, the more eventual return you will see.” Hence, some participants believed that SEH was more likely to enable residential stability and access to safer or higher-income neighborhoods, and consequently, result in a sounder investment opportunity than owning a home in the market they could afford.

6. Promotes better outcomes for a larger proportion of lower income owners than the private market. Many participants expressed that due to the subsidization of higher-cost homes, the stewardship activities of the partnering organization, and the ongoing affordability provided by SEH, more lower income households would be likely to realize positive outcomes from owning a home than those owning in the conventional market. This perceived benefit was most strongly communicated by those who had experienced foreclosure or were months behind on their mortgage payments. The comment of one defaulter about SEH illustrates this perspective, “Not having to pay so much. Lower interest. As far as security, the financial stuff [of SEH] feels much safer.” Another woman explained that homeowners would be more likely to “get through the hard times because they would have someone [the stewarding organization] to turn to.” For a few defaulters, the value of homeownership had less to do with making money and more to do with the provision of stability: “I didn’t think about making money when I bought a home. That wasn’t my big goal. It was having a stable home for my family, and shared equity feels safer." Twenty-five out of 32 defaulters stated that, if they could do it over again in hindsight, they would have preferred to purchase a home through a SEH program rather than in the conventional market.

Defaulters were particularly interested in knowing whether SEH could be used to prevent foreclosure for households like themselves who were on the verge of foreclosure. For instance, one individual stated, "I sure would consider refinancing my home into shared equity if they let me." Thirty out of the 32 defaulters stated they would consider entering their home into a SEH program if it meant they could avoid foreclosure and remain in their current homes, and 28 stated that, if they had or did lose their homes, they would consider entering into SEH in the future as a way to own a home again with greater support, better loan terms, and more affordability.

7. Gives to generation after generation of lower income household. Roughly half of the participants perceived a benefit from how SEH provides ongoing affordable homes to lower income buyers through limiting the seller's returns at resale. One homebuyer said,

> You're being able to share what you got and your experiences with somebody else. In the long run, it's a better future for not only us, but it's benefiting our children and our children's children. I think it's a great opportunity for somebody instead of taking all the money back [the full profit at resale]. Even if it's just a little bit you get, it's still because that organization's helping you, so why not help that organization back. I think that's a great benefit.

When a defaulter explained their perception of this benefit from SEH, she stated,

> It's distributing the wealth, and it continues to be an affordable house so people won't do it speculatively or as my vehicle to make a whole lot of money. It's

> going to be affordable for a larger number of the population to enjoy the benefits of homeownership. It gives the average working man something to try to look forward to, knowing they [otherwise] don't stand a chance of owning a piece of property.

As explained above, participants were comfortable with foregoing some of the profit at resale in exchange for owning a higher-quality home more affordably and with lessened risk due to the steward's support, especially when they realized that the steward's share of profit would be used to preserve homeownership opportunities for future generations of lower income households.

8. Helps the health of the city. Lastly, a minority of informants expressed benefits from SEH for the health of the city. Multiple individuals explained that the provision of affordable homeownership in Nashville would limit sprawl and pollution from commuting and improve the municipal tax base. For instance, one informant discussed her colleagues at Home Depot:

> They all commute to work because they can't afford to live in the county. So I think it [SEH] would help cities in general and maybe then they wouldn't have to jack the property taxes up so much if they had more shared equity-type programs going on. It'd be better. It means people wouldn't have to commute so far because they could live closer to where they work.

A couple individuals suggested that if a SEH program was established then it should purchase foreclosed properties, noting that this strategy would be a win-win to develop the program and help neighborhoods recover from the crisis.

To summarize, the majority of informants perceived that SEH provided a viable avenue to realize “what mattered” from their tenure across individual, household, community, and economic factors. If conventional homeownership provided by the market was impossible to enter, would take many years to enter, or would be too high risk due to problems affording the mortgage and ongoing maintenance or saving for emergencies, then SEH provided a better alternative than renting, high-cost home owning, or owning in an undesirable location. Under these considerations, SEH was evaluated as a better pathway for many lower income households to realize better household, community, and economic outcomes.

All of the perceived benefits expressed by participants have been conceptualized in the literature on SEH (e.g. Davis, 2006; Jacobus & Davis, 2010). While publications have acknowledged the benefits of pre- and post-stewardship support for homeowners (e.g. Thaden & Davis, 2009; Thaden, 2010), they have not explicitly articulated the benefit of experiential learning offered by SEH for households to succeed as future homeowners in the conventional market (#4 above). Even members of homebuyer focus groups—who had gone through pre-purchase homebuyer education classes—believed they could benefit from learning and being supported *during* homeownership. As previously reviewed, some of the benefits noted by participants have been supported empirically as well.

Perceived costs and concerns. As mentioned above, some renters and homebuyers did not express a personal interest in SEH. The rationales varied by individuals and groups. Seven of the nine renters who did not express interest in SEH were receiving Section 8 rental assistance. They explained that the affordability offered by SEH would still not be adequate for their absolute incomes to offset the additional costs of owning a home, such as paying for ongoing maintenance and repairs. Notably, those who were older or had chronic health problems could not or did not want to assume the added responsibilities of home owning, such as mowing a lawn. Two younger renters did not express interest in SEH, as they anticipated moving away from Nashville and did not want to constrain mobility.

Sixteen homebuyers did not express a personal interest in SEH. Fourteen of these homebuyers explained that they had long been working towards being able to purchase a home in the conventional market. Some were confident that they would find a home in the conventional market that met their standards; others were less confident but not ready to give up hope or consider SEH. Lastly, two homebuyers were adamantly opposed to SEH due to sharing proceeds at resale, explaining that they would rather not buy or wait until they could purchase a home on their own. As one informant stressed, "I really wouldn't feel like I owned it. It's *shared* equity, and I'm not sharing. I'd like to have it as mine, by myself, on my own."

Whether informants personally expressed interest in SEH, members of all focus groups shared considerations and concerns that would factor into their decision to purchase a shared equity home. Informants wanted to know:

1. Would the steward be reliable and trustworthy? With mounting distrust of the lending industry due to the foreclosure crisis, participants across focus group types expressed concerns about the reputation, stability, and capacity of the stewarding organization. For instance, one individual stated, "Could I really verify that you [the steward] going to do what you said you going to do and nobody is going to be knocking on my door later saying you want money and you want interest and I have to pay you back?" When the facilitator shared that the steward would be a non-profit organization, many people's fears were allayed. However, a few of individuals stated they would want additional information on what would happen if the steward "goes bankrupt or loses their company." Dissolution of the stewarding organization is traditionally addressed by SEH programs in the legal documents signed by the steward and homebuyer.

2. Would thorough, ongoing education occur? Informants across all focus groups types (but particularly defaulters) articulated the importance of transparent and thorough pre-purchase education and post-purchase reminders on the legal requirements, policies, and procedures of the SEH program. In order to fully assess whether individuals would want to buy a shared equity home, participants wanted additional information on what happens if a resident fails to make a mortgage payment, invests in capital improvements, or sells during a market downturn. All SEH programs provide pre-purchase education and many offer post-purchase education, which include numerous reviews of the program's legal documents and policies.

Informants emphasized the need to continuously remind shared equity homeowners of the terms of the legal agreement to promote a positive relationship between the homeowner and the steward. Participants acknowledged that purchasing a home is a highly emotional experience when individuals tend to focus their attention on getting into the home; therefore, ongoing education and reminders would ensure that owners remember information from pre-purchase education. Some participants believed that ongoing education would help to protect the steward as well, "The only concern I would have is somebody just all of sudden feeling like the rules don't apply to them…Money does weird things to people. They can forget who helped them get there."

3. Would the steward be supportive, not paternalistic? Some participants, particularly those who had grown up in public housing or received Section 8 rental assistance, had concerns over the types of regulations and monitoring that the steward would do. For instance, regular inspections were mentioned as a "deal-breaker" for these informants, stating that "would be just like renting." Many others believed that support and services from the steward would be a significant benefit for homeowners who wanted or needed additional assistance, such as financial counseling or referrals for home repairs. While informants expected rules and regulations in order for the steward to be equitable and set clear expectations, they also wanted assurance that the scope of rules and regulations would not hinder their autonomy as homeowners, such as being told what colors they could paint their walls. Hence, transparency was perceived as critical: "You should know what you're getting into and how different situations are gonna be handled." Across all focus group types, informants expressed the hope that the steward would act supportively rather than paternalistically, in order for SEH to truly "feel like and be like regular owning."

4. Would homes blend into the neighborhood and be scattered across different neighborhoods? Many participants were concerned about the location of the shared equity properties and whether the homes would "all look the same." Notably, the HOPE VI program and local Habitat for Humanity affiliate in Nashville have developed properties in large, consolidated, and homogenously-designed developments, which differentiated their homes from those in the surrounding neighborhood. Participants had adverse reactions to these large contiguous developments of affordable housing, as this quote illustrates, “I wouldn’t want to stay in a community that is just low-income or all affordable housing. I want to go to someone’s door and knock and not be able to tell one house from the other. It’s just not right if it isn’t like that.”

The majority of participants were not interested in SEH if the homes would be identifiable as a part of the program. For instance, one homebuyer stated, “If it’s a whole neighborhood and everyone is together. Like that’s what we have in common, we have shared equity, like Habitat does. Well, I wouldn’t partake in the program.” Informants feared NIMBYism (i.e. not-in-my-backyard) from neighbors and stigmatization from living in affordable housing. However, they also expressed concerns over purchasing homes where “everybody is in the same income bracket,” explaining that “before you know it, you got a lot of crime going on” or “the same things are happening when you were in apartments and renting.”

Hence, participants wanted to know whether the SEH program would provide scattered-site options, as they believed that a key benefit of SEH would be to increase access to various neighborhoods with income diversity and better assets. For example, one participant stated, “Families who may not be able to afford to live in a certain neighborhood that has a certain school district. If the shared equity homes are scattered, people could actually live there because they have help.” Ultimately, informants expressed that they would be more interested in SEH if the homes provided an alternative to existing affordable housing options, by offering scattered-site properties that blended in with surrounding homes located in higher-quality neighborhoods.

5. Would homeowners realize fair returns when they sell? While the majority of participants did not have a problem with sharing proceeds from appreciation at resale with the steward in order to provide affordable homeownership opportunities to future households, they did want concrete examples and additional information to evaluate whether the formula for sharing proceeds seemed "reasonable" and "fair." Facilitators shared with each focus group during discussion that many shared equity programs split appreciation by giving 25% to the homeowner and 75% to the steward; however, the Nashville program was considering giving 50% to the homeowner and 50% to the steward. Reflecting the rationale of program designers (Thaden & Saegert, 2009), some informants acknowledged that, "25% seems like too little 'cause homes here don't go up [in value] very quickly." In every defaulter focus group, at least one individual wanted to know what would happen if a homeowner needed to sell and had negative home equity or "if the home were not to appreciate." SEH programs stipulate the outcomes of these scenarios in their legal agreements and policies. Many SEH programs will absorb the costs if homeowners must sell their homes at a loss.

To summarize, some renters and homebuyers did not express an interest in SEH, perceiving that SEH would not be beneficial based upon their personal circumstances, and two perspective homebuyers were fundamentally against the concept of SEH. All of the informants who expressed an interest in SEH articulated the need for additional information and education in order to fully evaluate whether this homeownership alternative would be beneficial. Their considerations and concerns were both thoughtful and insightful, illustrating that participants not only comprehended SEH but were able to critically consume the concept in spite of the limited information. Hence, informants offered design and development considerations that could promote the success and positive outcomes for residents of a SEH program in Nashville. While the *2011 CLT Technical Manual* provided by the National Community Land Trust Network thoroughly outlines design and development considerations for SEH practitioners, no additional empirical studies have captured the opinions and perspectives of lower income households or potential beneficiaries to date.

Discussion

This study found that SEH is a desired tenure alternative to existing renting and homeownership options provided by the market based upon the perspectives of lower income individuals in Nashville. Policymakers and affordable housing developers in Nashville had concerns about whether a market for SEH existed and whether the complexity of the model would be marketable (Thaden & Saegert, 2009). Based upon these findings, their concerns appeared to hold little merit: The majority of lower income individuals actively seeking to buy homes, currently renting, or facing challenges sustaining ownership expressed interest in buying a home through a SEH program. While some homebuyers and renters were not personally interested in SEH based upon their individual circumstances, almost all of them thought that this housing alternative could benefit other lower income individuals.

Members in all focus groups acknowledged the failure of the market to deliver high-quality rental opportunities or adequate homes for purchase with sound and affordable mortgage products. Some participants explicitly referenced how the growing foreclosure problem altered their views of homeownership. Participants described how before the foreclosure spike, the greatest challenge was simply *entering* homeownership, but now they were mostly concerned about the challenges of *sustaining* homeownership and the financial vehicles used to enter homeownership. This greater awareness of homeownership's risks resulted in participants expressing interest in owning through a SEH program, as the steward was perceived as a partner that would support the homeowner in making sound financial decisions before and after purchase (and offer additional assistance if emergencies arose). Notably, participants believed that a key benefit of SEH was to have a supported learning experience with homeownership that would result in building equity so that successful homeownership in the conventional market was more plausible in the future.

Consequently, even in a city where the housing market is relatively affordable and more accessible to those with modest incomes, the majority of participants evaluated the benefits of affordability and ongoing stewardship services as being valuable enough to want to purchase through a SEH program versus the market. Hence, these findings support that SEH may serve the needs of lower income households even in local housing markets that provide some homeownership opportunities to these households. One implication of these results is that SEH may be viable outside of traditionally "hot" housing markets.

That being said, how a SEH program gets implemented was just as important to participants as the model's inherent affordability and ongoing provision of homeownership opportunities. Informants expressed that the potential benefits of SEH were inextricably related to the neighborhoods where these homes would be located and the types of development used. Ultimately, participants placed great value on wanting their tenure—and especially a tenure alternative—to provide access to better neighborhoods. Furthermore, participants wanted SEH not only to provide tenure alternatives to those provided by the private market but also those offered by public and not-for-profit sectors in Nashville. This entailed scatter-site properties that were not identifiable as “affordable housing” and were integrated into existing neighborhoods.

Currently, the academic literature does not address these priorities of lower income households. SEH is often posited as a solution to the markets patterns of (dis)investment, which implies that the SEH model—in and of itself—is good (e.g. DeFillippis & Fraser, 2010; Hackworth, 2007). However, these results point out the need to attend to how the positive components of the model (i.e. permanent affordability and stewardship) act in concert with neighborhood factors in order to increase or decrease the potential for direct and indirect benefits from SEH. As participants articulated, they hoped that their tenure would enhance the well-being and human development of household members, but they also believed that these goals were more likely to occur with residential stability, access to asset-rich neighborhoods, and active engagement in one’s community. If homeownership enabled opportunities for human development and access to social capital, then participants believed that positive financial outcomes were more likely to be realized.

Their interpretations echo existing theories of social capital and intergenerational transformation, whereby human and social capital transact with each other and inextricably affect the accumulation of economic capital (DeFilippis, 2001; Bourdieu, 1985). Ultimately, access to these forms of capital maintains the potential to alter the intergenerational trajectories of lower income households (Saegert & Evans, 2003).

Similarly, participants connected stable, sustainable homeownership with better opportunities for household members to develop human capital, benefit from and contribute to social capital in their communities, and consequently, realize economic capital, which could change their families' outcomes for generations.

While this study begins to address a gap in the literature on SEH by capturing the voices of potential beneficiaries in Nashville, this study cannot be generalized beyond the sample. Additional research exploring the needs, priorities, and considerations of lower income households in other communities is needed to inform local and national development of SEH. Further research using different descriptions of SEH is also needed in order to understand how this script introduced bias. It is high likely that varying methods and various descriptions of SEH would elicit differing evaluations of the housing model. The conversational method of focus groups and recruitment strategy used in this study—where individuals were often referred from non-profit organizations—facilitated good rapport and trust between the facilitators and participants. While many SEH programs recruit buyers from community organizations, additional research is needed to document "cold" impressions of SEH from potential beneficiaries.

Lastly, the strongest interest in SEH was reported by individuals who were at-risk of foreclosure or had experienced foreclosure, indicating a potentially large market of households that may have a dire need for tenure alternatives and public financial assistance. Future research should examine how SEH could be expanded to serve these households and allay the impact of the foreclosure crisis. Ultimately, the results of this one study in Nashville imply that demand for SEH exists beyond the current supply, and potential beneficiaries not only comprehend the housing model but welcome this tenure alternative.

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Appendix A. Script of Explanation of Shared Equity Homeownership

Now, I want to move to the second portion of the conversation about a relatively new housing idea that people are working on in Nashville and nationally. To give you some background information, before all the foreclosures were happening and the housing market changed, people who were developing affordable housing became concerned about how hard it was to make housing affordable and to keep it affordable in the long-term. They kept putting money into homes so they could be affordable for people to buy them who would have a hard time buying homes in the private market. But once those homes resold, the price of the homes kept becoming unaffordable again for the next buyer. This led them to think about this new housing idea, which is called "Shared Equity Homeownership". What it does is bring the price of the home down so people can afford it, but it doesn't allow the homeowner to make such a big profit on the home either…that way, it stays affordable over the long-term.

A common example that helps to explain how it works is when parents help their children buy a house. Ok, so a lot of young adults don't have strong lines of credit yet, and they often have an ok job, but they aren't making a lot of money, so they can use help if they want to buy a house. Sometimes their parents will end up helping them get into their first home. So let's say their parents give them money for a good-sized down payment on a modest home.

And the parents say to their kid, "Ok. We helped you get into a house by putting money down on it so your mortgage payment is a reasonable amount for you to pay and you can save enough to handle home repairs too. But now we ask that you in five or ten or twenty years when you sell this home, we want you to pay us back the money we put into the down payment with a little bit of money made from the home appreciating in value since we lent that money for so long." So that adult—the child of the parents—ended up being a homeowner. They lived there and took care of the mortgage payment and home repairs. But when they sold the home, their parents got back their investment in the home and some of the profit if it was worth more than when the home was purchased. Does that make sense? *[Ensure that the group understands the scenario.]*

Alright, well this is basically what shared equity homeownership is. But many people don't have parents that can do that, so this program is designed so that instead of parent helping you, it's an organization. So the difference between shared equity homeownership and regular home owning is that the mortgage payment for the people who bought the home is less, meaning the home is more affordable than it would have been if it was bought in the private market (because of that big down payment—or subsidy—that the organization puts in). But it also means that when the home is sold, the people who live there give the organization back the money the organization put in and some money made from appreciation. That way, the people living there walk away making some money from paying off some of the principal on their mortgage loan and a portion of money made from the home if it has increased in value. But the organization then takes their original investment and their portion of profit if the home has increased in value and then reinvests it back into the home to keep it affordable for the next people who buy it.

[Additional information provided on typical policies and practices of shared equity programs in response to questions and discussion.]

CHAPTER 3

STABLE HOMEOWNERSHIP IN A TURBULENT ECONOMY: DELINQUENCIES AND FORECLOSURES REMAIN LOW IN COMMUNITY LAND TRUSTS

A record high of 3.8 million foreclosure filings occurred in 2010, meaning that one out of every 45 residential units in the United States received a notice of foreclosure proceedings. The foreclosure filing rate for 2010 (2.23%) was greater than the rates posted for 2007, 2008, and 2009 (respectively 1.03%, 1.84% and 2.21%). Experts acknowledge that the 2010 rate would have been even higher if foreclosure proceedings had not been temporarily suspended towards the year's end due to controversies over foreclosure documentation and procedures (RealtyTrac, 2011).

Foreclosure rates at the start of the housing crisis in 2007 were predominantly explained by deregulation of the lending industry and the corresponding spike in high-cost or subprime home purchase and refinance loans (Immergluck, 2009). Forty-three percent of purchase or refinance loans originated in 2006 were subprime (Immergluck, 2009), and at least one in five subprime loans has become delinquent (Spader & Quercia, 2008). Ample research has shown that low-income and minority homeowners are more likely to hold these loans, as lending institutions targeted lower income and minority neighborhoods for high-cost and subprime lending (Immergluck, 2009). For instance, when the subprime mortgage market was expanding in 2001, 10% of home loans originated to low income households living in low-income communities were subprime, and for African American households in these communities, the proportion was 18%. Out of those who obtained refinance loans, the rates were respectively 27% and 42% (Apgar & Calder, 2005).

More recently, delinquency and foreclosure rates have been largely attributed to the economic recession. The unemployment rate in 2010 hit a recent high of 9.6%, which was up from 9.3% in 2009 and 5.8% in 2008 (Bureau of Labor Statistics, 2011). Unemployment has disproportionately affected persons of color and low-to-moderate income households. In the middle of 2010—while overall unemployment stood at 9.6%—the unemployment rate for African Americans was 16.3% and 12.0% for Hispanics (Center for Economic and Policy Research, 2010). According to a study that analyzed unemployment rates by income deciles in the fourth quarter of 2009, income and unemployment rates were inversely related. Low-income households in the bottom two deciles were experiencing joblessness at rates rivaling those seen during the Great Depression (Sum, Khatiwada, & Palma, 2010). The study concluded that, "A true labor market depression faced those in the bottom two deciles of the income distribution; a deep labor market recession prevailed among those in the middle of the distribution, and close to a full employment environment prevailed at the top " (p. 13).

With the prevalence of high-cost mortgage loans and unemployment among low-to-moderate income and minority households, it is unsurprising that they have experienced the highest rates of mortgage delinquency and foreclosure (Immergluck, 2009). Above and beyond these factors, lower income and minority households have an elevated risk for delinquency and foreclosure due to housing cost burden, underemployment, and costly life events (Herbert & Belsky, 2008). Ultimately, homeownership opportunities provided by the conventional market are frequently failing to deliver positive outcomes for a large proportion of lower income and minority households.

However, support is mounting for an alternative model of homeownership offered through Community Land Trusts (CLTs), which produces better outcomes, especially decreased risk of delinquency and foreclosure. A CLT is one of several resale-restricted, owner-occupied housing models, collectively known as "shared equity homeownership," which are being used in communities throughout the United States to help low- and moderate-income households attain—and *retain*—homeownership. CLTs own the land where owner-occupied homes are located. Homeowners purchase only the structural improvements, while paying a modest monthly fee to lease the underlying land from the CLT. Therefore, these homeowners are allowed to carry a significantly smaller mortgage than if they had bought both the home and land in the conventional market.

At the time of purchase, CLT's homeowners agree to resale-restrictions set forth in their ground leases, which limit the future resale prices of their homes in order to keep them affordable for the next generation of lower income homebuyers. The CLT acts as the long-term steward for the homes *and* their newly minted owners. They provide pre-purchase and post-purchase services to homeowners (e.g. homebuyer and homeowner education, financial and loss mitigation counseling, home repair assistance) and property monitoring to preserve affordability over resales, which ensures the longevity and success of the homeownership opportunity that the CLT has created.

This paper presents findings from a national survey of CLTs to examine the rates of delinquencies and foreclosures among owners of CLT homes relative to rates among homeowners in the conventional market during 2010. Similar studies were commissioned by the National Community Land Trust Network (hereinafter, "the Network") in 2008 and 2009; consequently, results across years are presented (Misak, 2009; Thaden, 2010a). The most recent study gathered data from a larger sample of CLTs and documented the policies and practices used by CLTs to administer their homeownership programs, which help to explain the low rates of delinquency and foreclosure among the owners of CLT homes.

Background

In order to understand the importance of studying delinquency and foreclosure in owners of CLT homes, this section will briefly review literature on the challenges of sustaining homeownership and building wealth for low-income and minority households. Next, literature on the direct and indirect costs of foreclosure will be summarized.

Reframing Low-Income & Minority Homeownership

Researchers have begun to question the benefits of conventional market homeownership for lower income and minority households in light of emerging research on the foreclosure crisis (e.g. Thaden, 2010b). As previously reviewed, recently these households has been more likely to hold high-risk loans and experience un(der)employment. However, lower income and minority households are also more likely to be cost-burdened by homeownership and experience "trigger events," which increase their risk for becoming delinquent or foreclosing. These "trigger events" include divorce, medical illness, car problems, and unstable child care (Herbert & Belsky, 2008; Robertson, Egelhof, & Hoke, 2008).

In particular, housing affordability has been a growing problem during the past decade, a period when the incomes of two-thirds of the nation's households have not been growing. In 2009, 19.4 million households paid more than half of their income on housing, including 9.3 million owners. While the lowest income households are most likely to be cost-burdened, *The 2011 State of the Nation's Housing* report stated that, "Households earning between $45,000 and $60,000 saw the biggest increase in the share paying more than 30 percent of their incomes for housing, up 7.9 percentage points since 2001" (Joint Center for Housing Studies (JCHS), 2011, p. 4). Steady, reliable, or growing incomes could reduce the exposure of these cost-burdened homeowners to delinquency and foreclosure, but real incomes have actually fallen for the bottom 70 percent of households, when measured from peak to peak during the last economic cycle (JCHS, 2011).

Nevertheless, cross-sectional studies show that homeownership accounts for the majority of wealth amongst low-income and minority households. Home equity made up 56% of the wealth in households within the bottom quintile on income in 2000 relative to 32% for all households (Hebert & Belsky, 2008). Further, home equity accounts for approximately 61.8% of wealth in African Americans, 50.8% in Hispanics, but only 44% for white households (McCarthy, Van Zandt, & Rohe, 2001). However, homeownership rates among lower income and minority households have dropped significantly in recent years (Economic Policy Institute, 2011; www. infoplease.com).

Long before the boom in subprime lending, the bust in the housing market, and an increase in unemployment during the recent recession, research supported that homeownership was tenuous and risky for many low-income and minority households.

Studies examining homeownership over time find that low-income homeowners, especially minority owners, take longer to enter homeownership and are more likely to revert to renting (Boehm & Schlottmann, 2004; Haurin & Rosenthal, 2004; Reid, 2005). For instance, Reid (2005) conducted longitudinal analyses from 1976 to 1993 using data from a nationally representative sample (Panel Study of Income Dynamics) and found that less than 50% of first-time, low-income and minority homebuyers were no longer homeowners five years after purchase. This study highlights how prevalent early exit from homeownership has been for these households, and additional research shows that homeowners of low-cost homes must maintain ownership for 5-10 years in order to realize financial gains from their investment (Belsky & Duda, 2002; Belsky, Retsinas, & Duda, 2005; Goodman, 1998). Furthermore, lower income and minority homeowners are more likely to borrow against their equity (U.S. Census Bureau, 1995) and are less likely to advantageously refinance (Van Order & Zorn, 2002). Short durations of tenure, high-cost home purchase and refinance loans, housing cost burden, and trigger events all decrease the likelihood that lower income and minority homeowners will accumulate wealth and increase the likelihood that they will accumulate debt.

Recent research has reported longer durations of tenure and wealth-building in CLT homeowners than findings on their counterparts in the conventional market. Results from one study of seven shared equity homeownership programs (including three CLTs), found that over 90% of lower income households remained owners five years after home purchase. Furthermore, the median rate of return for owners' investments in their homes ranged from 6.5% to 59.6% (Temkin, Theodos, & Price, 2010). Another study of the largest U.S. CLT found that 96% of CLT homeowners gained equity from principal reduction, and 82% realized financial gains from their share of appreciation (Davis & Stokes, 2008). An earlier study conducted by the author in partnership with the Network documented lower rates of delinquency and foreclosure among CLT homeowners than among homeowners in the conventional market (findings presented below; Thaden, 2010a).

Some critics of the CLT model have argued that limiting the amount of financial returns at resale may hurt wealth accumulation for lower income owners of CLT homes. However, proponents have expressed that these homeowners may be more likely to build wealth as the CLT model lessens the risks associated with home owning and increases the likelihood that homeownership will be maintained, a prerequisite for equity accumulation. This study will contribute to the literature by exploring whether recent rates of delinquencies and foreclosures in CLT homeowners are less than those reported in the market, increasing lower income households' chances for wealth-building and stable tenure.

Costs of Foreclosure

If CLTs prevent lower income households from being foreclosed upon, they are also preventing a costly chain of outcomes for households, lenders, neighborhoods and municipalities. Very little research has calculated the financial cost of foreclosure for households. However, it is well supported that households' credit is significantly impaired after experiencing foreclosure, which limits their ability to qualify for car or education loans and hinders their ability to access alternative housing options (since credit checks are often a part of rental applications). Furthermore, completed foreclosures cost lenders. One study examined the cost of foreclosures in Massachusetts and found that foreclosures cost the loan holder an average of $58,792 and took approximately eighteen months to resolve (Cutts & Green, 2004).

The impact of a foreclosure extends beyond the property line into the neighborhood. Studies in Columbus OH, Chicago, and New York City have shown that foreclosed properties significantly diminished nearby housing values (Been, 2008; Immergluck & Smith, 2006a; Lin, Rosenblatt, Yao 2009; Mikelbank, 2008). For instance, Immergluck and Smith (2006a) examined the impact of foreclosure in single-family loans on nearby property values in Chicago from 1997-1998. After controlling for a variety of other neighborhood and property characteristics, they found that each additional foreclosure within an eighth of a mile reduced nearby property values by 1-1.5%, cumulatively, representing an average loss in nearby property values of $159,000 for each foreclosure. Furthermore, the percentage impact was significantly higher in low-income neighborhoods (1.4-1.8%).

Just as foreclosures tend to cluster in low-income and minority neighborhoods, the consequential rises in vacant properties and crime do as well (Immergluck & Smith, 2006b). Shlay and Whitman (2004) found that having an abandoned house within 150 feet decreased property values by approximately $7,000 in Philadelphia. Another study measured the relative impact of an abandoned unit versus a foreclosed unit on nearby housing values in Columbus, OH (Mikelbank, 2008), where a foreclosure within 250 feet decreased the housing price by 2% and an abandoned house within 250 feet decreased it by 3.5%. However, the effect of the foreclosed home spanned a larger distance, where housing values were still down 1% at 1000 feet while abandoned homes no longer had an effect at 750 feet.

Immergluck and Smith (2006b) found that as foreclosure rates increase so do the rates of violent crime, where an increase in one standard deviation of the foreclosure rate (2.8/100 owner-occupied properties in a year) accounted for a 6.7% increase in violent crimes within neighborhoods. Since foreclosed properties in low-income and minority communities are more likely to end up as abandoned housing, it is relevant that one study showed that block-level crime rates were doubled with the presence of one or more abandoned buildings within a low-income neighborhood in Austin, TX (Spelman, 1993).

Foreclosures not only lead to financial losses for households and their neighbors, but they also cost municipalities. The importance of stable homeownership to municipal health is great as most municipalities rely on property taxes (and steady appreciation) to fund their annual budgets. The costs of unsustainable homeownership, which tend to cluster in low-income and minority neighborhoods, leads to additional municipal expenditures on increased police presence, fire service needs, demolition of vacant properties, legal fees and inspections, and administrative fees to complete the foreclosure process. Municipalities also accumulate losses related to outstanding property taxes, unpaid utility fees, and a declining property tax revenue stream if nearby property values decline (Apgar & Duda, 2005).

Apgar and Duda (2005) modeled the costs of a foreclosure to the City of Chicago under different scenarios and found that more than a dozen agencies could be involved in over two dozen activities, which were estimated to cost the government up to $34,199 per foreclosure. Moreno (1995) estimated the cost to the cities of Minneapolis and Saint Paul for the foreclosure of houses financed with FHA mortgages and found that municipal losses were approximately $27,000. If foreclosure rates are lower for owners of CLT homes than owners of conventional market-rate homes, then CLTs may either directly or indirectly prevent financial losses for households, lenders, neighborhoods, and municipalities.

Methods

Discussed in this section are the methods used to examine delinquencies and foreclosures among CLT homeowners, drawing on a subsample of CLTs that completed *The 2011 Comprehensive CLT Survey* (hereinafter "CLT Survey"). The CLT Survey collected a broad spectrum of data to explore the topics covered in the present report as well as various research questions pertaining to the structural and operational dimensions of CLTs (see Thaden, 2011). Basic characteristics of the total sample for the CLT Survey are presented below. Appendix A presents detailed information on the total sample and administration and design of the survey.

Participation and Administration

The CLT Survey was designed to yield a holistic picture of the current landscape of CLTs in the United States. The CLT Survey was distributed to 216 organizations with working email addresses that were listed in the directory of the Network as of March 1, 2011. These organizations share a common purpose of creating and managing an expanding portfolio of permanently affordable, resale-restricted, owner-occupied housing. Much of this housing is located on land that is leased from a CLT, although many of the organizations included in the Network's directory also make use of deed-restricted covenants or other durable contracts to preserve the affordability of their homes. The CLT Survey was administered as an electronic link to a Portable Document

Format (pdf) fillable form from March 28th-April 22nd, 2010. The survey took approximately an hour and a half to complete. Respondents were able click a “submit” button once they finished the survey, which directly downloaded to a database.

To promote participation, each CLT received up to three e-mails from the researcher or a Network staff member. The remaining non-responders received a phone call requesting survey participation by the researcher or a Network staff member. Participation was also promoted by raffling five $300 registrations to the Network’s annual conference and five copies of *The CLT Reader* edited by John E. Davis. Out of the 216 organizations recruited for participation, 96 organizations completed the survey, a response rate of 44% (96/216). These 96 organizations had a combined total of 3,669 resale-restricted homeownership units in their portfolios.

For the 120 organizations that did not respond to the survey, information on their location and number of resale-restricted homes was compiled. For non-responders, the number of resale-restricted homes includes those that would feasibly be eligible for single-family mortgage loans (the primary unit of analysis), but excludes manufactured housing, cooperative, or rental units (hereinafter “resale-restricted homes” abides by this definition). Due to a paucity of information provided by Network’s 2010 database, the author compiled information on non-responders’ resale-restricted unit counts from the Network’s databases in 2010 (n = 27) and 2012 (n = 14), the author’s personal notes and those on file at the Network (n = 19), and websites or organizations’ annual reports (n = 60). These 120 organizations were estimated to have 1,118 resale-restricted homeownership units. The unit counts for non-responders are estimations, as data from the Network’s 2012 database likely overestimate the units that existed at the time of data collection, and –depending upon when organizations have updated their websites or completed annual reports—other unit counts may be over estimates or under estimates (See Appendix A).

A subsample of organizations that completed the survey was created in order to examine delinquency and foreclosure rates among those organizations that had resale-restricted homeownership units with outstanding residential mortgages as of December 31st, 2010. From the initial group of 96 organizations, one organization was excluded because its portfolio was comprised solely of cooperatively-owned units without individual mortgages. Another 30 start-up organizations were excluded because they had not yet sold a resale-restricted home unit by the end of 2010, representing 89 vacant resale-restricted units. Lastly, three other organizations from the original group of 96 were excluded because they failed to complete the delinquency and foreclosure section of the survey, representing 159 resale-restricted units. The final composition of the subsample included 62 organizations with a combined portfolio of 3,421 resale-restricted homeownership units. The characteristics of this subsample are described in greater detail below.

Design and Analyses

To examine delinquencies and foreclosures in the subsample, data from one section of the CLT Survey was analyzed. This section included approximately 20 questions that collected information about outstanding residential mortgage loans held by homeowners of resale-restricted homeownership units during 2010. Most of these questions were identical to those within the surveys commissioned by the Network over the past two years, allowing a multi-year comparison of delinquency and foreclosure rates among CLT homeowners during 2008, 2009, and 2010. In addition to numerical responses, several questions in this section were framed as checklists or open-ended queries, seeking clarifications or explanations of responses. Other sections of the survey collected information about practices and policies that might help to explain why many CLTs report low rates of delinquency and foreclosure.

Many of the questions and measures used in designing and analyzing the present survey were crafted for consistency with definitions of "outstanding mortgages," "foreclosure proceedings," and "serious delinquencies," used in the Mortgage Bankers Association's National Delinquency Survey (hereinafter "MBA Survey"). This provided the basis for comparisons between delinquency and foreclosure rates among CLT homeowners and similar rates among the owners of conventional, market-rate homes.

The MBA Survey is among the most widely recognized sources of information on residential mortgage delinquency and foreclosure rates. It is based on a sample of more than 44 million mortgage loans serviced by mortgage companies, commercial banks, thrifts, credit unions and others. This survey is estimated to account for approximately 80-85 percent of the 50 million loans outstanding in the market (MBA, 2008). Table 1 presents definitions used by the MBA and replicated in the CLT Survey. The CLT Survey collected data on an additional measure of "completed foreclosures" and over additional timeframes, which are also presented in Table 1.

Table 1. Terms, definitions, and sources of data by timeframes for 2010.

Term	Definition	CLT Establish-ment thru 2010	2010 Year[1]	2010 4th Quarter[2]
Outstanding Mortgages	All first mortgage loans secured by 1–4 unit residences that are serviced by participating companies (for MBA Survey) or held by CLT homeowners (for CLT Survey).			CLT MBA
Foreclosure Proceedings	The number of loans in the process of foreclosure regardless of the date the foreclosure proceedings was initiated. This excludes loans where foreclosures have been completed. The MBA terms this measure the "Foreclosure Inventory."		CLT	CLT MBA
Serious Delinquencies	The number of loans that were at least 90 days delinquent or loans that were in foreclosure proceedings		CLT	CLT MBA
Completed Foreclosures	The number of loans that resulted in completed foreclosures.	CLT	CLT	

[1] Measured as the number of loans that ever fit this description between January 1, 2010 and December 31st, 2010.
[2] Measured as the number of loans that fit this description on the last day of 4th Quarter (December 31st, 2010).

The Subsample from *The 2011 Comprehensive CLT Survey*

As shown in Figure 1, the 62 organizations that comprise the subsample had 3,421 units of resale-restricted, owner-occupied housing with outstanding mortgages in their portfolios. (Another 3,552 units of rental housing, cooperative housing, or lease-to-purchase housing were also held by these organizations, but these units were excluded from the analysis of delinquencies and foreclosures.) The earliest year an organization reported selling a resale-restricted home was 1979 and the latest was 2010 (*Mdn* = 2003, *M* = 2002).

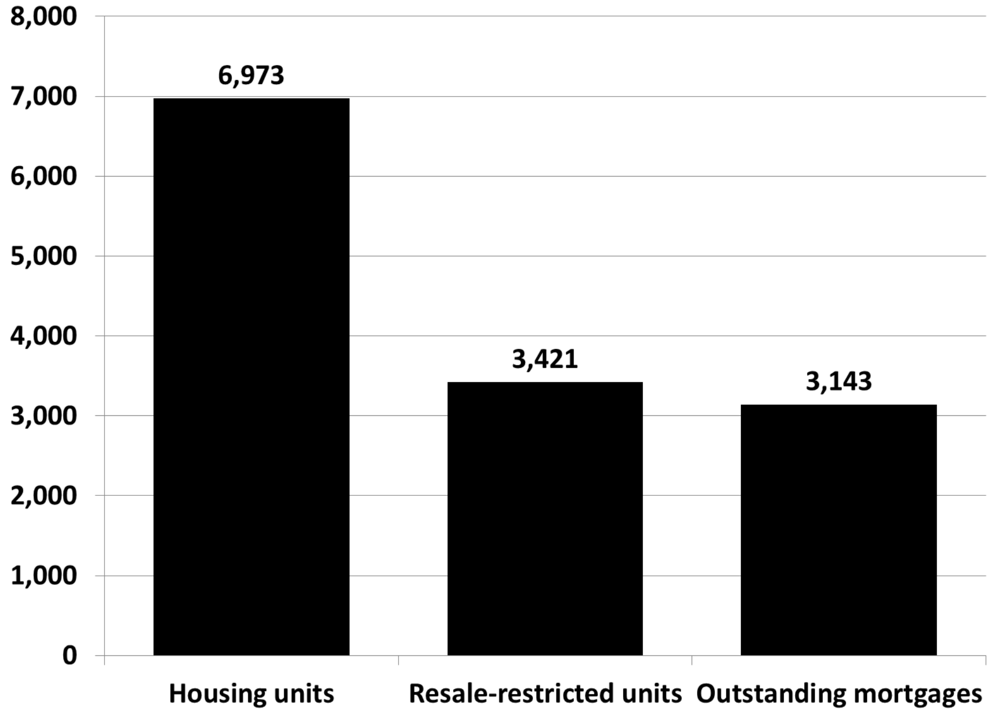

Figure 1. Total number of housing units, resale-restricted homeownership units, and outstanding mortgages on resale-restricted homes in the subsample at the end of 2010 (*n* = 62).

Differences between the subsample and non-responders. Organizations with resale-restricted homes that either did not respond to the survey (*n* = 42) or did not complete the relevant section of the survey (*n* = 3) were combined into a "non-responder" group, as this is the best estimate of the number of resale-restricted homes that were likely to have outstanding residential mortgages (the primary unit of analysis). The non-responder group includes 45 organizations with 1,277 resale-restricted homeownership units, and the subsample includes 62 organizations with 3,421 resale-restricted units. Considering only organizations that were likely to be eligible for the analysis yields a refined response rate of 58% (62/107).

Based upon the estimated count of resale-restricted homes among non-responders, the subsample represented 69.87% of all resale-restricted homes (3,421/4,698). The median number of resale-restricted homes in the subsample of organizations was 30 (*M* = 55.18, *range* = 1 to 488). For non-responders, the median number of resale-restricted units was 12 (*M* = 28.38; *range* = 1-174). Table 2 presents the number of organizations by unit counts within the subsample and non-responder group. Ultimately, the subsample over-represents CLTs with larger portfolios of resale-restricted homes.

Table 2. Size of resale-restricted home portfolios for organizations included in and excluded from the subsample.

Number of Resale-restricted Homes	Subsample		Not In Subsample	
	#	**%**	**#**	**%**
0-24	29	47%	31	69%
25-49	13	21%	6	13%
50-74	6	10%	3	7%
75-99	5	8%	2	4%
100-124	3	5%	0	0%
125-149	0	0%	1	2%
>150	6	10%	2	4%
Total	**62**	**100%**	**45**	**100%**

Table 3 and Figure 2 present where organizations included in and excluded from the subsample are located as well as the size of their resale-restricted portfolios relative to the state delinquency rates (MBA, 2011). Organizations in the subsample were located in 29 states (see Table 3). The range in the number of organizations per state was 1 to 10 (*Mdn* = 1, *M* = 2.14). The five most frequently represented states were WA (*n* = 10), MA (*n* = 5), FL (*n* = 4), CA (*n* = 4), and MN (*n* = 4), together accounting for 44% of the subsample. All other states represented in the subsample had less than 4 organizations within their bounds, and 15 states had only one organization represented in the sample. Non-responders were located in 27 states. The range in the number of non-responding organizations per state was 1 to 6 (*Mdn* = 1, *M* = .86). The most frequently represented states were VT (*n* = 6), MN (*n* = 4), and MA (*n* = 3), together accounting for 39% of organizations not in the subsample. Non-responders were located in ten states that had no representation by organizations within the subsample (AZ, CT, ID, LA, MO, MS, NH, SD, VA, and WY). The three largest CLTs missing from the subsample were located in MA, CO, and VT with a total of 450 resale-restricted homes.

Ultimately, responders and non-responders vary by their state locations, but more responders are located in states with high delinquency rates. Table 2 presents the state rankings for serious delinquency rates at the end of 2010 (MBA, 2011), and the corresponding cumulative percentage of resale-restricted homes in the subsample and non-responder group. A larger proportion of resale-restricted homes within the subsample are located in states with higher delinquency rates than the non-responder group. Hence, the subsample over-represents CLTs in states with higher seriously delinquency rates as of the end of 2010.

Table 3. Organizations and resale-restricted homes included in and excluded from the subsample by highest to lowest state delinquency rate ranking at the end of 2010.

MBA Information*			# of Organizations			# of Resale-restricted Homes			Cumulative % of Resale-restricted Homes		
State	**State Ranking of Highest Serious Delinquency Rates**	**Serious Delinquency Rate**	Not In Subsample (n = 45)	In Subsample (n = 62)	*Total (n =107)*	Not in Subsample (n = 1277)	In Subsample (n = 3421)	*Total (n = 4698)*	Not in Subsample (n = 1277)	In Subsample (n = 3421)	*Total (n = 4698)*
FL	**1**	**19.37%**	2	4	*6*	10	107	*117*	0.78%	3.13%	*2.49%*
NV	**2**	**17.44%**	0	0	*0*	0	0	*0*	0.78%	3.13%	*2.49%*
NJ	**3**	**10.94%**	0	0	*0*	0	0	*0*	0.78%	3.13%	*2.49%*
IL	**4**	**10.70%**	0	3	*3*	0	87	*87*	0.78%	5.67%	*4.34%*
AZ	**5**	**10.55%**	2	0	*2*	82	0	*82*	7.20%	5.67%	*6.09%*
CA	**6**	**9.79%**	1	4	*5*	22	77	*99*	8.93%	7.92%	*8.19%*
NY	**7**	**9.10%**	2	2	*4*	42	41	*83*	12.22%	9.12%	*9.96%*
OH	**8**	**8.95%**	0	2	*2*	0	20	*20*	12.22%	9.70%	*10.39%*
MI	**9**	**8.90%**	1	1	*2*	12	16	*28*	13.16%	10.17%	*10.98%*
IN	**10**	**8.59%**	0	0	*0*	0	0	*0*	13.16%	10.17%	*10.98%*
GA	**11**	**8.54%**	1	1	*2*	5	22	*27*	13.55%	10.82%	*11.56%*
RI	**12**	**8.52%**	2	1	*3*	65	90	*155*	18.64%	13.45%	*14.86%*
MD	**13**	**8.35%**	0	0	*0*	0	0	*0*	18.64%	13.45%	*14.86%*
MS	**14**	**8.35%**	1	0	*1*	1	0	*1*	18.72%	13.45%	*14.88%*
ME	**15**	**8.26%**	1	1	*2*	6	2	*8*	19.19%	13.50%	*15.05%*
HI	**16**	**7.70%**	0	1	*1*	0	9	*9*	19.19%	13.77%	*15.24%*
CT	**17**	**7.53%**	2	0	*2*	32	0	*32*	21.69%	13.77%	*15.92%*
LA	**18**	**7.41%**	1	0	*1*	2	0	*2*	21.85%	13.77%	*15.96%*
SC	**19**	**7.24%**	0	0	*0*	0	0	*0*	21.85%	13.77%	*15.96%*
DE	**20**	**7.21%**	0	1	*1*	0	23	*23*	21.85%	14.44%	*16.45%*
MA	**21**	**7.14%**	3	5	*8*	138	159	*297*	32.65%	19.09%	*22.78%*
KY	**22**	**6.81%**	0	0	*0*	0	0	*0*	32.65%	19.09%	*22.78%*

TN	**23**	**6.80%**	0	1	*1*	0	6	*6*	32.65%	19.26%	*22.90%*
UT	**24**	**6.66%**	0	1	*1*	0	38	*38*	32.65%	20.37%	*23.71%*
WA	**25**	**6.55%**	1	10	*11*	12	441	*453*	33.59%	33.27%	*33.35%*
PA	**26**	**6.43%**	2	1	*3*	16	35	*51*	34.85%	34.29%	*34.44%*
ID	**27**	**6.21%**	1	0	*1*	3	0	*3*	35.08%	34.29%	*34.50%*
OR	**28**	**6.17%**	2	2	*4*	29	159	*188*	37.35%	38.94%	*38.51%*
WI	**29**	**6.15%**	0	2	*2*	0	60	*60*	37.35%	40.69%	*39.78%*
DC	**30**	**6.13%**	0	1	*1*	0	42	*42*	37.35%	41.92%	*40.68%*
AL	**31**	**6.01%**	0	0	*0*	0	0	*0*	37.35%	41.92%	*40.68%*
NM	**32**	**5.96%**	1	1	*2*	5	85	*90*	37.74%	44.40%	*42.59%*
NC	**33**	**5.91%**	0	3	*3*	0	249	*249*	37.74%	51.68%	*47.89%*
OK	**34**	**5.81%**	0	0	*0*	0	0	*0*	37.74%	51.68%	*47.89%*
NH	**35**	**5.48%**	2	0	*2*	14	0	*14*	38.84%	51.68%	*48.19%*
MN	**36**	**5.44%**	4	4	*8*	115	550	*665*	47.85%	67.76%	*62.35%*
AR	**37**	**5.34%**	0	0	*0*	0	0	*0*	47.85%	67.76%	*62.35%*
MO	**38**	**5.28%**	1	0	*1*	8	0	*8*	48.47%	67.76%	*62.52%*
TX	**39**	**5.08%**	1	1	*2*	5	2	*7*	48.86%	67.82%	*62.66%*
KS	**40**	**5.03%**	0	1	*1*	0	44	*44*	48.86%	69.10%	*63.60%*
WV	**41**	**4.97%**	0	0	*0*	0	0	*0*	48.86%	69.10%	*63.60%*
CO	**42**	**4.95%**	1	2	*3*	174	435	*609*	62.49%	81.82%	*76.56%*
IA	**43**	**4.89%**	1	1	*2*	7	1	*8*	63.04%	81.85%	*76.73%*
VT	**44**	**4.81%**	6	1	*7*	336	488	*824*	89.35%	96.11%	*94.27%*
VA	**45**	**4.69%**	1	0	*1*	19	0	*19*	90.84%	96.11%	*94.68%*
MT	**46**	**3.64%**	0	2	*2*	0	47	*47*	90.84%	97.49%	*95.68%*
NE	**47**	**3.49%**	0	0	*0*	0	0	*0*	90.84%	97.49%	*95.68%*
WY	**48**	**3.12%**	1	0	*1*	99	0	*99*	98.59%	97.49%	*97.79%*
SD	**49**	**2.86%**	1	0	*1*	18	0	*18*	100.00%	97.49%	*98.17%*
AK	**50**	**2.32%**	0	2	*2*	0	86	*86*	100.00%	100.00%	*100.00%*
ND	**51**	**2.12%**	0	0	*0*	0	0	*0*	100.00%	100.00%	*100.00%*

*from the Mortgage Bankers Association's National Delinquency Survey (MBA, 2011).

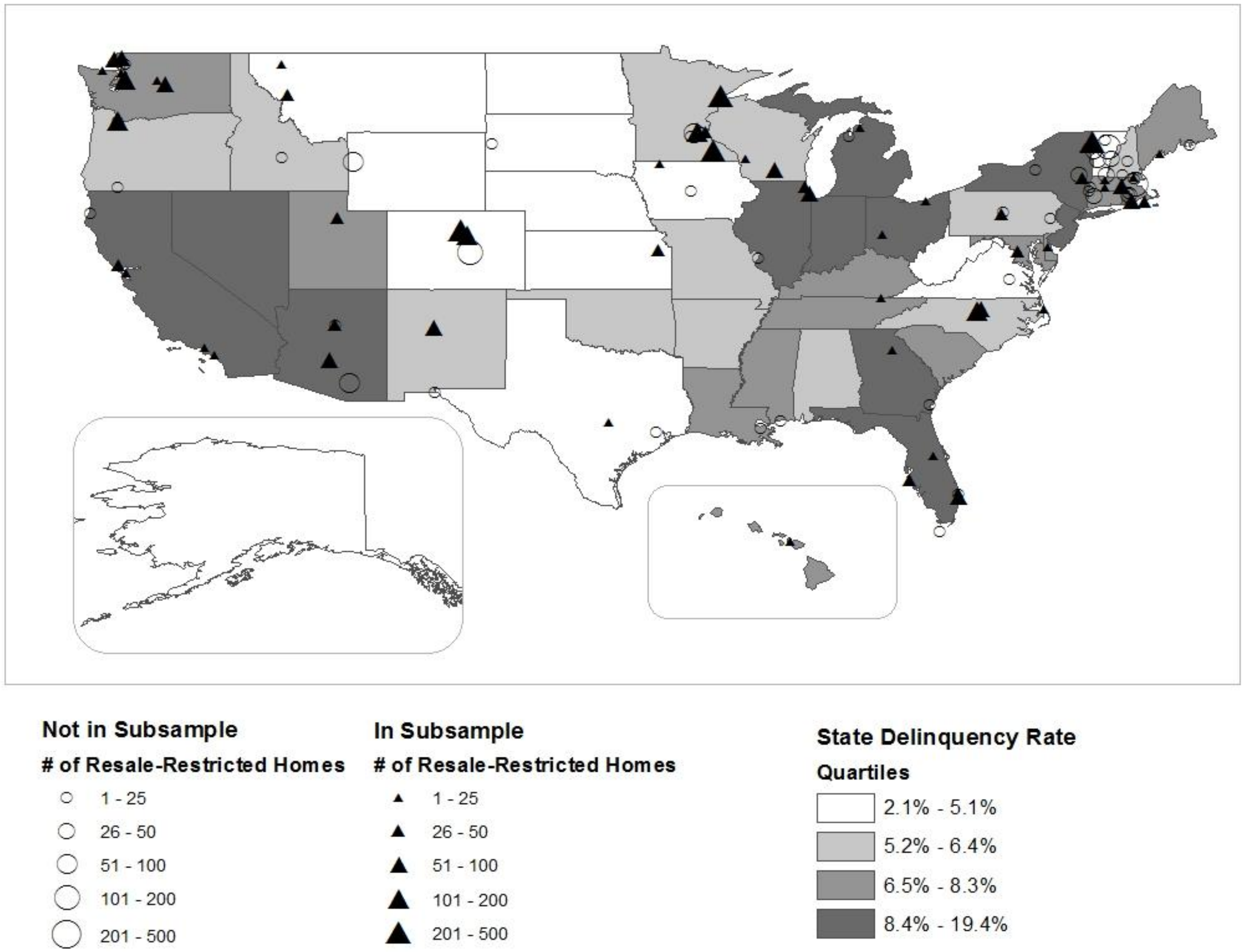

Figure 2. Location and number of resale-restricted homes by organizations included in (*n* = 62) and excluded from the subsample (*n* = 45).

Outstanding mortgages on resale-restricted homes. When the subsample of organizations was asked how many of their resale-restricted homeownership units were occupied by homeowners with outstanding residential mortgage loans as of December 31^{st}, 2010, they reported a total of 3,143 (see Figure 1). The disparity between the number of outstanding residential mortgages and the number of resale-restricted homeownership units—a surplus of 278 units— is explained as follows: 129 units were vacant as of December 31^{st}, 2010; 128 units did not have outstanding residential mortgages, and 21 units were older units where the organizations could not provide accurate information on the mortgage loans (i.e. missing data). Therefore, the final subsample used for analyses was 62 organizations and 3,143 outstanding residential mortgages on resale-restricted homes as of December 31^{st}, 2010.

The range for the number of outstanding residential mortgages on resale-restricted units in the subsample of organizations was 1 to 488 (Mdn = 24.50, M = 50.69). Only two organizations reported 200 or more homeowners with outstanding residential mortgages at the end of 2010, accounting for 22% of the total mortgages in the subsample (n = 693). Four organizations reported between 100 and 200 homeowners with outstanding mortgages, equal to 28% of the total mortgages (n = 895). Eleven organizations reported 50 to 100 homeowners with outstanding mortgages, accounting for 26% of mortgages in the subsample (n = 817). Lastly, 43 organizations reported having between 1 to 50 homeowners with outstanding mortgages, equal to 24% of mortgages in the subsample (n = 738).

CLT survey samples by year. In order to present multi-year longitudinal comparisons of delinquency and foreclosure rates among the mortgages held by CLT homeowners, results from previous surveys are incorporated into the Results section (Misak, 2009; Thaden, 2010a). Depending upon which organizations participated in each survey, the samples of organizations and their outstanding mortgages on resale-restricted homeownership units varied each year. Table 4 provides information on these samples by year and each measure.

Table 4. Samples of organizations and outstanding mortgages on resale-restricted homes and the percentages of missing mortgage data by year and measure.

Year	Sample	Total	Completed Foreclosures		Foreclosure proceedings		Serious Delinquencies	
			Since Establish-ment	Annual	Annual	4th Quarter	Annual	4th Quarter
2010	**Organizations**	**62**	60	60	54	57	61	62
	Outstanding Mortgages	**3143**	3110	3106	2790	2816	3137	3143
	Percent Missing		*1.05%*	*1.18%*	*11.23%*	*10.40%*	*0.19%*	*0.00%*
2009	**Organizations**	**42**	41	40	40	39	40	37
	Outstanding Mortgages	**2173**	2167	2160	2075	2151	2099	2099
	Percent Missing		*0.28%*	*0.60%*	*4.51%*	*1.01%*	*3.41%*	*3.41%*
2008	**Organizations**	**50**	unknown	unknown	not measured	Unknown	not measured	unknown
	Outstanding Mortgages	**1936**	1928	1928	not measured	1930	not measured	1815
	Percent Missing		*0.41%*	*0.41%*	--	*0.31%*	--	*6.25%*

The survey conducted by the Network in 2008 was not designed and analyzed by the same author who designed and analyzed the surveys for 2009 and 2010. Consequently, some data was not able to be inferred from the 2008 database, including the number of organizations that provided information for each measure. In the 2009 and 2010 surveys, additional annual measures were included. The percentage of missing data over the years may be explained by survey design variations. The 2010 CLT Survey was substantially longer and covered a larger array of topics than the 2008 and 2009 surveys; therefore, more respondents may have experienced “burnout” when filling out the 2010 survey and did not provide information on all items relating to delinquencies and foreclosures.

Results

This section will first present findings on serious delinquencies and foreclosure proceedings in outstanding residential mortgages among resale-restricted homes (hereinafter “CLT loans”), as compared to delinquencies and foreclosure proceedings among the outstanding mortgages held by the owners of conventional market-rate housing according to the MBA Survey (hereinafter “MBA loans”) (MBA, 2009; 2010; 2011). “MBA loans” include FHA, VA, prime and subprime loans. While the CLT survey was designed to yield comparable metrics with the MBA Survey, the samples of these two surveys are not similar. The MBA sample includes loans held by homeowners across all income groups (measured at the time of purchase). By contrast, the CLT sample includes mortgage loans held only by low-to-moderate income households (measured at time of purchase).

The organizations included in the CLT subsample (*n* = 62) were asked to report the highest level of area median income (AMI) their CLT may serve, according to their homeownership program’s eligibility policy: five could serve households with incomes greater than 120% of AMI; fifteen could serve households up to 120% of AMI; seven could serve households up to 100% of AMI; thirty-three could serve households up to 80% of AMI. One organization reported having no policy establishing an upper AMI limit, and one did not respond to this question. In practice, most CLTs serve households whose incomes are well below the maximum limit established by their policies. One study found that the average AMI of households served by three CLTs in 2008 were 45%, 48%, and 52%, while the CLTs' policies on the maximum allowable household AMI were respectively 80%, no AMI limit, and 100% (Temkin, Theodos, & Price, 2010). Similarly, the mean percentage of AMI for those households who purchased homes in 2010 from CLTs in the subsample was 64% (*Mdn* = 65%; *range* = 22-100%).

CLT Loans & Conventional Market Loans

This section reviews the rates of delinquencies and foreclosures across owners of CLT homes and owners in the conventional market reported by the MBA. The most recent data from 2010 is first reviewed followed by a summary of findings across 2008, 2009, and 2010 (MBA, 2009; 2010; 2011; Misak, 2009; Thaden, 2010a).

During 2010. Figure 3 compares rates of foreclosure proceedings and serious delinquencies among CLT mortgage loans versus those found among MBA mortgage loans at the end of 2010. Out of 2,816 CLT mortgage loans reported by 57 organizations, only 13 were in foreclosure proceedings at the end of 2010. A mortgage loan in the MBA sample was 10.0 times more likely to be in foreclosure proceedings than a mortgage held by a CLT homeowner at the end of 2010. Out of 3,143 CLT mortgage loans from all 62 organizations in the subsample, 41 were seriously delinquent at the end of 2010. A mortgage loan in the MBA sample was 6.6 times more likely to be seriously delinquent than a mortgage held by a CLT homeowner at the end of 2010.

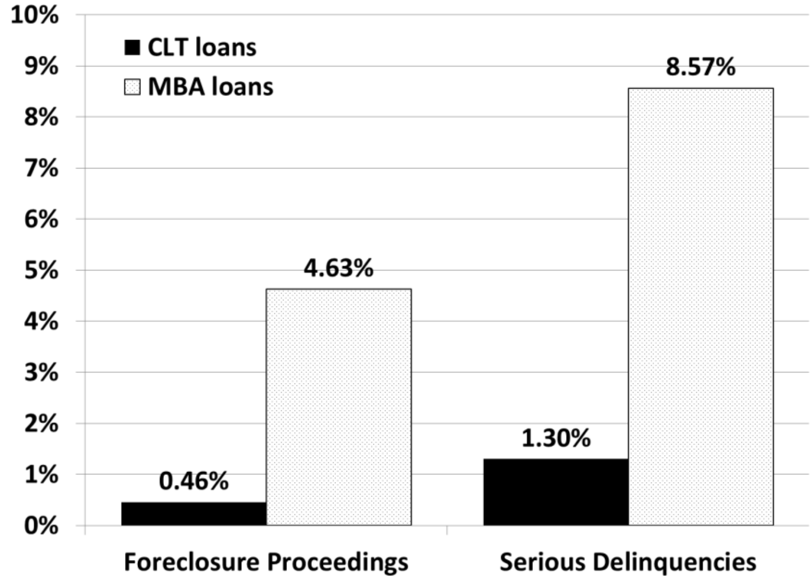

Figure 3. End of 2010 rates of foreclosure proceedings and serious delinquencies in CLT loans and MBA loans.

Figure 4 illustrates rates of foreclosure proceedings and serious delinquencies among CLT mortgage loans versus different mortgage loan types in the MBA sample at the end of 2010. CLT mortgage loans posted substantially lower rates on both measures than prime, subprime, VA, and FHA loans in the MBA sample.

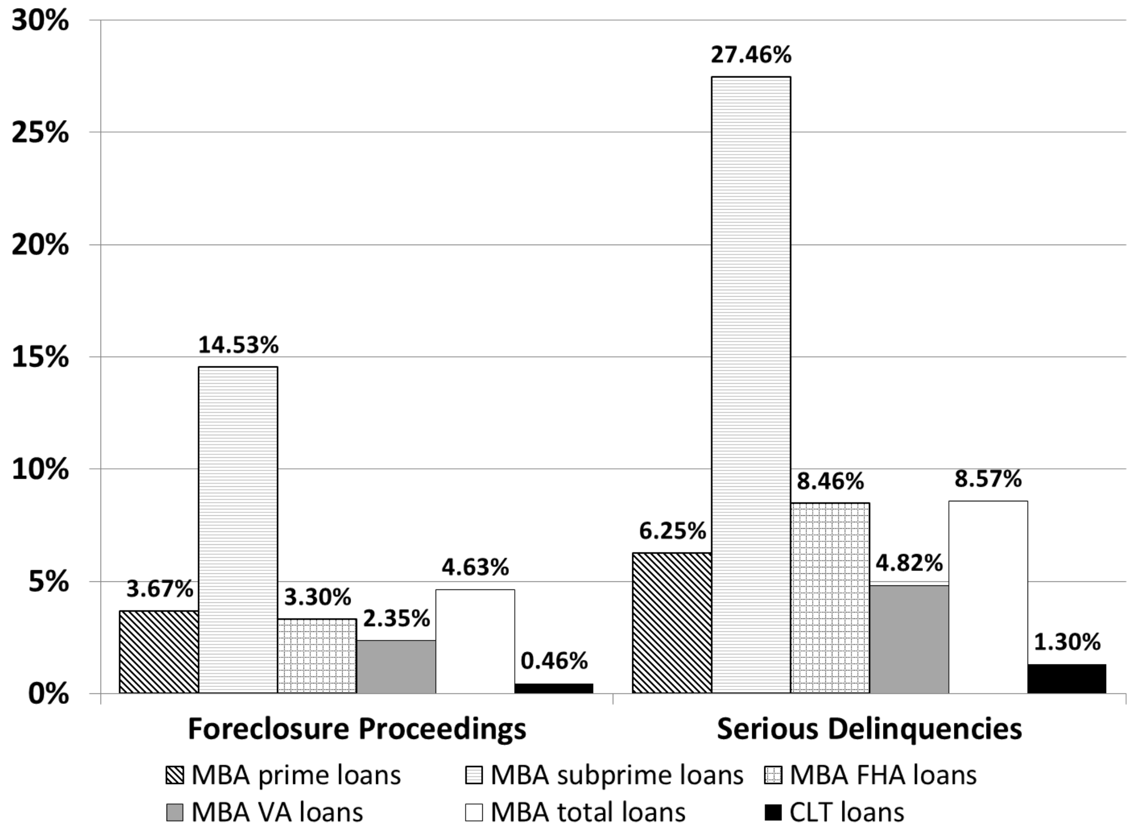

Figure 4. End of 2010 rates of foreclosure proceedings and serious delinquencies in CLT loans and MBA loans by type.

From 2008-2010. Figure 5 compares rates of foreclosure proceedings and serious delinquencies in CLT mortgage loans and MBA mortgage loans at the end of 2008, 2009, and 2010. Consistently over the span of three years, CLT loans have posted substantially lower rates of foreclosure proceedings and serious delinquencies than MBA loans. MBA loans in foreclosure proceedings at the end of 2010 increased five basis points from the end of 2009, while the rate in CLT loans decreased 10 basis points. The rate of serious delinquencies declined in the MBA sample 110 basis points by the end of 2010 from the end of 2009, while the rate in CLT loans decreased by 32 basis points.

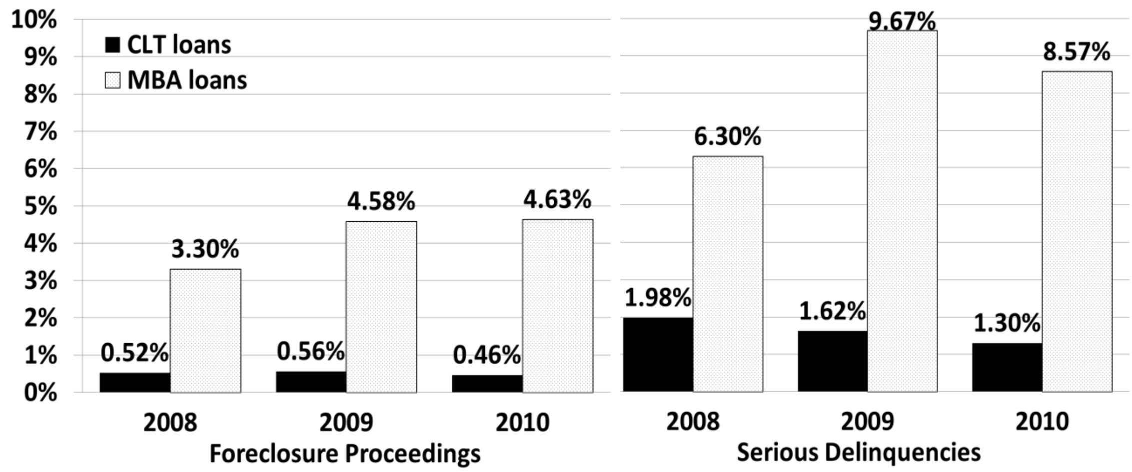

Figure 5. End of 2008, 2009, & 2010 rates of foreclosure proceedings and serious delinquencies in CLT loans and MBA loans.

In MBA loans, both serious delinquencies and foreclosures increased substantially from the end of 2008 to the end of 2010 (133 basis points in the rates of foreclosure proceedings and 227 basis points in the rates of serious delinquencies). Both rates decreased from the end of 2008 to the end of 2010 in CLT loans (6 basis points in the rates of foreclosure proceedings and 68 basis points in the rates of serious delinquencies).

Figure 6 illustrates the rates of foreclosure proceedings at the end of 2008, 2009, and 2010 by each type of loan in the MBA sample compared with the rate among CLT loans. Table 5 lists the percentages that correspond to Figure 6. Mortgages held by CLT homeowners were less likely to be in foreclosure proceedings than any type of mortgage in the MBA sample across all three years. Notably, foreclosure proceedings at the end of 2010 soared to the highest rate ever posted by the MBA. This record high was predominantly explained by the elevated rate of foreclosure proceedings among prime loans, as prime loans are most prevalent in the MBA samples (MBA, 2010).

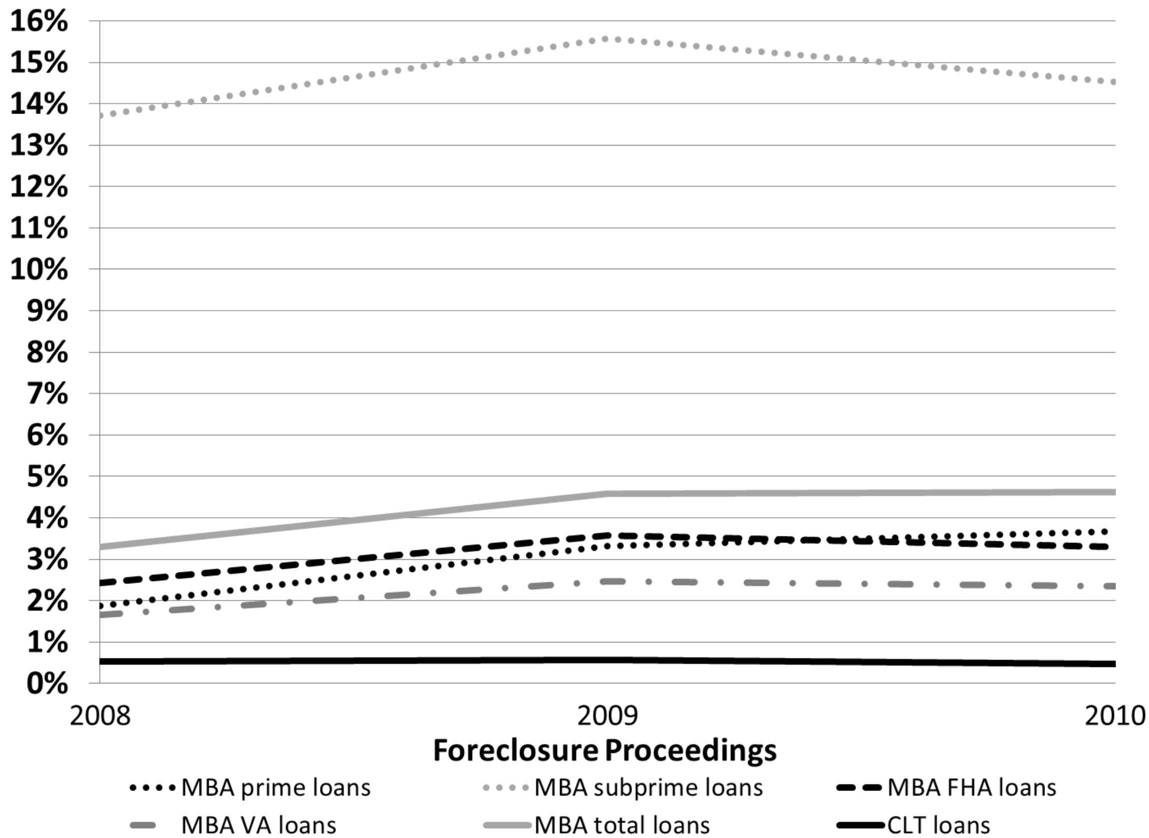

Figure 6. End of 2008-2010 rates of foreclosure proceedings in CLT loans and MBA loans by type.

Table 5. Rates of foreclosure proceedings by loan type across three years.

Loan Type	**Rates of Foreclosure Proceedings**				
	2008	2009	2010	*Basis Point Change 2008-2009*	*Basis Point Change 2009-2010*
MBA prime loans	1.88%	3.31%	3.67%	*143*	*36*
MBA subprime loans	13.71%	15.58%	14.53%	*187*	*-105*
MBA FHA loans	2.43%	3.57%	3.30%	*114*	*-27*
MBA VA loans	1.66%	2.46%	2.35%	*80*	*-11*
MBA total loans	**3.30%**	**4.58%**	**4.63%**	***128***	***5***
CLT loans	**0.52%**	**0.56%**	**0.46%**	***4***	***-10***

Figure 7 illustrates rates of serious delinquencies at the end of 2008, 2009, and 2010 by each type of mortgage loan in the MBA sample, compared with the rate among CLT mortgages. Table 6 provides the numbers that correspond to Figure 7. Mortgages held by CLT homeowners were less likely to be seriously delinquent than any type of mortgage in the MBA sample across all three years. The percentage of serious delinquencies among CLT mortgages declined each year by nearly one fifth. After a significant increase in the rates of serious delinquencies across all loan types in the MBA sample from 2008 to 2009, they turned the corner and slightly decreased from 2009 to 2010; the overall rate within the MBA sample went down by approximately a tenth from 2009 to 2010.

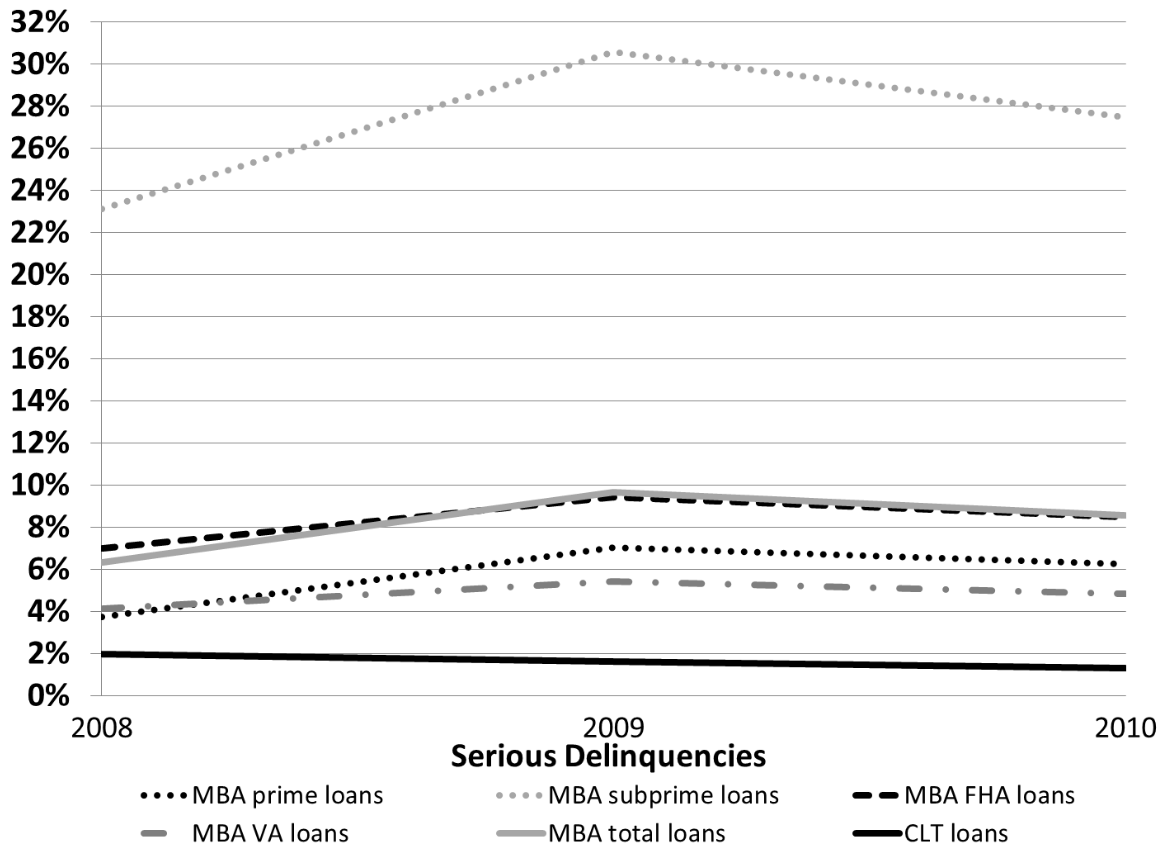

Figure 7. End of 2008- 2010 rates of serious delinquencies in CLT loans and MBA loans by type.

Table 6. Rates of serious delinquencies by loan type across years.

Loan Type	**Rates of Serious Delinquencies**				
	2008	2009	2010	*Basis Pont Change 2008-2009*	*Basis Point Change 2009-2010*
MBA prime loans	3.74%	7.01%	6.25%	*327*	*-76*
MBA subprime loans	23.11%	30.56%	27.46%	*745*	*-310*
MBA FHA loans	6.98%	9.42%	8.46%	*244*	*-96*
MBA VA loans	4.12%	5.42%	4.82%	*130*	*-60*
MBA total loans	**6.30%**	**9.67%**	**8.57%**	***337***	***-110***
CLT loans	**1.98%**	**1.62%**	**1.30%**	***-36***	***-32***

Additional Findings on the Performance of CLT Mortgages

This section will present additional information on the outcomes for owners of CLT homes. First, the rates of completed foreclosures will be reviewed across different periods of time. Next, interventions by CLTs and the outcomes of their seriously delinquent homeowners in 2010 are reviewed.

Completed foreclosures since a CLT's incorporation. The 2011 CLT Survey asked how many completed foreclosures occurred among resale-restricted homeownership units from the year of each organization's incorporation until the end of 2010. The year of incorporation within the subsample of CLTs with outstanding mortgages ranged from 1958 to 2008 (M = 1996; Mdn = 1999). Sixty organizations, collectively holding 3, 110 outstanding residential mortgages at the end of 2010, responded to this question; they reported a combined total of 45 homes that had ever completed the foreclosure process.

Property lost from a CLT's portfolio because of foreclosure. When a lender in the first mortgage position forecloses on a home owned by a resale-restricted homeowner, CLTs typically have the right of first offer or first refusal to reacquire the foreclosed home from the lender. Furthermore, CLTs do not allow their homeowners to mortgage the underlying land. A lender who takes possession of a CLT home through foreclosure, therefore, does not traditionally take possession of the land, giving the CLT considerable leverage in negotiating the future disposition of any foreclosed home. Despite 45 completed foreclosures over the entire history of the organizations included in the subsample, there were only five instances where a foreclosure resulted in a home being lost from a CLT's portfolio of permanently affordable, resale-restricted, owner-occupied housing.

Foreclosure and delinquency rates from 2008-2010. While the previous section reported delinquency and foreclosure metrics for the fourth quarter of each year in CLT and MBA loans, the CLT surveys also asked respondents about the number of completed foreclosures and the number of loans that were in foreclosure proceedings or seriously delinquent at *any time* during the calendar year. Table 7 presents these findings. Annual rates were calculated using the number of outstanding residential mortgages at the end of 2010 as the denominator (which does not exactly measure the total number of outstanding residential mortgages throughout the year). As illustrated in Table 7, annual rates of foreclosure proceedings and serious delinquencies declined from 2009 to 2010, while the annual rate of completed foreclosures rose from 2008 to 2009 and remained steady from 2009 to 2010.

Table 7. Three-year measures of delinquencies and foreclosures among CLT mortgages, 2008-2010.

Annual Measures	2008			2009			2010		
	#	Total	%	#	Total	%	#	Total	%
Serious Delinquencies	--	--	--	58	2099	2.80%	66	3137	2.10%
Foreclosure Proceedings	--	--	--	18	2075	0.87%	22	2790	0.79%
Completed Foreclosures	5	1928	0.26%	9	2160	0.42%	13	3106	0.42%

The 2010 annual rate of completed foreclosures among CLT mortgages was 0.42%. To provide a relevant comparison to the market, data from *The OCC and OTS Mortgage Metrics Report* were used (Office of the Comptroller of the Currency & Office of Thrift Supervision (OCC-OTS), 2011). This report captures information on first-lien residential mortgages serviced by selected national banks and federally regulated thrifts. The mortgages in this portfolio comprise 63% of all mortgages outstanding in the United States. It reports on the number of mortgage loans serviced and the number of completed foreclosures by quarter. In order to create a metric similar to the CLT Survey's annual foreclosure rate, the number of completed foreclosures across 2010 quarters were totaled and divided by the number of loans serviced in the fourth quarter of 2010 (replicating how the rate was calculated in the CLT data). Based on this analysis, the annual rate of completed foreclosure was 1.85% among mortgages for conventional market-rate homes according to the OCC-OTS data. By this metric, the rate of completed foreclosures among CLT mortgages was substantially lower.

Respondents to the CLT Survey were asked to "Check all that apply" from a list of factors that they believed contributed to the foreclosures their homeowners experienced during 2010. Six reported that homeowners were unwilling to work with their organization to prevent the foreclosure; three reported that the lender or servicer did not notify them of the delinquency or foreclosure proceeding in a timely fashion to enable intervention; three reported that the homeowner's financial situation had permanently changed, rendering homeownership impossible to sustain; and two reported that the homeowner's financial situation had temporarily changed, but the CLT did not have enough resources to help the homeowner pay the mortgage. Of the thirteen completed forecloses that occurred in 2010, only one resulted in the loss of a resale-restricted home from a CLT's portfolio.

Intervention and outcomes of 2010 seriously delinquent homeowners. At any point in time during 2010, 66 homeowners were seriously delinquent (31 organizations had anywhere from 1 to 7 serious delinquencies). Twenty-nine organizations provided additional information on the outcomes for 61 of these seriously delinquent homeowners: 40 homeowners (66%) remained in their homes at the end of 2010 despite being seriously delinquent, and 21 homeowners (34%) were no longer in their resale-restricted homes by the end of 2010 (see Table 8).

Table 8. Outcomes of homeowners who were seriously delinquent during 2010 (*n* = 61).

Outcomes	**#**	**%**
Foreclosed	10	16%
Completed short-sale	1	2%
Sold home to CLT/eligible buyer	10	16%
With financial assistance, remained in home	40	66%
Total	**61**	**100%**

For the 21 seriously delinquent homeowners who did *not* remain in their homes at the end of 2010, respondents were asked to categorize how each owner exited homeownership. Ten completed foreclosure; one completed a short sale; four sold their home to an income-eligible buyer; and six sold their home back to the organization. For the 40 seriously delinquent homeowners who managed to stay in their homes through the end of 2010, respondents reported providing direct or indirect assistance to promote better outcomes than foreclosure. This type of assistance is a part of the stewardship services that CLTs typically provide (see next section). Respondents were asked to report on the different types of assistance offered to seriously delinquent homeowners during 2010. Seven homeowners received funds from the organization or another source to bring the mortgage current; one homeowner had his/her lease fee payments suspended to lessen monthly bills; eight homeowners received help to complete permanent loan modifications; eight homeowners received help to complete temporary loan modifications; and fifteen homeowners received assistance to complete other financial workouts (e.g. federal programs that provide assistance to households threatened by foreclosure). Twenty-three of these seriously delinquent homeowners received foreclosure prevention counseling in addition to the aforementioned financial assistance. One homeowner refused any form of assistance.

To summarize, out of the 61 CLT homeowners who were seriously delinquent, ten foreclosures and one short sale occurred in 2010. The remaining 50 delinquent homeowners were able to avoid foreclosure by selling their homes with the support of their stewarding organization, or they maintained homeownership through the end of 2010 with the financial assistance and counseling of their stewarding organization.

Successful intervention with homeowners at-risk of foreclosure may be facilitated by the rapport that some CLTs appear to maintain with their homeowners. One third of the organizations with seriously delinquent homeowners in 2010 reported that 50-100% of these owners contacted the organization on their own volition to seek assistance. One third reported that 20-50% of these homeowners contacted them, while the remaining one third acknowledged that less than 5% of their seriously delinquent homeowners reached out to them for help. Regardless of whether the homeowner initiated contact with the CLT, the CLTs identified delinquent homeowners and initiated foreclosure prevention activities as part of their stewardship practices (see next section).

While it is not possible to make direct comparisons to measures in the market, some statistics may be derived from the OCC-OTS report (2011) that shed light on how the conventional market is performing on home retention when owners of market-rate homes become delinquent on monthly mortgage payments. This report provides information on “home retention actions,” defined as “loan modifications, in which servicers modify one or more mortgage contract terms; trial-period plans, in which the loans will be converted to modifications upon successful underwriting and completion of the trial periods; and payment plans, in which no terms are contractually modified, but borrowers are given time to catch up on missed payments. All of these actions assist the borrower to become current on the loan, attain payment sustainability, and retain the home” (p.19).

Using numbers from the OCC-OTS report, a measure of “serious delinquencies” (mortgages at least 90 days delinquent or in foreclosure proceedings) was calculated for the fourth quarter of 2010, totaling 2,333,720 seriously delinquent loans. Next, loan modifications were isolated from other home retention activities in the OCC-OTS report, yielding a total of 208,696 modifications for the fourth quarter of 2010. A *quarterly* rate for loan modifications was then calculated using the same metric for the denominator as was used to calculate serious delinquencies for the CLT mortgages. Because seriously delinquent loans undergoing loan modifications often span more than one quarter (and are, therefore, counted in more than one quarter), it is not possible to simply multiply the quarterly loan modification rate to calculate an annual loan modification rate for the OTS-OCC data, as this would result in an overestimate. Among the owners of market-rate homes, 9% of seriously delinquent mortgage loans were modified in the fourth quarter of 2010. Among owners of the resale-restricted homes included in the CLT

Survey, the *annual* rate of loan modifications for seriously delinquent homeowners was 26% (16/61).

Using the same denominator and the total number of home retention actions completed in the fourth quarter of 2010 as the numerator, the *quarterly* rate for home retention actions among market-rate homeowners was 20% (473,415/2,333,720) based on the OCC-OTS data. In CLTs, home retention actions included a broader array of activities; the *annual* rate of home retention actions for seriously delinquent homeowners in CLTs was 64% (39/61).

Important caveats must be made on this attempt to provide a relative comparison of home retention activities between the OCC-OTS sample and the CLT survey sample. First, the OCC-OTS sample does not allow for any estimate of the *annual* rates of loan modifications or home retention activities. Second, home retention actions may be occurring on loans that are less than 90 days delinquent in the OCC-OTS loan pool; therefore, the rates presented in the OCC-OTS data are likely to be overestimations for seriously delinquent loans. The CLT numbers for home retention actions and loan modifications were those occurring only with seriously delinquent homeowners. Lastly, it should be pointed out that home retention activities do not always result in a delinquency being *cured*, regardless of whether a homeowner is in market-rate housing or CLT housing.

Even though rigorous comparisons are not possible, these findings do suggest that CLTs may be more successful than lending institutions in the conventional market at curing or mitigating the impact of mortgage delinquency. These findings imply that stewardship services performed by CLTs are contributing to this success. Nevertheless, additional data are necessary to evaluate these differences and draw empirical conclusions about the relative cure rates of owners in CLT homes versus those in the conventional market.

CLT Stewardship Practices that Promote Positive Outcomes

While the previous section reviewed the interventions performed by CLTs during 2010 when confronted with seriously delinquent homeowners (albeit relatively few), this section will review information from the survey on the overall prevalence of various stewardship policies and practices that the CLTs had in place as of December 31st, 2010. What tends to set the CLT model apart from other shared equity homeownership models and affordable housing programs is their steadfast commitment to the stewardship of their homeowners. A recent study supports the claim that stewardship is a forte of CLTs and enables homeowners to succeed at maintaining homeownership (Thaden & Davis, 2010).

The policies and practices reviewed below do not provide an exhaustive list of stewardship activities (for additional information, see Thaden, 2011). It focuses only on those activities that may prevent homeowners from becoming delinquent and prevent delinquency from leading to foreclosure. This section is organized according to five types of stewardship conducted by CLTs: (1) approval of home financing; (2) pre-purchase and post-purchase education of prospective homebuyers; (3) interaction with mortgage lenders; (4) intervention in delinquencies; and (5) intervention in foreclosures The results shed light on how delinquencies and foreclosures are prevented for CLT homeowners. Table 9 summarizes the prevalence of various policies and practices in ascending order under each type of stewardship.

Table 9. Percentages of CLTs with various stewardship policies or practices (*n* = 62).

Type of Stewardship	Percentage of CLTs With Each Policy or Practice	
Approval of Home Financing	84%	Have right to review and approve first mortgages before purchase
	82%	Have right to approve or reject home equity lines of credit
	74%	Have right to approve or reject refinancing loans
Pre-purchase and Post-purchase Education	98%	Require CLT-specific education
	96%	Require general homebuyer education
	42%	Provide ongoing financial literacy
	42%	Communicate program policies over time
	42%	Staff position for outreach
	37%	Ongoing education or events
	26%	Have one-on-one interaction at least annually
	6%	Offer savings programs
Interaction with Mortgage Lenders	53%	Contact lender if homeowner defaults
	44%	Require lenders to contact them about 30 or 60 day delinquencies
	44%	Have legal right to communicate directly with lender
	31%	Require lenders to send all homeowner notifications to CLT
Intervention in Delinquencies	79%	Provide or refer delinquent homeowners to foreclosure prevention counseling
	73%	Able to make mortgage payment current on homeowners behalf
	66%	Provide or refer delinquent homeowners to financial counseling
	58%	Able to help the owner sell the home to an income-eligible buyer
	42%	Require a meeting with the homeowner if a mortgage default occurs
	39%	Able to re-purchase the home themselves in order to prevent foreclosure
	19%	Able to provide emergency or rescue funds to the homeowner to help them become current on their mortgage
Intervention in Foreclosures	89%	Have the right of first offer and first refusal when a foreclosure occurs
	58%	Have the right to increase monthly ground lease fee when a foreclosure occurs

Approval of home financing. A core protection of the CLT homeownership model is to ensure that homebuyers obtain sound, affordable mortgages when purchasing their homes and do not obtain unsound, unpayable loans or disadvantageously refinance during their tenure. A large majority of the CLTs surveyed have a contractual right to oversee the financing of their resale-restricted homes: 84% had the right to review and approve first mortgages before purchase; 74% had the right to approve or reject refinancing loans, and 82% had the right to approve or reject home equity lines of credit.

Pre-purchase and post-purchase education. Pre-purchase education of prospective homebuyers, along with detailed disclosure of the special conditions and restrictions that come with owning a CLT home, has long been required by most CLTs. General homebuyer education (e.g. a NeighborWorks or HUD homebuyer counseling course) was required by 96% of the CLTs surveyed, with 25% of the respondents providing this education themselves. Homebuyer education specific to owning a resale-restricted CLT home was required by 98% of CLTs, and almost all (90%) of the respondents provide this education themselves.

Ongoing support and education through post-purchase stewardship is conducted by CLTs to proactively promote the success of their homeowners. Some of the post-purchase practices reported by CLTs included ongoing financial literacy education (42%), formal communication with owners over time about the program's policies (42%), a staffed position to conduct homeowner outreach (42%), annual or more frequent one-on-one interactions with homeowners (26%), ongoing homeownership education classes or events (37%), and homeowner savings programs (6%).

Interaction with mortgage lenders. In order to identify homeowners at risk for serious delinquency, some CLTs have instituted the legal right to maintain direct correspondence with the lender. Some lenders are not willing to legally agree to this obligation as it places responsibility on them to communicate with an additional party, which deviates from standard practices in the conventional market. Nevertheless, 44% of CLTs reported that mortgage lenders are required to notify the CLT when a homeowner becomes 30 or 60 days delinquent. The same percentage reported they had the legal right to communicate directly with the mortgage lender, and 53% reported that they contact the lender if a homeowner defaults (regardless of whether this communication is built into the CLT's contractual rights). Additionally, 31% of CLTs reported that their first mortgage lenders are required to send the CLT any notifications that they send to the homeowner. Such notifications provide an early warning to the CLTs that intervention with a troubled homeowner may be needed, but some CLTs reported that lenders failed to communicate with them, even when lenders are contractually obligated to do so. Part of this failure may result from lenders not servicing the loans they originate to homebuyers.

Intervention in delinquencies. When owners of CLT homes become delinquent on their mortgages, many CLTs have policies and practices in place to intervene so foreclosures may be prevented: 79% reported that they provide or refer delinquent homeowners to foreclosure prevention counseling, 66% provide or refer delinquent homeowners to financial counseling (which may also happen before a homeowner ever becomes delinquent), and 42% reported that they require a meeting with the homeowner if a mortgage default occurs. Additionally, 19% of respondents reported that they are ready to provide emergency or rescue funds to the homeowner to help them become current on their mortgage.

If homeownership proves unsustainable for the delinquent owner, then 58% of the CLTs reported that they would help the homeowner sell the home directly to another income-eligible buyer and 39% reported they would re-purchase the home themselves in order to prevent foreclosure. Another intervention that multiple CLTs mentioned in open-ended comments was that they may suspend collection of their monthly ground lease fees to lessen the homeowner's expenses and to make it easier for the homeowner to cure the mortgage delinquency.

When CLTs evaluate that a delinquent homeowner may be able to maintain homeownership with some financial assistance, CLTs may cure the delinquency on behalf of the homeowner. While this action takes resources and may not be feasible for the organization, 73% of CLTs reported that they have the legal right to pay the outstanding mortgage amount to the lender. Enacting this right can be crucial for preserving the resale-restricted home rather than losing it through the process of foreclosure.

Intervention in foreclosures. When a completed foreclosure or deed-in-lieu of foreclosure occurs for a homeowner, the CLT has a vested interest in keeping the resale-restricted home in its portfolio. Most CLTs (89%) reported that they legally have the right of first offer and first refusal when a foreclosure has occurred, meaning that they have the first opportunity to purchase the home from the first mortgagee or the right to match an offer made by another party to purchase the home. For CLTs that use a ground lease to impose use and resale restrictions on homes located on a CLT's land, they often have an additional recourse that incentivizes the lender to sell a foreclosed home to the CLT: The CLT may increase the ground lease fee if resale restrictions are removed. Fifty-eight percent of CLTs had the right to increase their ground lease fee if a foreclosed home on their land is no longer a part of the CLT's portfolio of permanently affordable housing.

All of these rights, policies, and practice, which comprise the typical stewardship program of a CLT, contribute to their homeowners avoiding delinquency, preventing foreclosure, and maintaining homeownership. These stewardship activities require staffing and financial resources. With more lower income homeowners facing difficult financial circumstances due to the economic recession, CLTs have needed to provide more intensive stewardship for these owners. Unsurprisingly, 45% of CLTs reported that they have devoted more staff time since 2008 to post-purchase stewardship activities that addressed mortgage delinquencies and foreclosure prevention; 42% reported the same staff time had been allocated; and 13% reported less staff time had been allocated. These variations could be a function of inadequate organizational resources or a lack of need for such services within their pool of homeowners.

Discussion

This study found that lower income owners of resale-restricted homes with outstanding mortgages at the end of 2010 were substantially less likely to be seriously delinquent or in the midst of foreclosure proceedings than homeowners across all income levels with conventional mortgages. These findings are consistent with similar studies of CLTs for 2008 and 2009 (Misak, 2009; Thaden, 2010). A large body of research documents higher rates of delinquency and foreclosure among lower income homebuyers (e.g. Immergluck, 2009), suggesting that the difference between CLT loan outcomes and MBA loan outcomes would have been even greater if low-to-moderate income loan holders could have been isolated in the MBA data. Furthermore, the durability of the CLT model for preserving land in trust was illustrated by the nominal loss of only five properties to foreclosures in the histories of the entire sample.

While the findings of the study showed robust effects, numerous limitations need to be addressed by future research. First, the findings were based upon 58% of all CLTs that were assessed to be eligible for analysis. The analysis included roughly 70% of resale-restricted homes that likely had outstanding mortgages at the end of 2010. The subsample overrepresented CLTs in states with higher foreclosure rates and CLTs with larger portfolios of resale-restricted homes. However, CLTs within the subsample that were located in states with higher foreclosure rates did not have significantly higher rates of serious delinquencies among their homeowners (r = .08). Additionally, the rates of serious delinquencies reported by CLTs were not significantly correlated with the size of CLTs' resale-restricted home portfolios (r = -.12). These trends support that non-responders may have similar loan performance outcomes among their homeowners as responders. However, more information is needed to assess the representativeness of the subsample and how responders and non-responders may have differed. Consequently, future research should gather additional information on all CLTs, including more accurate counts of resale-restricted unit and outstanding residential mortgages.

Next, CLT staff provided information on the first mortgage loans of their owners; consequently, they may have inaccurately reported loan performance. Because CLTs have a recorded ownership interest in the property, CLT staff are very likely to be aware of foreclosure proceedings initiated on any home within their portfolio. However, respondents may have been unaware of some instances of 90 day or longer delinquencies, resulting in the under reporting of serious delinquencies. To explore this possibility, rates of serious delinquencies at the end of 2010 were compared among CLTs that require lenders to notify them of 60-day or 90-day delinquencies (n = 27) and CLTs that do not require these delinquency notifications from lenders (n = 35). The former group had a serious delinquency rate of .98%, and the latter group had a rate of 1.58%. Hence, it appears that CLTs tend to be aware of serious delinquencies in their homeowners regardless of third-party notifications.

Nevertheless, desirability effects among respondents to under report occurrences of serious delinquencies or foreclosure proceedings cannot be ruled out. It should be noted, however, that even if the actual numbers of serious delinquencies and foreclosure proceedings were double those reported by respondents, then the rates of serious delinquencies and foreclosure proceedings in CLT loans would still be substantially lower than rates within conventional market loans. Lastly, due to the sample size and research design—where organizations were the unit of measure—it was not possible to model various factors that predicted delinquency and foreclosure outcomes for individuals. Consequently, future research should build upon this preliminary study by examining individual-level data on CLT homeowners. Despite limitations, this is the largest sample of shared equity homeownership programs documented in the empirical literature to date.

For a large majority of the CLT homeowners who were seriously delinquent during 2010, stewardship arrested the slide toward foreclosure. While more research is needed to rigorously compare CLT interventions to conventional market interventions, CLTs were found to activate a wider array of strategies to promote better outcomes for homeowners than foreclosure (e.g. grants or loans to cure delinquency, monthly lease fee forgiveness, permanent and temporary loan modifications, financial counseling, resale of homes). The result was that four out of five seriously delinquent homeowners were able to keep their homes through 2010 or sell their homes back to the CLT or an income-eligible buyer, avoiding injuries to their credit and other costs incurred from foreclosure or deed-in-lieu of foreclosure.

In order to isolate the effects of various structural and programmatic components of CLTs, ideally this study would have been able to compare performance of mortgages held by CLT owners to mortgages held by recipients of other types of affordable homeownership assistance programs. Unfortunately, data on long-term loan performance outcomes do not exist for down payment assistance programs, homebuyer education counseling programs, or foreclosure prevention counseling (and it was beyond the capacity of the existing study to gather such data). In part, this data do not exist as no other existing affordable homeownership programs—outside of shared equity homeownership programs—provide permanent subsidies for housing affordability, pre-purchase education, direct oversight and approval of first mortgage loans (and any subsequent refinance loans or home equity lines of credit), formal communication with first mortgage lenders, *and* post-purchase stewardship services for lower income homeowners. Consequently, it is likely that CLTs may outperform other types of programs that aim to help lower income households enter or sustain homeownership. Nevertheless, future research should examine the rates of delinquencies and foreclosures among various recipients of affordable homeownership programs to tease apart the relative contributions of various aspects of the CLT model that predict delinquency or foreclosure outcomes.

This study supports that lower income and minority owners of CLT homes were spared from the adverse impacts of the subprime lending boom—an industry that predominantly targeted these types of buyers and owners— due to the oversight of home purchase and refinance loans by the CLTs. While low-to-moderate income and minority homeowners in CLTs have not been spared from the impact of the economic recession, the protections and stewardship services offered by CLTs seem to have buffered the extent to which the recession has negatively impacted residents' investments in homeownership. After all, low-to-moderate income homeowners are unable to build wealth from homeownership during housing market downturns unless they sustain homeownership and pay down the principal of their mortgage loans. Since so few homeowners in CLTs experience serious delinquency or foreclosure, their likelihood for sustaining homeownership and building wealth is far better than their counterparts in the conventional market, even if the accumulation of equity is limited by restrictions that maintain affordability of homes for future buyers. This study contributes to the emerging body of research, which supports that this form of homeownership is providing better outcomes for lower income households than the conventional market, even during housing market downturns and poor economic conditions (Davis & Stokes, 2008; Temkin, Theodos & Price, 2010; Thaden, 2010a).

CLTs are not only enabling entry into homeownership by lower income and minority households; they are also protecting the homeownership and wealth-building opportunities that they and their public sector partners have worked so hard to create. Unlike other affordable housing programs, these programs retain public investment in affordable housing to serve lower income household after household. In addition to the provision of permanent affordability, the CLT model is designed so that lower income households are more likely to enter *and* sustain homeownership. However, the creation of resale-restricted homes in a CLT requires an initial subsidy of public funds and often modest ongoing support for stewardship activities to promote the program's and the homeowners' ongoing success. The low rates of delinquency and foreclosure found by this study suggest that greater public support of CLT projects and programs appears warranted.

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Appendix A. Survey and Sample

Survey and Administration

The 2011 Comprehensive Community Land Trust Survey (hereinafter "CLT Survey") aimed to holistically capture the current landscape of CLTs in the United States. The CLT Survey was administered to U.S. community land trusts or shared equity homeownership programs (collectively referred to as "CLTs") included in the National Community Land Trust Network's directory as of March 1, 2011 that had working e-mail addresses (n = 216). Shared equity homeownership programs that do not use a ground lease to preserve affordability (and are, therefore, not technically CLTs) are included in the directory if they have elected to become a member of the Network and subscribe to the CLT model in terms of affordability and stewardship practices. CLTs in the directory are included all known CLTs and organizations working to develop CLTs in the U.S.; they may or may not be members of the Network. The directory included an additional 30 organizations that did not have electronic communication or working e-mails, which were removed from the database prior to recruitment.

The survey was comprised of eight sections: 1. Preliminary Information (i.e. contact information), 2. Your Organization & Homeownership Program, 3. Your Resale Controls: Policies & Practices, 4. Sources of Funding, 5. Your Organization's Portfolio, 6. First Mortgage Loans, 7. Delinquencies & Foreclosures, and 8. Characteristics of Current Homeowners. The majority of the questions were close-ended, including checklists and best-answer selections. Open-ended questions were predominantly seeking numeric values (e.g. number of units) or concrete textual responses (e.g. names of lenders), while a minority of questions sought comments to clarify or supplement responses.

Using Adobe X Pro, the survey was administered as an electronic link to a fillable form that could be incrementally saved and returned to for completion from March 28th-April 22nd, 2010. The instructions, survey, and general feedback was presented in a 25-page fillable Portable Document Format (pdf) with approximately 110 questions that included up to 413 fillable fields (depending on whether questions were applicable to the respondent). Piloting revealed that the survey took approximately an hour and a half to complete. Respondents were able click a “submit” button once they finished the survey, which directly downloaded data to a database, minimizing data entry errors.

Up to three e-mails were sent to the recruitment sample to advance participation and offer alternative methods for administration (hand-written responses) and submission (scanning and e-mail or postal mail). For non-responders, the researcher or a Network staff member called the organization to request survey participation. Participation was also promoted by raffling five $300 registrations to the annual National Community Land Trust Network conference and an additional five copies of *The CLT Reader* edited by John E. Davis.

Characteristics of Survey Responders and Non-responders

Out of the 216 organizations recruited for participation, 96 organizations submitted a survey, a response rate of 44% (96/216). The number of resale-restricted homes and location of the 96 organizations within the survey sample and the 120 organizations not in the sample (“non-responders”) are presented in Table A1. “Resale-restricted homes” excludes manufactured homes, coops and rentals that would not be eligible for single-family mortgages. Of the 120 non-responders, 42 organizations had resale-restricted homes, totaling 1,118 units. Of the 96 survey responders, 72 had resale-restricted homes, totaling 3,669 units. Ultimately, 72% of responders had resale-restricted homes and only 35% of non-responders had resale-restricted homes. Hence, the survey responders represented 76.6% of all resale-restricted homes, and over-represented CLTs with resale-restricted units.

Examining only organizations with resale-restricted homes, responders had larger portfolios of resale-restricted homes (*Mdn* =24, *M* = 50.96, *range* = 1-488) than non-responders (*Mdn* =15, *M* = 26.62, *range* = 1-174). For non-responders, the largest organization had 174 resale-restricted homes, accounting for 15.5% of the non-responder's combined portfolio (*n* =1,118). Similarly, one organization, Champlain Housing Trust, had 488 resale-restricted homes, accounting for 13.3% of units among survey responders (*n* =3,669). Amongst non-responders, a total of two organizations had more than 100 resale-restricted homes and five organizations had between 50 to 100 units. Cumulatively, these seven organizations accounted for 59.8% of the total number of resale-restricted homes not represented in the sample.

Amongst responders, a total of four organizations had more than 200 resale-restricted homeownership units in their portfolios, accounting for 31.2% of the units among survey responders (*n* = 1,142). An additional six organizations had more than 100 resale-restricted homeownership units (*n* = 817). Cumulatively these ten organizations accounted for 56.5% of the resale-restricted homeownership units within the sample. While four organizations did not provide information and 30 organizations had yet to sell a resale-restricted unit because they were start-ups, the earliest year a respondent reported selling their first resale-restricted unit was in 1976, while the latest was in 2011 (*Mdn* = 2003, *M* = 2001).

Figure A1 presents the geographical location of responders and non-responders. The responders were located in 35 states, and non-responders were located in 38 states. The range of the number of responders per state was 0 to 15 (*Mdn* = 1, *M* = 1.88). The range of the number of non-responders per state was 0-10 (*Mdn* = 2, *M* = 2.35). The states most frequently represented in the sample of organizations were WA (*n* = 15), CA (*n* = 8), FL (*n* = 8), MA (*n* = 6), NY (*n* = 5), MN (*n* = 5), and MT (*n* = 5), which accounted for 54.17% of the total sample. All other states were represented by no more than four organizations in the sample, and 18 states were represented by only one organization. The states most frequently represented by non-responders were FL (*n* = 10), CA (*n* = 8), NY (*n* = 8), VT (*n* = 8), MA (*n* = 6, OR (*n* = 6), NH (*n* = 6), and MN (*n* = 5), representing 47.5% of the organizations that were not in the sample.

Some of the non-responders came from states with high foreclosure rates, while others did not. Table A1 presents the cumulative total of resale-restricted units by ranking of states with the highest foreclosure rates. More of the resale-restricted homes within the sample were located in states with higher delinquency rates than the resale-restricted homes within the non-responders.

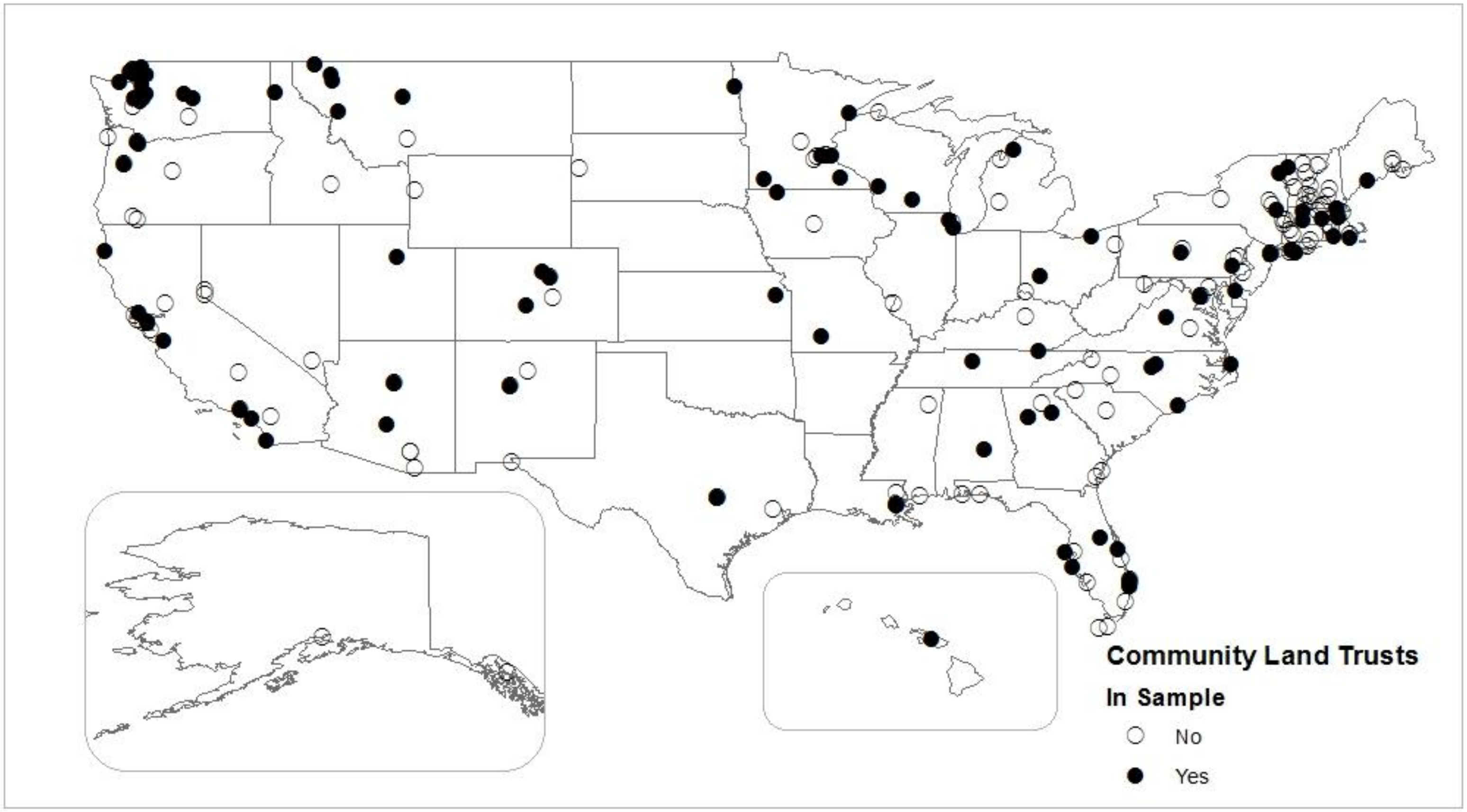

Figure A1. Organizations included in (*n* = 96) and excluded from (*n* = 120) the survey sample.

Table A1. Organizations and resale-restricted homes included and excluded from the sample by highest to lowest state delinquency rate ranking at the end of 2010.

MBA Information*			# of Organizations			# of Resale-restricted homes			Cumulative % of Resale-restricted homes		
State	State Ranking of Highest Serious Delinquency Rates	Serious Delinquency Rate	Not in Sample (n =120)	In Sample (n = 96)	*Total (n = 216)*	Not in Sample (n =1118)	In Sample (n = 3669)	*Total (n = 4787)*	Not in Sample (n =1118)	In Sample (n = 3669)	*Total (n = 4787)*
FL	**1**	19.37%	10	8	*18*	10	115	*125*	0.89%	3.13%	*2.61%*
NV	**2**	17.44%	3	0	*3*	0	0	*0*	0.89%	3.13%	*2.61%*
NJ	**3**	10.94%	0	0	*0*	0	0	*0*	0.89%	3.13%	*2.61%*
IL	**4**	10.70%	1	3	*4*	0	87	*87*	0.89%	5.51%	*4.43%*
AZ	**5**	10.55%	4	0	*4*	82	0	*82*	8.23%	5.51%	*6.14%*
CA	**6**	9.79%	8	8	*16*	0	140	*140*	8.23%	9.32%	*9.07%*
NY	**7**	9.10%	8	5	*13*	42	41	*83*	11.99%	10.44%	*10.80%*
OH	**8**	8.95%	2	2	*4*	0	20	*20*	11.99%	10.98%	*11.22%*
MI	**9**	8.90%	2	1	*3*	12	16	*28*	13.06%	11.42%	*11.80%*
IN	**10**	8.59%	0	0	*0*	0	0	*0*	13.06%	11.42%	*11.80%*
GA	**11**	8.54%	3	3	*6*	5	22	*27*	13.51%	12.02%	*12.37%*
RI	**12**	8.52%	3	1	*4*	65	90	*155*	19.32%	14.47%	*15.60%*
MD	**13**	8.35%	3	0	*3*	0	0	*0*	19.32%	14.47%	*15.60%*
MS	**14**	8.35%	2	0	*2*	1	0	*1*	19.41%	14.47%	*15.63%*
ME	**15**	8.26%	3	1	*4*	6	2	*8*	19.95%	14.53%	*15.79%*
HI	**16**	7.70%	0	1	*1*	0	9	*9*	19.95%	14.77%	*15.98%*
CT	**17**	7.53%	4	0	*4*	32	0	*32*	22.81%	14.77%	*16.65%*
LA	**18**	7.41%	3	1	*4*	2	0	*2*	22.99%	14.77%	*16.69%*
SC	**19**	7.24%	2	0	*2*	0	0	*0*	22.99%	14.77%	*16.69%*
DE	**20**	7.21%	0	1	*1*	0	23	*23*	22.99%	15.40%	*17.17%*
MA	**21**	7.14%	6	6	*12*	13	284	*297*	24.15%	23.14%	*23.38%*
KY	**22**	6.81%	1	0	*1*	0	0	*0*	24.15%	23.14%	*23.38%*
TN	**23**	6.80%	0	2	*2*	0	6	*6*	24.15%	23.30%	*23.50%*

UT	**24**	6.66%	0	1	*1*	0	38	*38*	24.15%	24.34%	*24.29%*
WA	**25**	6.55%	2	15	*17*	0	453	*453*	24.15%	36.69%	*33.76%*
PA	**26**	6.43%	4	2	*6*	16	35	*51*	25.58%	37.64%	*34.82%*
ID	**27**	6.21%	1	1	*2*	3	0	*3*	25.85%	37.64%	*34.89%*
OR	**28**	6.17%	6	3	*9*	29	160	*189*	28.44%	42.00%	*38.83%*
WI	**29**	6.15%	1	2	*3*	0	60	*60*	28.44%	43.64%	*40.09%*
DC	**30**	6.13%	1	1	*2*	0	42	*42*	28.44%	44.78%	*40.97%*
AL	**31**	6.01%	0	1	*1*	0	5	*5*	28.44%	44.92%	*41.07%*
NM	**32**	5.96%	3	1	*4*	5	85	*90*	28.89%	47.23%	*42.95%*
NC	**33**	5.91%	2	4	*6*	0	249	*249*	28.89%	54.02%	*48.15%*
OK	**34**	5.81%	0	0	*0*	0	0	*0*	28.89%	54.02%	*48.15%*
NH	**35**	5.48%	6	0	*6*	14	0	*14*	30.14%	54.02%	*48.44%*
MN	**36**	5.44%	5	5	*10*	115	550	*665*	40.43%	69.01%	*62.34%*
AR	**37**	5.34%	0	0	*0*	0	0	*0*	40.43%	69.01%	*62.34%*
MO	**38**	5.28%	1	1	*2*	8	18	*26*	41.14%	69.50%	*62.88%*
TX	**39**	5.08%	3	1	*4*	5	2	*7*	41.59%	69.56%	*63.02%*
KS	**40**	5.03%	0	1	*1*	0	44	*44*	41.59%	70.75%	*63.94%*
WV	**41**	4.97%	0	0	*0*	0	0	*0*	41.59%	70.75%	*63.94%*
CO	**42**	4.95%	2	3	*5*	174	435	*609*	57.16%	82.61%	*76.67%*
IA	**43**	4.89%	1	1	*2*	7	1	*8*	57.78%	82.64%	*76.83%*
VT	**44**	4.81%	8	1	*9*	336	488	*824*	87.84%	95.94%	*94.05%*
VA	**45**	4.69%	1	1	*2*	19	0	*19*	89.53%	95.94%	*94.44%*
MT	**46**	3.64%	1	5	*6*	0	63	*63*	89.53%	97.66%	*95.76%*
NE	**47**	3.49%	0	0	*0*	0	0	*0*	89.53%	97.66%	*95.76%*
WY	**48**	3.12%	1	0	*1*	99	0	*99*	98.39%	97.66%	*97.83%*
SD	**49**	2.86%	1	0	*1*	18	0	*18*	100.00%	97.66%	*98.20%*
AK	**50**	2.32%	2	2	*4*	0	86	*86*	100.00%	100.00%	*100.00%*
ND	**51**	2.12%	0	1	*1*	0	0	*0*	100.00%	100.00%	*100.00%*

*from the Mortgage Bankers Association's National Delinquency Survey (MBA, 2011).

Organizational Characteristics of the Sample

Some CLTs are located within broader organizations; others are CLTs that stand alone as their own organization, and some are CLT programs (referred to as “resale-restricted homeownership programs”) that have yet to establish their organizational designations. The oldest organization in the sample was established in 1958, the youngest in 2010, where the median was 2001 and the average was 1998 (14 organizations did not provide information). Respondents were also asked when their resale-restricted homeownership programs were established (since these could be different from the organization), the oldest homeownership program was established in 1974 and the youngest in 2011 (M = 2003, Mdn = 2001, 11 did not provide information).

For the 95 organizations that provided information, the service areas for these organizations were as follows: one or more neighborhoods (n = 17), the city (n = 17), the county (n = 30), the MSA (n = 8), more than one county including smaller and larger areas than the MSA (n = 19), and the state (n = 4). Respondents were asked about the service area for their resale-restricted homeownership programs to see whether they differed from the organization. Only three respondents reported smaller service areas for their resale-restricted homeownership programs. Table A2 presents the designations and affiliations of responding organizations (organizations were asked to check all that apply).

Table A2. Organizational designations and affiliations (*n* = 96).

Designations or Affiliations	# of Organizations	% of Organizations
Community Land Trust (CLT)	92	95.8%
Tax exempt nonprofit with a 501(c)(3) designation	87	90.6%
Community Housing Development Organization (CHDO)	42	43.8%
Community Development Corporation (CDC)	19	19.8%
Other	10	10.4%
NeighborWorks organization (NWO)	4	4.2%
Local Initiatives Support Coalition (LISC) affiliate	3	3.1%
Community Development Financial Inst. (CDFI)	2	2.1%
Department or agency of municipal government	2	2.1%
Public housing authority	2	2.1%
Habitat for Humanity affiliate	1	1.0%
State Housing Authority/Agency	0	0.0%

Ten organizations indicated "other," which they explained in a follow-up question: half were start-ups currently located or being supported by a government agency and half were working to be designated as non-profits or CHDOs.

Organizational Portfolios of the Sample

At the end of 2010, the sample of organizations had 9,543 residential housing units within their portfolios, which are presented by housing type in Table A3.

Table A3. Organizational portfolios of residential units & unit additions during 2010 (*n* = 96).

Housing Type	Total # of Units	Range of # of Units per Organization	# Added in 2010
Homeownership units with resale-restrictions	3,669	0-488	405
Homeownership units without resale-restrictions	273	0-150	7
Cooperative units	156	0-58	0
Lease-purchase units	54	0-19	6
Rental Units	5,391	0-1,449	222
Total	**9,543**	**0-1,995**	**640**

In addition to residential units, 13 organizations reported having 96 commercial spaces within their portfolios. When respondents were asked what entities lease these spaces, responses included office space for the organization, other non-profits, and small or local businesses (e.g. homeless shelter, child development centers, adult day care center, legal aid services, non-profit utility provider, community garden sites, retail companies, storage space, photo gallery, artist cooperative, food cooperative, arts and crafts store). Lastly, 12 organizations reported land conservation as a part of their missions. Ranging from .5 to 16,035 acres, these organizations stewarded a total of 17,431.5 acres of land in urban and rural environments.

The 3,669 resale-restricted homeownership units accounted for 38% of the units in the sample's organizational portfolios. As Table A3 illustrates, during 2010 more resale-restricted homeownership units were added to these organization's portfolios than any other type of housing. Notably, 30 organizations had yet to sell a resale-restricted unit because they were new, start-up CLTs. However, seven of these had developed a total of 89 resale-restricted homeownership units during 2010 (range for start-up CLTs = 1-25 units).

CHAPTER 4

SHARED EQUITY HOMEOWNERSHIP: CHALLENGES AND RECOMMENDATIONS FOR SECTOR FORMATION AND GROWTH

It [shared equity homeownership] was meant to be a tool for making affordable tenure durable, but it was never meant to be a financial tool or a tool of the finance industry.

John E. Davis (personal communication, April 10, 2012)

Increasing access to homeownership has long been a federal policy goal, as owning a home is well established as the dominant vehicle for building wealth among lower-income and minority households. However, the foreclosure crisis has shown that homeownership is not always sustainable and does not always yield positive financial results. The crisis has additionally elucidated that the outcomes of home purchase—good and bad— extend far beyond the household, affecting surrounding communities and the broader economy. Consequently, growing attention has been paid to “shared equity homeownership” (SEH), which provides communities with permanently affordable homeownership opportunities and residents with sound investments and sustainable tenure.

However, SEH has by no means expanded significantly or become a widely recognized sector. In fact, SEH is being conflated with similarly-named finance products or less effective affordable housing programs, obscuring the transformational potential of this model on the U.S. housing market. This paper examines existing problems in the landscape of SEH, which are hindering sector formation and growth. Recommendations for how to resolve these problems and advance the development the SEH sector are presented.

Introduction

Over the past few decades, a variety of tools or models have been developed with the express purpose of: 1) increasing access to homeownership by lowering monthly mortgage payments, and 2) structuring "shared returns" at resale from residential property ownership. They took different names and various forms, such as shared appreciation mortgages, limited equity housing cooperatives, community land trusts, shared equity mortgages, and some deed-restricted housing programs (sometimes referred to as inclusionary zoning). However, only some of these tools structured shared returns at resale for the express and intentional purpose of maintaining the affordability of homes in perpetuity for owner-occupancy by lower income households; these were limited equity housing cooperatives (LECs), community land trusts (CLTs), and deed-restricted housing or inclusionary zoning programs with lasting affordability restrictions (referenced as "Deed-restricted housing" or "DRH programs" hereinafter)[1].

Alternatively, shared appreciation mortgages (SAMs) or shared equity mortgages have been crafted by the lending industry to lessen monthly mortgage payments for new or existing homeowners, who tend to be low-income and minority borrowers. And more recently, the federal government has offered and continues to explore the potential of SAMs as a foreclosure prevention tool (Dodd-Frank Act of 2010; Housing and Economic Recovery Act of 2008). While SAMs share the common outcome of increasing access to homeownership with affordable monthly payments, they differ from the aforementioned tools because they are first mortgage products that yield returns from home equity or appreciation at resale *for the lenders or investors*. These products did not and do not keep properties permanently affordable, as the lender does not reinvest the financial returns into the same residential properties.

With the publication of a landmark report in 2006, these critical distinctions were made clear. Funded by the Ford Foundation and Surdna, John E. Davis authored, *Shared Equity Homeownership: The changing landscape of owner-occupied, resale-restricted housing* (2006). The report distinguished those tools that maintained the common purpose of keeping residential owner-occupied properties permanently affordable for lower income households from those that did not. Additionally, it put forth an umbrella name—"shared equity homeownership" (SEH) — to house these tools (or submodels), enabling a unified definition and conceptualization of SEH as an overarching *model*. So while LECs, CLTs, and DRH programs had been known by different names, had various strategies for implementation, and maintained unique histories of development, the labeling of SEH intended to build cohesion across various movements or SEH submodels that were committed to permanent affordability of homes in order to develop knowledge, practice, political support, and growth. Ultimately, SEH was put forth as the name for the overarching model in order to establish a SEH *sector*, a "third sector" of housing that was neither renting nor conventional home owning (Davis, 1993).

Nevertheless, three key problems with SEH have remained; each be explained at length in this report. First, practitioners do not seem to be "buying it." The various submodels of SEH are founded upon diverse histories and philosophies of community development, leading to fragmented (and sometimes, competing) priorities among practitioners for the advancement of each of their submodels. This affects their support for the broader sector. Second, the conceivers of SEH and the sector's primary funder, the Ford Foundation, do not seem fully committed to it. For example, Cornerstone Partnership—funded by the Ford Foundation—went on to endorse using "homeownership with long-term affordability" in place of "shared equity homeownership" (Rick Jacobus, personal communication, June 26, 2012). Third, recent grants made by the Ford Foundation do not appear to support a strategic plan for scaling up the sector in spite of foundation staff communicating this priority. Unsurprisingly, needed supporters in both public and private sectors are confused about SEH and some are reticent to support it.

In spite of the fragmentation within the sector and misunderstanding outside of the sector, local and national momentum appears to be intensifying for the housing solutions provided by SEH (albeit the public interest is fragmented across submodels or misconceived terms). Therefore, it is critical to consider what may be at stake for the SEH sector if a core concept is not uniformly named, clearly defined, and then strategically planned. For instance, it is possible that the division of movements under various names may hinder reaching scale. It is also possible that the reputation of non-profits doing "shared equity" may be capitalized upon by the private sector to promote financial products that result in a new iteration of predatory lending tools.

Hence, this report contemplates: 1) What issues or tensions exist among practitioners, national advocates, and funders that hinder the development of the sector? 2) What adverse consequences may result if a sector is not named, defined and strategically planned? 3) How can the sector effectively resolve existing issues and advance SEH? Before addressing these questions, the next section reviews the definition of SEH set forth by Davis' report (2006) and the potential impact that SEH may have on households, communities, and the housing market.

The Original Definition and Conceptualization of Shared Equity Homeownership

Prior to reviewing what SEH is and is not, I must acknowledge that I am a researcher, practitioner, and political actor within the landscape of SEH. I began applied research and community outreach to bring SEH to Nashville as a graduate student in 2008 with a coalition of practitioners, policy makers, and academics. When a non-profit in Nashville received funding for implementation in 2010, I was hired to build and manage the program. It will become relevant later in this report, that the program utilized a "hybrid model" or "SEH-like" design, which deviated from some of the definitional components of SEH that were articulated by Davis' report (2006). I was concurrently consulting with the National Community Land Trust Network (hereinafter "the Network"), the national membership organization for community land trusts, to conduct research on community land trusts (CLTs).

In 2011, I was hired onto the staff of the Network to plan and conduct local and national trainings and presentations, provide technical assistance, support research, and engage in advocacy. Consequently, this report is significantly informed by my participatory field experience acting a researcher, practitioner, educator, and advocate for CLTs and SEH on both local and national levels. However, the views expressed in this report are solely my own and do not reflect the views or opinions of my former employers or current employer, the Network.[2]

What It Is

Shared equity homeownership is resale-restricted, owner-occupied housing for lower income households that remains affordable in perpetuity (Davis, 2006). Breaking the definition into its component parts, residents of SHE—including the first buyer and every subsequent buyer of the home— are low-to-moderate income at the time of purchase. The resident has an ownership interest in the property, and is therefore referred to as a "homeowner." However, a non-profit or government organization has provided a subsidy to make the home affordable, and consequently, also has an ownership interest.

This organization is referred to as the "steward" because they steward both the home and homeowners. Generally, the steward protects the home as a permanently affordable community asset through: 1) monitoring resales to retain the public's investment that serves lower income households, and 2) overseeing properties to ensure they are maintained in good condition. Ideally, they also steward their residents to promote successful outcomes from homeownership, such as residential stability and wealth-building. Sometimes, the steward provides an array of services for homeowners, including pre- and post-purchase education, financial counseling, home repair or maintenance assistance, and foreclosure prevention services.

In return for access to affordable homeownership and the steward's ongoing support, the homeowner agrees to restrict the price for which the home may be sold in the future, which ensures the property will remain affordable for the next low-to-moderate income homebuyer. Terms about use and occupancy, eligibility of buyers, and resale restrictions are set forth in a contractual agreement between the homeowner and the steward. The result is that the SEH model produces residential properties that remain affordable in perpetuity.

Shared equity homeownership, as defined by Davis (2006), is comprised of three different submodels, which provide owner-occupied, resale-restricted permanently affordable housing opportunities for low-to-moderate income households. The distinct characteristics of each form of SEH are described below and additional information on each submodel is summarized in Table 1[3].

Table 1. Characteristics of shared equity homeownership by submodel.

	Limited Equity Housing Cooperatives (LEC)	Community Land Trusts (CLT)	Deed-restricted Housing programs (DRH)
Brief Definition	A corporation comprised of lower income shareholders that affordably own a residential property; the residents agree to resale restrictions to maintain ongoing affordability of the units.	A non-profit organization that retains ownership of the land underlying residential properties, and lower income households purchase the improvements and have leasehold interests in the land with resale restrictions to maintain ongoing affordability of homes.	An organization subsidizes residential properties and sells them to lower income households at affordable purchase prices with resale restrictions to maintain the ongoing affordability of the property.
Historical Highlights	• LECs are part of same movement as business and agricultural cooperatives as well as market-rate housing cooperatives. • First U.S. cooperative established in 1876 in New York City • National Association of Housing Cooperatives formed in 1960. • LECs grow significantly during 1950-60s and 1980-90s due to federal programs that predominantly converted public housing into coops. • Municipal programs and Tenant Right to Purchase laws result in LEC expansion since 1980s (e.g. 1980 in NYC and DC; 2007 in CA).	• Community land trusts (CLTs) share roots with conservation land trust movement. • First CLT established in Albany, GA in 1968 to help African-American farmers retain control of land. • Institute for Community Economics popularizes CLT concept for homeownership during 1970-80s. • During 1990s, CLTs grow from a dozen organizations to over 100. • National CLT Network is established in 2006. • During 2000s, CLTs grow to approximately 200 organizations.	• In response to exclusionary development of suburbs during 1950-60s, over 200 state and municipalities have enacted some form of inclusionary zoning (IZ). • Some IZ programs are structured to maintain long-term affordability (e.g. Chapel Hill, NC; Montgomery County, MD; roughly 170 jurisdictions in CA, MA, ME, NJ, OR, VT) • Regardless of whether IZ program exists, some local public agencies allow deed-restricted covenants with lasting affordability to be used during administration of federal or local funding for affordable housing development (e.g. Nashville, TN; Pima County, AZ; Clearwater, FL).
Estimated resale-restricted units[1]	450,000 units	5,000-9,000 units	200,000-350,000 units
Typical Structure	Not-for-profit corporation (often has a non-profit organization as a sponsor)	Non-profit organization	Program within government agency
Typical legal mechanism to preserve	Shareholder & occupancy agreements	Ground lease	Deed-restricted covenant

affordability			
Typical Governance	Board of Directors elected by shareholders	Tripartite governance: 1/3 public representatives, 1/3 CLT dues-paying members from broader community, 1/3 CLT residents	Board of Directors as established by government agency (may have separate advisory committee)
Typical Financing	Blanket mortgage to corporation (sometimes share loans to individuals)	Residential mortgage to owner	Residential mortgage to owner
Membership & Support Organizations	National Association of Housing Cooperatives; regional or local organizations (e.g. Urban Homesteading Assistance Board in NYC, D.C. Cooperative Housing Coalition, CA Center for Cooperative Development, Southeast Association or Housing Cooperatives); Cornerstone Partnership	National Community Land Trust Network; Institute of Community Economics; regional or state coalitions (e.g. MN CLT Coalition, Northwest CLT Coalition); Cornerstone Partnership	No membership organization specific to DRH programs; Cornerstone Partnership
Espoused Values	1. Self-help 2. Democratic residential control 3. Shared-equity cooperative ownership 4. Housing quality 5. Continuous learning[2]	1. Perpetual affordability 2. Community health, cohesion and diversity 3. Community stewardship of land 4. Perpetual sustainability 5. Representative governance 6. Resident and community empowerment 7. Openness to a variety of organizational structures[3]	None established across DRH programs.

[1] Estimated unit counts have been modified from Davis' 2006 report, which was based upon "guesses" from informal information gathered overtime from practitioners. No reliable or accurate data on SEH unit counts exists.

[2] From the Urban Homesteading Assistance Board: http://www.uhab.org/about. General cooperative values according to International Cooperative Alliance are self-help, self-responsibility, democracy, equality, equity and solidarity; for additional principles, see: http://2012.coop/en/what-co-op/co-operative-identity-values-principles.

[3] From National Community Land Trust Network website, Application for membership: http://www.cltnetwork.org/index.php?fuseaction=Blog.dspBlogPost&postID=1519

Limited equity housing cooperatives. LECs are traditionally stand-alone corporations that are owned collectively by residents through shareholder agreements. Beyond the initial subsidy to make the homes affordable, the corporation typically obtains financing through a blanket mortgage. Individual residents may or may not need to obtain an individual share loan. Many LECs have a “sponsor” or “steward,” which is a government or non-profit organization that assists residents: 1) to establish the cooperative and its legal documents, policies, and procedures; 2) to secure development financing, permanent financing, and the initial subsidy to make the property affordable; and 3) to provide ongoing support and services for successful resident governance and property management. Sponsorship—or stewardship— requires significant resources and is often challenging to fund. Nevertheless, LECs without a sponsor are more likely to fail due to resident conflict or burn-out, mismanagement, or lack of compliance with resale-restrictions that keeps the property affordable (Sazama, 1996; Andy Reicher, personal communication, January 5, 2013).

LECs often prioritize making monthly housing payments very low in order to be affordable for residents (Saegert & Benitez, 2005). Different from other forms of SEH, LECs are often converted from rentals, and consequently, residents of LECs are often existing residents and very low income. Therefore, creating wealth among residents is of lesser importance than ensuring tenure is sustainable and very affordable.

The majority of limited equity housing cooperatives (LECs) have been created through federal, state, and municipal programs to convert rental properties to LECs (Sazama, 1996). The history of (LECs) is founded upon the right for lower income households to have control over their tenure and a decent, safe place to live.

Consequently, LECs have often been formed to prevent resident displacement from rental properties or to improve dwelling conditions of rental buildings that have been mismanaged or neglected. Hence, LEC practitioners and inhabitants place an emphasis on resident engagement and tenure stability achieved through collective ownership and governance. Most LECs are multi-family buildings within historically disenfranchised communities, and most are located in large metropolitan areas (e.g. New York City, Washington, D.C.) that provide state or municipal support for cooperatives.

Community land trusts. The traditional CLT model separates title to the underlying land from title to the improvements (i.e. the built structures), where land ownership is retained for the community's interest and "home"-ownership allows purchase to be affordable for the resident. Hence, the homeowner is given a leasehold interest in the land, which is secured by a 99-year renewable ground lease. While the CLT must secure public funding to purchase the land and provide any additional subsidy necessary to make the property affordable for lower income households, the homebuyer must obtain a mortgage loan. Hence, the homeowner purchases the improvements at a restricted (or affordable) price and agrees to sell the home at a resale-restricted price to enable affordability for future buyers. This unorthodox "co-ownership" structure has been embraced more in politically liberal localities. Most homes on CLT land are single-family, duplexes, and condominiums. Some CLTs have many properties within a neighborhood, while others have scattered properties throughout a larger service area.

The primary goal of CLTs is to own land in trust that serves community members who have been marginalized by the market's provision of housing and community assets. Many CLTs view their mission as providing comprehensive community development for neighborhoods and their lower income residents; hence, some CLTs provide rental units or LECs, develop commercial spaces, create community gardens, or conserve land in addition to providing owner-occupied properties that remain permanently affordable (Rosenberg & Yuen, 2013). CLT's outlook on homeownership is to balance the community's interests (i.e. protecting the public's investment in well-maintained affordable homes) with the homeowner's interest (i.e. affording and sustaining homeownership to produce wealth). Balancing community and resident interests is reflected in their typical tripartite board governance structure. A tripartite board is constituted by one third residents of CLT properties, one third non-resident CLT members (dues paying members that live within the CLT service area), and one third public representatives (government officials or professionals with relevant expertise). Therefore, CLTs practice representative democracy and vary by their levels of resident engagement, whereas LECs practice direct democracy and require resident participation.

In order to meet the interests of the community and the residents, CLTs tend to intensively steward both homes and homeowners, or as the 2012 board president of the Network said, "We are the developer that doesn't go away." Because CLTs commit to stewarding homes in perpetuity, they have a vested interest in rehabbing or constructing high-quality durable homes that take into account the surrounding neighborhood. Additionally, CLTs manage the resales of properties to ensure the home is sold in good condition to an income-eligible buyer at an affordable price. However, they also steward homeowners pre-purchase through homebuyer education and financial counseling and post-purchase by offering services like home repair assistance, ongoing education, and foreclosure prevention counseling.

Deed-restricted housing. DRH programs subsidize the cost of a residential property, and a low-to-moderate income homebuyer obtains a mortgage loan for the affordable purchase price. The homebuyer signs a deed-restricted covenant that stipulates the property's future resale restrictions. DRH programs tend to serve households at higher income ranges than LECs and CLTs. Typically these programs are housed within government organizations, such as municipal housing authorities, planning or housing-related departments. Because they are not autonomous entities, their boards are those of the larger organization, minimizing resident roles in governance.

DRH programs are sometimes established as the recipient of affordable units from inclusionary zoning programs, whereby developers are required to give a certain percentage of their newly-constructed units to the program or a fee in lieu of units (Schwartz, Ecola, Leuschner, & Kofner, 2012). Therefore, DRH programs tend to have larger portfolios of resale-restricted homes relative to CLTs. DRH programs that work in conjunction with inclusionary zoning requirements do not often have influence over where the homes are located or how they are built, as they are donated by the developer. Sometimes this may result in DRH units that are not best suited to the needs of low-to-moderate families (e.g. higher-end designs for singles), while at other times, this may result in DRH units that are located in higher income neighborhoods, which may offer benefits to these households (e.g. access to better schools and services).

Inclusionary zoning and DRH programs are more embraced by liberal and urban governments. Consequently, DRH tends to be located in urban counties that value preservation of their public funding in affordable housing (e.g. Denver, CO; San

Francisco, CA; Montgomery County, VA). Similar to CLTs, 1-4 unit residential properties or condominiums are the dominant housing types in DRH programs.

Unlike LECs that focus on the provision of durable tenure through collective ownership or CLTs that focus on the provision community and resident assets, DRH programs tend to focus strictly on the provision of permanently affordable homeownership opportunities for low-to-moderate income households (sometimes they describe their units as “workforce housing”). These programs tend to emphasize the frugal use of public funds for affordable housing. Additionally, DRH programs tend to prioritize *access* to affordable homeownership. However, providing ongoing stewardship or support to homeowners in order to increase the likelihood of resident success is not typically prioritized. Many DRH programs require some form of pre-purchase education, but they typically conduct less post-purchase stewardship than LEC sponsors and CLTs, such as monitoring the ongoing quality and affordability of their homes and providing assistance to homeowners. The goals or priorities vary significantly by DRH program, as these programs do not have standard values that guide their design (see Table 1).

What It Can Do

SEH enables wealth-building among lower income and minority households by providing access to affordable and sustainable homeownership. One study of seven large SEH programs across the U.S. found that these programs were serving households with incomes that were between 35-73% of the area median income (Temkin, Theodos, & Price, 2010). While shared equity homeowners agree to restrict the proceeds they receive at resale in order to keep the homes affordable, this study also found that shared equity homeowners experienced significant individual rates of return on their investments

(Temkin, Theodos, & Price, 2010). Furthermore, while Reid (2005) found that less than 50% of first-time, low-income and minority homebuyers maintain homeownership for five years, the study found that 90% of shared equity homeowners sustained homeownership for at least five years (Temkin, Theodos, and Price, 2010). Longer durations of tenure significantly predict the likelihood that owning a home, particularly a low-cost home, will result in wealth-building (Belsky & Duda, 2002; Belsky, Retsinas, & Duda, 2005; Goodman, 1998).

In addition to enabling wealth-building in households, SEH may also contribute to community development and stabilization of the housing market. First, SEH may buffer the adverse effects of gentrification by maintaining affordable homes as community assets, which enables access to owner-occupied tenure by lower income residents (Davis, 2010). Second, the rate of foreclosure among shared equity homeowners is well below that among homeowners in the conventional market; hence, SEH has been gaining attention as a tool that concurrently promotes neighborhood stabilization during market busts (Temkin, Theodos, and Price, 2010; Thaden, 2010; 2011). One study using a national sample of CLTs found that homeowners in the conventional market were ten times more likely to be in foreclosure proceedings than lower income owners of CLT homes at the end of 2010 (Thaden, 2011). Therefore, as many lower income neighborhoods across the U.S. have experienced problems with residential vacancy and abandonment due to the foreclosure crisis and the great recession (Immergluck, 2009), shared equity homeowners contribute to residential and neighborhood stability.

Lastly, SEH has recently been conceptualized as a potential third sector of housing that may help to stabilize the economy during hot and cold housing markets. As

George McCarthy from the Ford Foundation recently stated, “Shared equity homeownership provides an opportunity for a segment of U.S. housing to be protected from changes in the housing market, and that’s in everyone’s best interest—not just those who live in shared equity ” (McCarthy, 2012). However, as DeFilippis (2004) acknowledged almost a decade ago, the potential for SEH to impact the political economy requires scale. If SEH comprised a notable portion of U.S. housing then rooting capital locally through investments in property could limit the ongoing marginalization of lower income and minority communities from the ebbs and flows of private market capital.

What It Is Not

Comprehending what SEH is *not* is as important as understanding what it is and its empirically-supported or theoretically-supported outcomes. First, SEH is *not* a form of down payment assistance (DPA). Traditionally, DPA programs have provided forgivable loans or grants with short-term affordability restrictions (5-15 years) to low-to-moderate income individuals. In effect, DPA results in a windfall for an individual household; however, the public investment’s in affordable housing is lost after the first buyer sells the home. Furthermore, this form of public investment can result in gentrification by heating up neighborhood housing markets through the infusion of capital that has increased buying power, broadening the market of potential buyers and creating demand (Hence, initially demand is a manufactured byproduct of public subsidization that results in the production of ongoing demand within the private market). Alternatively, SEH does not invest public funds in a household; rather, it invests public dollars in a property. Therefore, the public investment is preserved in perpetuity and the affordable homes retain their function as lasting community assets for lower income households regardless of neighborhood housing market conditions.

Second, SEH is *not* a first mortgage product. In particular, it should not be confused with Shared Appreciation Mortgages (SAMs). A SAM is a financing product within the mortgage lending industry that is structured so a homebuyer receives an initial amount of capital, which buys down the price of a home to make the monthly mortgage payments more affordable. Subsequently, the homebuyer gives the lending institution a portion of the property's appreciation at resale. Unlike SEH, SAMs do not keep homes permanently affordable, as the appreciation shared with the lender becomes profit. SAMs do not have a solid track record of building wealth for low-to-moderate income homebuyers. Unlike SEH, they maintain a relatively negative reputation due to SAMs provided by Barclays Bank and the Bank of Scotland in the late 90s in the U.K (Kelly, n.d.; Kitchin, 2008). This product targeted pensioners and resulted in adverse outcomes for borrowers; consequently, numerous lawsuits against the lenders have been filed (see www.safe-online.org for litigation information).

Notably, lending institutions and U.S. federal recovery programs are exploring SAMs as a potential refinancing tool for delinquent homeowners that are at risk of foreclosure (Griffith & Eizenga, 2012). SAMs were offered through the Hope for Homeowners program passed under the Housing and Economic Recovery Act passed in 2008; however, the program was perceived generally as failure due the paucity of delinquent borrowers served (e.g. Gandel, 2009). Nevertheless, the Dodd-Frank Act of 2010 mandated HUD to conduct a study of SAMs for future foreclosure prevention (HUD report, forthcoming). The use of SAMs as an effective recovery tool remains empirically untested. While confusion has arisen from discourse that has characterized SEH as “sharing equity” or “sharing proceeds from resale,” SEH limits the homeowners proceeds from resale— not to make a profit for someone else — but to keep the property permanently affordable. As reviewed above, SEH also does not forego wealth-building for households; rather, it balances individual wealth creation with the preservation of the community’s investment in affordable housing.

Lastly, SEH is not a tool suited for private sector delivery; rather, it is a mission-driven device. Simply put, SEH programs do not result in profit. Non-profit and government organizations implementing SEH have a challenging time realizing adequate returns to support their operating expenses while concurrently protecting affordability of residential properties within their portfolios and serving their lower income homeowners. Based upon findings from a national survey of CLTs, only 19% of 64 CLTs reported covering 70% of their operating expenses from generated revenue in 2010 (Thaden, 2012). Furthermore, stewardship of homes and homeowners is a critical component that predicts the success of SEH (Thaden, 2010; Thaden & Davis, 2010). As the foreclosure crisis has shown, lending institutions do not have the capacity to be responsive or responsible “landlords” of real-estate owned properties (REOs) nor to assume effective support roles for homeowners.

Inception of the Sector and Current Issues Impeding Development

As mentioned above, “shared equity homeownership” (SEH) was originally conceived of during a meeting in 2006, where the advisory board for John E. Davis’ report helped to name and define the sector (John E. Davis, personal communication, April 10, 2012). The purpose of defining SEH was: (1) to clarify the similarities and differences among various long-term affordable housing tools or submodels, making them distinct from for-profit SAMs or shared equity mortgages, and (2) to form a sector for the submodels under the SEH umbrella.

The benefits of sector formation are manifold (Notably, these benefits tend to be strengths of for-profit companies and organized industries). First, branding and communications could become consistent and strategic in order to advance public awareness and recruit needed partners. Second, a sector could establish collective standards and program certifications, professionalizing the field and ensuring quality control of SEH. Third, sector members could collectively learn and share best practices and innovations, advancing positive outcomes of SEH programs. Fourth, developing research, resources, education, and training on SEH could make adoption easier for organizations and streamline the process of implementation. Fifth, the sector could collectively organize, increase its political power through maintaining a uniform and larger voice, and strategically advocate for public and private policies that would reduce obstacles for SEH development. In total, sector formation would result in advancing the scale of SEH.

However, multiple meetings and formal convenings have taken place to call upon stakeholders to identify challenges and solutions for the sector to reach scale. The most recent such meeting was held at the Board of Governors of the Federal Reserve Bank with sponsorship from the Ford Foundation, NeighborWorks America, the Federal Reserve Bank Board of Governors, and the Federal Reserve Bank of Richmond on June 22, 2012. There were 60 participants, including executive directors of organizations with large SEH portfolios, leaders from national non-profit affordable housing organizations (e.g. NeighborWorks America, the Network, Enterprise, National Housing Institute), private mortgage lenders, and government representatives from U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency. After presentations by myself from the Network, Bret Theodos from the Urban Institute, and George McCarthy from the Ford Foundation, participants broke out into working groups. The result was a list of recommended goals and activities that will enable the growth of the SEH sector (see Appendix A).

Undoubtedly, many important goals and activities for advancing the sector were suggested, and many of the necessary actors to support progress on them attended the meeting. As I left the meeting; however, I asked myself, if multiple productive meetings like this one have been held—where both the right actors and solutions have been identified—then why are these activities *not* being accomplished? My first answer was obvious: No key leader or entity is formally assuming responsibility for progress. Every representative in the room answers to individual organizations with missions that indirectly relate to the goal of advancing SEH. Nevertheless, a segment of these individuals consistently carve out time and resources to support the work about which they are passionate. So I asked myself, “What else is at work?”

What came to the fore are the conversations I have had with various leaders inside and outside of the sector. With inside leaders, I recalled comments such as, “Well co-ops are a different bird,” “Those CLT people are too puritanical about their model,” or “Government deed-restricted programs have weaker outcomes.” From outside partners, I recalled comments such as, “Isn’t this the same as shared appreciation mortgages?” or

"While *I* get it, it's hard to convince my organization that shared equity builds wealth." Hence, I realized that while these stakeholders are able to conceptually or theoretically agree upon abstract solutions, the key challenge is reaching agreement on the priorities and the details for how to implement identified ideas and activities, which are necessary to form a sector and advance its scale. John E. Davis stated in his report:

> A full understanding of shared equity homeownership requires not only an appreciation for its major models and forms, but also an ability to see the sector as a whole. Especially when it comes to building popular understanding and winning public support for these unconventional models of tenure, *the differences among them often matter less than their similarities*. (author's emphasis, 2006, p.2)

I believe that Davis significantly underestimated how these differences seemingly matter more than similarities when it comes to enacting the activities required to advance sectorial development and growth.

The maxim, "putting the cart before the horse" appears to explain why these actors and their organizations are not adequately organizing themselves and effecting progress. This section reviews what has in large part remained unsaid during meetings or convenings on the growth of the SEH sector, namely that critical issues and tensions exist, which must be addressed if a sector is to be formed. These issues include: 1) fragmentation and differing priorities among practitioners and national organizations representing particular forms of SEH, 2) definition-drift for what constitutes SEH or its sector, and 3) inconsistency between the Ford Foundation's espoused priority for the sector to reach scale versus the actual projects that the foundation has recently funded. This section explicates these issues in the current landscape of SEH.

Why Practitioners Are Not Totally "Buying It"

SEH was developed "top-down" by housing researchers, policymakers, funders, and advocates in an attempt to create a sectorial community of practitioners. After Davis' report was published, the Ford Foundation funded NCB Capital Impact to develop the Cornerstone Partnership program, which was devised as a new membership organization for the SEH sector in order to organize stakeholders and enable development through the provision of training, education, technical assistance, resources, research, and advocacy.

However, many LEC and CLT practitioners had organically developed and participated in national or regional trade organizations for their submodels (see Table 1). LECs are often members of state-based associations that address local and state policies to enable housing cooperative development and provide pre- and post-development technical assistance to LECs. Some of these state associations, sponsoring organizations, individual housing cooperatives, and professionals serving cooperatives are members of the National Association of Housing Cooperatives (NAHC), which was founded in 1960. However, NAHC serves all forms of housing cooperatives (not strictly LECs or those serving lower income households) and has modest capacity. For CLTs, the National Community Land Trust Network was founded by a group of CLT practitioners in 2006 to establish their national membership organization. The Network also has limited capacity, but its membership is highly active and its mission is focused on providing training, education, research, technical assistance, and advocacy for CLTs.

By their very nature and mission, membership organizations prioritize serving their members; consequently, their services and political engagement often results in submodel-specific resources and advocacy. Alternatively, DRH programs remain unorganized nationally or regionally, and few programs participate in existing trade or membership organizations for other forms of SEH. Accordingly, the Executive Director of Cornerstone Partnership reports that fostering membership and engagement has been difficult, particularly with LECs and DRH programs (Rick Jacobus, personal communication, June 26, 2012). Because existing membership organizations prioritize the needs and goals specific to their submodel of SEH, they do not have a history of coordination or collaboration to advance the overarching model.

As previously reviewed, each submodel maintains unique histories, varying values, organizational and legal differences, and nuanced goals, and consequently, each maintains different limitations, strengths, and challenges. It is beyond the scope of this paper to comprehensively review these differences. However, I will briefly review the impressions of each submodel within the community development field to illustrate why practitioners within each submodel seemingly do not perceive that they are a part of a cohesive SEH sector.

First, LECs are considered unique and empowering due to their model for resident governance and their efficacy serving very low income households. However, the history of LEC development also results in the perception that LECs predominantly work in cities with hot housing markets for the prevention of resident displacement. Furthermore, LECs are known to require enabling legislation and significant infusions of federal, state, and municipal funding for their establishment and ongoing success (including non-profit sponsorship), which has not been consistently available over time or in the vast majority of states and municipalities.

Lastly, LECs are perceived as complex, high risk, and high maintenance projects. The financing and funding for development is multi-layered and multi-unit based, requiring advanced development skills from the sponsor. Additionally, LECs are deemed high risk. For instance, a recent investigation of 134 LECs in Washington, D.C., which were established since the passage of the Tenant Opportunity to Purchase Act in the early 1980s, found that 36% were no longer in existence as of 2012 (Huron, 2012), and roughly 10-15% of the LECs established in New York City have not survived over time, which is a locality with more support for LEC development and sponsorship than all other places (Any Reicher, personal communication, January 5, 2013). Lastly, ample resources and intensive staffing are required to ensure effective resident governance for the perpetual life of these properties. Consequently, the LEC submodel tends to be considered significantly different from CLTs and DRH programs, and the feasibility of replicating this submodel in diverse localities is questioned.

CLTs are often equated with strong performance in terms of delivering perpetual affordability and positive resident outcomes, which is attributed to their commitment to best practices and comprehensive stewardship. Nationally, CLTs are the most organized of the SEH submodels due to the grassroots establishment of the Network; however, the total number of resale-restricted homes provided by CLTs is incredibly small relative to LECs or DRH programs (see Table 1). Hence, CLTs are also perceived as lacking capacity to reach scale, as CLTs tend to be small non-profit organizations that have not received formal or prevailing government support. Because the majority of high capacity CLTs with large portfolios exist in the northwest or northeast, their ability to succeed in non-white, non-liberal localities has been questioned.

As a result, some practitioners question whether CLTs are overly principled about their submodel and unwilling to compromise on some best practices for the sake of expansion to other localities and the growth in the number of homes they provide. For instance, the model ground lease provided by the Network endorses that CLTs retain ownership of the land if a home forecloses, which has resulted in serious problems for recruiting first mortgage lenders (and homes cannot be developed and sold without access to first mortgages for homebuyers). Another example is that some states do not allow for the separation of title for the improvements and the land, which may hinder the establishment of CLTs. While some CLTs have adopted work around strategies—rather than advocating for state policy changes—this is not condoned as a "best practice." Hence, while CLTs boast impressive performance, the field is critical of whether the CLT submodel is willing to support variations in CLT implementation for the sake of expansion.

DRH programs have been highly effective at expanding the stock of shared equity homes across the United States. Undoubtedly, this submodel is the most transferable to various localities, and the submodel is recognized for its ability to rapidly grow. In large part, this is explained by the use of deed-restricted covenants as the legal mechanism for these programs, as deed restrictions are commonplace and more accepted by developers and lenders than shareholder agreements used in LECs or ground leases used by CLTs (Ambromowitz & White, 2010).

However, DRH programs tend to be perceived as the inferior form of SEH that is provided by the government. Due to a lack of participation in SEH-support organizations, government agencies tend to "reinvent the wheel" when they develop DRH programs.

Consequently, their programs are vulnerable to the consequences of poor design, which may result in weak or variable outcomes for retaining permanent affordability or preventing foreclosures (Rick Jacobus, personal communication, January 18, 2013). Furthermore, the organizational cultures, priorities, and capacities of these government agencies rarely support the implementation of comprehensive stewardship activities, which adversely impacts program performance. The DRH submodel is also considered to be less legally durable than LEC or CLT submodels, as the term of deed-restricted covenants cannot extend beyond thirty years in some states due to laws against perpetuities. Different from LECs and CLTs, DRH programs are not perceived as addressing broader considerations of community development.

However, DRH and CLT submodels are very similar in terms of their design as well as the challenges they face. For instance, both submodels struggle with accessing first mortgages for their homebuyers, raising funds for stewardship activities, and securing equitable property taxation policies for their homeowners. Nevertheless, government staff of DRH programs and non-profit staff of CLTs do not interpret their missions, programs, day-to-day operations, or ongoing challenges as similar.

In effect, practitioners within each camp of the SEH submodels do not perceive adequate common cause with practitioners of other submodels to result in banding together as one sector. Rather, the actors within each submodel prioritize addressing the needs and priorities specific to their submodel without considering the overarching needs or priorities of the sector as whole. After all, practitioners within each submodel have typically decided upon their specific form of SEH because of deficits or challenges they perceive in other submodels. Generally, LECs are perceived as context-contingent and too intensive to implement; CLTs are perceived as lacking capacity for scale while being overly principled; DRH programs are perceived as bureaucratic and less likely to deliver positive outcomes. Ultimately, practitioners rarely (if ever) will articulate that they are a part of a sector, placing the name of "shared equity homeownership" before the name of their particular submodel to explain what they do. Currently, practitioners and membership organizations do not have the buy-in necessary to invest in sector formation or to collectively plan and act for SEH expansion.

Why Conceivers Seem Uncommitted To It

After the term "shared equity homeownership" was conceived of by an advisory board for Davis' report (2006), the conceivers of SEH did not appear to commit to the term or its definition. After funding Davis' report, the Ford Foundation funded NCB Capital Impact to oversee the development of a new national program, Cornerstone Partnership, which aimed to organize and grow SEH programs into an established sector. NCB Capital Impact hired a firm to conduct marketing and communications research, which ultimately resulted in throwing out "shared equity homeownership" for a more well-received and marketable term, "homeownership with long-term affordability" (Jim Gray, personal communication, June 22, 2012; Rick Jacobus, personal communications June 26, 2012). Consequently, Cornerstone Partnership does not define their audience or goals by SEH; rather, they have more broadly adopted the goal of providing "a peer network for *homeownership programs that preserve lasting affordability and community stability* [author's emphasis]" (www.affordableownership.org).

Unfortunately, the rationale and messaging research on "long-term affordability" or "lasting affordability" was inadequately disseminated to practitioners, membership organizations, and advocates, and therefore, was not generally assimilated. Consequently, information published by institutions supporting affordable housing and community development has continued to use “shared equity homeownership.” Some practitioners and potential partners read the omission of SEH from Cornerstone Partnership’s mission and materials as a signal that it was endorsing an alternative definition (perhaps one that was settling for longer-term affordability rather than permanent affordability).

Adding to the confusion over the term, the definitional and conceptual boundaries of SEH, as delineated by Davis’ report (2006), were clouded in a 2009 report by Sherriff and Lubell titled, *What’s in a Name? Clarifying the different forms and policy objectives of “shared equity” and “shared appreciation” homeownership programs*. Lubell is the Executive Director of the Center for Housing Policy and served on the advisory board for Davis’ report. However, Lubell and Sherriff’s report reframed and—at least in part—collapsed “SEH” with tools across the public-private sectors that included financing products and “hybrid” models, both of which extended beyond the original parameters of SEH.

The Ford Foundation’s Metropolitan Opportunity Initiative (Ford’s MOI) is the dominant funder and advocate for SEH sector development and reaching scale, but Ford’s MOI has funded numerous projects that are outside the original scope of SEH. For instance, Ford’s MOI has invested millions in ROC-USA, which helps residents of mobile home parks collectively purchase the land where their homes reside (see Table 2). The goals and outcomes of resident-owned communities (ROCs) align well with SEH, but they fail to abide by critical components that define SEH according to Davis (2006). Manufactured housing provides the majority of affordable housing in the U.S., even though it is within the private market. Creating ROCs protects residents from displacement and promotes residential security and affordability through taking control of land collectively, which limits the escalation of ground lease fees for residents in the future. While ROC-USA requires ROCs to serve low-to-moderate income households, they do not require resale restrictions. Hence, ROCs cannot limit future market impacts on the values of manufactured homes. Consequently, ongoing and permanent affordability in the future cannot be guaranteed, which is critical to SEH. Notably, even Davis went on to characterize the ROC-USA model as a "shade of gray" in the SEH family (Davis, 2012).

Furthermore, the Ford Foundation has funded the Center for American Progress to identify innovative financial tools to address the foreclosure crisis. This support has contributed to the development of a proposal for the adoption of SAMs by the mortgage lending industry as a strategy to prevent foreclosures for delinquent homeowners (e.g. Griffith & Eizenga, 2012). As stated previously, SAMs were explicitly and intentionally left out of the definition of SEH, as they are designed to create profit for lenders or, in this instance, they are designed to minimize losses for the industry most responsible for the foreclosure crises at the cost of delinquent homeowners. Furthermore, SAMs do not create permanently affordable homes.

I am not meaning to imply that variations on the theme are inherently less worthwhile or impactful than the submodels delineated within the original scope of SEH. Nor do I mean to imply that these "shades of gray" warrant funding less than SEH projects. In fact, some of these models could have immediacy and transferability that may eclipse the scalability of traditional SEH submodels, and some of these models may help many lower income households. However, it difficult to build a cohesive model or an organized sector when "*foundation*-al" leadership seems uncommitted to the SEH model and is not offering up clear principles to guide the sector's future development.

Ultimately, the conceivers of SEH—who frequently represent and advocate for SEH in national conversations—are not entirely committed to the name or its definition. Consensus does not exist for what the sector or the model is, what it does or should do, and who it represents. Unsurprisingly, the lack of a clear definition and naming for both the model and the sector results in confusion among practitioners, national organizations, and needed partners.

Why the Funder Seems Not Strategic About It

The Ford Foundation is the single largest private financial supporter of SEH, and the foundation has provided critical leadership for SEH. For instance, Ford is the dominant funder of Cornerstone Partnership and the National Community Land Trust Network, and it has provided funding for local development of SEH programs. The progress made to date in SEH would not have taken place without Ford's leadership and resources, as it is the dominant supporter of incubation, innovation, and development in the sector.

George McCarthy, Director of Ford's Metropolitan Opportunity Initiative (MOI), has repeatedly communicated that a key priority of this initiative is to enable SEH to reach scale (personal communication June 22, 2012). Many of the activities that hold promise for catalyzing the development of a sector and its scale have been documented during meetings and convenings where a Ford representative was among the presenters or participants. In particular, McCarthy has expressed that the SEH sector will require development of leadership, partnerships, resources, and impact measures (McCarthy, 2012). However, recent grant activity communicates a different message. Table 2 reviews grants provided by the Ford Foundation to shared equity organizations and related initiatives in the past three years (smaller amounts of discretionary funding for SEH-related projects are not presented). Grants issued under the MOI do not illustrate a clear strategy for efficient sectorial development and growth.

Table 2. 2010-2012 Ford Foundation grants that directly or indirectly relate to shared equity homeownership.

Grantee	Amount	Year	Issue	Initiative	Primary Approach	Secondary Approach	Description
National organizations that focus on the expansion of shared equity homeownership or shared-equity-like models.							
NCB Capital Impact	$1,500,000	2012	Metropolitan Opportunity	Promoting Metropolitan Land-Use Innovation	Program Demonstration and Scaling	Research and Public Policy Analysis	Core support for the Cornerstone Partnership to build the capacity of organizations developing shared equity housing and promote long-term affordability policies
NCB Capital Impact	$1,100,000	2011	Metropolitan Opportunity	Expanding Access to Quality Housing	Stakeholder Development and Collaboration	Program Demonstration and Scaling	For the Cornerstone Partnership to provide a peer network for housing practitioners who are implementing or developing long-term affordability programs and to promote long-term affordability policies
NCB Capital Impact	$1,200,000	2010	Metropolitan Opportunity	Expanding Access to Quality Housing	Stakeholder Development and Collaboration	Advocacy, Litigation and Reform	To develop a replicable shared equity and second mortgage land trust model and collaborate with its Shared Equity Coalition partners to grow the shared equity homeownership sector nationwide
National Community Land Trust Network	$400,000	2012	Metropolitan Opportunity	Promoting Metropolitan Land-Use Innovation	Capacity Building and Technical Assistance		General support to provide training, advocacy and resources for its members, which sustain healthy and economically diverse communities by providing permanently affordable access to land and homes
National Community Land Trust Network	$650,000	2010	Metropolitan Opportunity	Promoting Metropolitan Land-Use Innovation	Advocacy, Litigation and Reform	Research and Public Policy Analysis	To create a technical assistance program for national community land trusts and develop pilot technical assistance delivery programs, with a particular focus on metropolitan communities
ROC USA LLC	$900,000	2012	Metropolitan Opportunity	Expanding Access to Quality Housing	Program Demonstration and Scaling		General support to make resident ownership of manufactured home communities viable and successful nationwide
ROC USA LLC	$500,000	2011	Metropolitan Opportunity	Expanding Access to Quality Housing	Program Demonstration and Scaling		General support to make quality resident-ownership of manufactured home communities viable nationwide
ROC USA LLC	$1,000,000	2010	Metropolitan Opportunity	Expanding Access to Quality Housing	Program Demonstration and Scaling		Net asset grant to finance the conversion of manufactured housing communities to resident ownership and leverage capital

National organizations that conduct some work relating to shared equity homeownership.							
National Housing Institute	$300,000	2012	Metropolitan Opportunity	Expanding Access to Quality Housing	Research and Public Policy Analysis		General support to foster decent, affordable housing and a vibrant community for everyone
National Housing Institute	$250,000	2010	Metropolitan Opportunity	Capacity Building and Technical Assistance	Research and Public Policy Analysis		General support to foster decent, affordable housing and a vibrant community for everyone
Center for Housing Policy	$375,000	2012	Metropolitan Opportunity	Expanding Access to Quality Housing	Research and Public Policy Analysis		For research on inclusionary zoning & the intersection of housing & transportation & to educate stakeholders about the new affirmatively furthering fair housing rule & develop a communications toolkit
Center for Housing Policy	$750,000	2010	Metropolitan Opportunity	Expanding Access to Quality Housing	Advocacy, Litigation and Reform	Research and Public Policy Analysis	For Exposure-Response.org, its online guide to preventing foreclosures & stabilizing neighborhoods, and for policy development, outreach and advocacy on housing, transportation and workforce policy
Center for American Progress	$500,000	2012	Metropolitan Opportunity	Expanding Access to Quality Housing	Advocacy, Litigation and Reform		Core support for the Housing Finance Program to develop innovative housing finance and policy initiatives in response to the housing crisis
Center for American Progress	$650,000	2010	Metropolitan Opportunity	Expanding Access to Quality Housing	Capacity Building and Technical Assistance	Research and Public Policy Analysis	Core support for the Housing Finance Program to expand the voices shaping the policy debate on housing finance
Media projects that relate to shared equity homeownership.							
Active Voice	$400,000	2011	Freedom of Expression	JustFilms	Media/Conten t Development		To conduct public engagement campaigns for foundation-funded documentaries and assist with the start-up phase of the National Center for Education Organizing, including its new film, Parent Power
Vital Pictures	$310,000	2011	Metropolitan Opportunity	Promoting Metropolitan Land-Use Innovation	Stakeholder Development and Collaboration		To complete "Gaining Ground," a documentary using Boston's Dudley Street Neighborhood Initiative to demonstrate the impact of land trusts as community-building tools in low-income communities
Local organizations that indirectly support or directly provide shared equity homeownership.							
The Greater New Orleans	$1,550,000	2012	Metropolitan Opportunity	Promoting Metropolitan Land-Use	Capacity Building and Technical	Advocacy, Litigation and Reform	For the Metropolitan Opportunities Program's grant making to expand access to quality housing, promote innovative land use and

Foundation				Innovation	Assistance		better connect people to existing and emerging economic opportunities
The Greater New Orleans Foundation	$1,500,000	2011	Metropolitan Opportunity	Expanding Access to High Quality Housing	Stakeholder Development and Collaboration	Research and Public Policy Analysis	For the Metropolitan Opportunities Program's grant making to expand access to quality housing, promote innovative land use and better connect people to existing and emerging economic opportunities
The Greater New Orleans Foundation	$1,350,000	2010	Metropolitan Opportunity	Expanding Access to High Quality Housing	Stakeholder Development and Collaboration		For grant making by its Community Revitalization Fund and Metropolitan Innovations programs to promote inclusive regional housing, transit & community revitalization in the greater New Orleans region
Lower 9thWard NENA	$150,000	2011	Metropolitan Opportunity	Promoting Metropolitan Land-Use Innovation	Program Demonstration and Scaling		Net asset grant to accompany a program-related investment establishing a working capital fund for a community land trust to build affordable housing in the Lower 9th Ward
Dudley Street Neighborhood Initiative	$225,000	2012	Metropolitan Opportunity	Promoting Metropolitan Land-Use Innovation	Capacity Building and Technical Assistance		To develop a national community land trust and community-building curriculum and engage diverse Boston stakeholders in a regional community land trust capacity-building effort

From the Ford Foundation Grant Database: http://www.fordfoundation.org/grants/search retrieved on September 17th, 2012.

First, Ford's MOI funded NCB Capital Impact in 2010, "to develop a replicable shared equity and second mortgage land trust model and collaborate with its Shared Equity Coalition partners to grow the shared equity homeownership sector nationwide" (see Table 2). While this project description directly aligns with the priority for sectorial development and scale (and resulted in the establishment of Cornerstone Partnership), in 2011 and 2012 Ford's MOI funded NCB Capital Impact and Cornerstone Partnership not to continue sector formation and expansion, but instead, to conduct capacity building, education, and some policy activities that enable long-term affordability (see Table 2). Cornerstone Partnership's shift away from sectorial development to capacity building of SEH organizations has resulted in the loss of leadership and resources for the development of the sector. Hence, before the SEH sector was organized and established, the entity created to lead the sector changed its focus and shifted its core activities accordingly (i.e. mission drift). And Ford's MOI staff funded this shift despite espousing their primary goal as scaling up SEH and articulating the need for leadership development.

Additionally, Ford's MOI has funded the Network to provide training and technical assistance, but the Network's technical assistance program has provided a relatively small number of organizations with minor support for activities that do not necessarily align with the goal of SEH expansion. As reviewed above, Ford's MOI is also investing in projects that deviate from the originally conceived of parameters for SEH, such as ROC-USA and SAM solutions for foreclosure prevention. In addition to funding SEH-like initiatives, or the "shades of gray," Ford's MOI is providing significant support to non-profit organizations that indirectly support or directly provide SEH (see Table 2). For instance, it funds a local foundation in New Orleans that is providing some support for the development of a city-wide CLT. It also funded a non-profit serving a neighborhood devastated by Hurricane Katrina, but the organization has a weak track record of CLT development and implementation. More recently, Ford's MOI is supporting a neighborhood organization in Boston that has a CLT to develop "a national community land trust and community-building curriculum," an odd funding choice considering that they provide resources to other national training organizations with better capacity for curriculum development. Lastly, Ford has also funded a documentary on community organizing conducted by the Boston organization, and it funds the National Housing Institute, which provides a key publication for disseminating information on SEH.

I am not insinuating that any individual organization or their funded projects have failed to make important contributions to SEH or to those they serve. When considered together, however, the projects receiving recent Ford Foundation grants are questionable selections if the priority is to advance scale. And when Ford-funded projects are compared to the activities identified for scaling the sector (see Appendix A), it is difficult to decipher any coherent strategy driving Ford's investment in SEH. In totality, these investments appear to lack a strategic plan that would most effectively and efficiently achieve the goal of sectorial development and scale.

Potential for Injury

The last section reviewed issues in the current landscape of SEH, including lack of buy-in from practitioners, definition drift among SEH conceivers, and poor strategic investment by the dominant funder. The next section will put forth recommendations and considerations for ways to address these problems. But first, this section will highlight why resolving existing issues and advancing a coherent sector is both urgent and critical. Ultimately, the lack of a communication strategy, clear name, and coherent definition for SEH may injure lower income and minority households who could benefit from this form of tenure. Additionally, poor sector formation may hinder building needed political support for SEH.

Putting Beneficiaries at Risk

The lack of concrete boundaries for defining SEH leaves the sector vulnerable for misappropriation of its name or concept by the private sector. This places lower income and minority households at risk of entering into unsound financial schemes, which runs counter to the very mission and goals of SEH programs. Ironically, this was one of the motivating factors that led to the production of Davis' report in 2006.

Nevertheless, the ensuing ambiguity of SEH *is* being capitalized upon by the private sector to market financial products or related services that draw upon the reputation of SEH models and non-profits providing SEH. For instance, LendingTree, an online for-profit lender exchange, offers "a new type of shared-equity mortgage (SEM)" (also searchable with "shared equity"), which defines SEMs as a co-investor product that makes home purchase more affordable and profitable for investors (LendingTree, 2007).

While the financial product is touted as a “new type” of product called a “shared equity mortgage,” it is structured plainly as a shared appreciation mortgage (SAM). Another example from the U.K (which has a growing community land trust movement) is a for-profit company called Share to Buy, which provides “shared equity loans,” “shared ownership properties,” and “shared ownership mortgages.” Some of these products are making a profit on a government-subsidized SAM program (see www.sharetobuy.com), and none of these products produce permanently affordable properties in spite of assimilating discourse that is used by practitioners and advocates for SEH.

Ultimately, for-profit appropriation of “shared equity” makes the very households that could benefit from SEH at risk of entering into yet another iteration of an exotic loan product, which may result in adverse financial outcomes for households and will not result in the production of a permanently affordable housing stock. Similar to the mistrust and wariness that has emerged amongst potential homebuyers after the foreclosure crisis (Saegert, Fields, and Libman, 2009), confusion between “bad” and “good” shared equity tools could significantly injure the marketability and growth of the SEH sector. Consequently, the SEH sector may come to find that the growth of similarly named products marketed by for-profit companies results in significant barriers for recruiting potential homebuyers and expanding their scale.

Beyond potential injury to sectorial formation and growth, I would posit there is a moral imperative for actors within SEH to advance scale. It may continue to be business-as-usual for practitioners, advocates, partners, and policy makers if major advances in sectorial growth do not occur. However, during a time when lower income and minority households have experienced significant wealth-stripping from the foreclosure crisis and a new wave of exclusion from homeownership opportunities due to the credit crunch, these households lose the most from slow and inefficient growth of SEH.

Still further, all U.S. citizens—across all incomes—continue to be negatively affected by the inefficient use of tax payer dollars on affordable housing, especially in the face of a mounting U.S. deficit. SEH actors have a solution that frugally uses public funding for perpetual affordable homeownership opportunities while concurrently providing opportunities for wealth-building and residential stability for lower income and minority households. Consequently, forming a sector and aggressively advancing its growth is not simply helpful, but arguably, necessary in the current housing market and economic crisis.

Not Gaining (and Potentially Losing) Needed Supporters

In light of the incoherence illustrated by practitioners, national leaders, and funders to name and define the sector, the confusion among instrumental national actors who can enable growth of SEH is unsurprising. These actors represent public institutions that could facilitate public policies to support SEH as well as private institutions that could increase access to capital. However, poor organization across the sector is contributing to confusion, hindering support, and consequently, not resulting in much progress. Arguably, there is opportunity in the aftermath of the housing market crisis and in the midst of the national debt crisis to gain political support for a safer tenure solution that frugally uses public dollars for the provision of permanently affordable housing.

At best, SEH actors are not being opportunistic by capitalizing upon the current climate, and at the very worst, they are potentially harming relationships and partnerships by not cohesively and strategically acting as a sector. The political advocacy efforts of SEH leaders and practitioners are not making adequate progress on regulatory changes to federal public policies that would decrease barriers for SEH. While Cornerstone Partnership and the Network have at times joined forces to submit requests to HUD, meetings and discussions with HUD officials show that confusion abounds over unclear terminology used for SEH, its submodels, or SEH-like models.

The following example illustrates that needed supporters are unclear about the model they are being asked to support. HUD's Federal Housing Administration (FHA) staff convened a meeting of SEH practitioners, state housing finance agency staff, and private lenders, to discuss the challenges of providing FHA-insured mortgages to buyers of homes with "deed-restrictions" in May of 2012 (FHA, 2012). A deed-restricted covenant is a broad legal tool, which is most frequently used by HUD-funded affordable housing developments to set short-term affordability restrictions (rather than lasting affordability restrictions used in SEH). Regardless of misnaming the meeting, it was called to address policy recommendations for SEH programs based upon a memorandum to FHA from Cornerstone Partnership and the Network. While this instance of terminological confusion was relatively inconsequential, other instances show that the lack of clarity on SEH is limiting opportunities to build political will and result in needed regulatory changes.

For instance, in 2011, Raphael Bostic, HUD's Assistant Secretary for Policy Development and Research, confused a meeting with SEH advocates from the National Housing Institute and the Network as a meeting about SAMs. Notably, the Dodd-Frank Act of 2010 mandated that HUD explore the utility of SAMs, "to determine prudent statutory and regulatory requirements sufficient to provide for the widespread use of shared appreciation mortgages to strengthen local housing markets, provide new opportunities for affordable homeownership, and enable homeowners at risk of foreclosure to refinance or modify their mortgages" (Dodd-Frank Act, 2010). After meeting the primary author for HUD's report on SAMs (HUD report, forthcoming) and other HUD staff at a convening on SEH in June of 2012, it became increasingly unclear to me whether the differences and goals of SAMs and SEH were fully grasped throughout the institution. Based solely upon extrapolation, it seemed that government representatives had conflated the two models, and it is possible that they attributed positive results documented within SEH as a rationale for further examining SAMs.

Confusion over the differences between these two models is not limited to HUD, as representatives from the Federal Reserve System and the mortgage industry have also asked me on numerous occasions to clarify the difference between these models and why SEH non-profits could not "just use SAMs." The lack a unified sector, a cohesive strategic message, and effective policy agenda is creating confusion and stifling the ability to garner support from needed partners. After all, if needed supporters do not understand the unique benefits of SEH— namely its strong delivery of successful homeownership for lower income households as well as asset preservation of permanently affordable homes for communities—their reticence to support a relatively complex and burgeoning model is understandable. If the sector does not embrace current opportunities and aggressively (and coherently) advocate for their model, needed political support to expand SEH is unlikely to materialize.

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Recommendations for Advancing Sector Development

In this section, I will put forth some recommendations and considerations for making progress on the issues previously reviewed in order to advance the development and scale of the sector. My recommendations are intended to be incomplete, not comprehensive, and controversial for the sake of inciting dialogue among the leaders and actors of SEH and the field of community development more broadly. I cannot claim that the enactment of my proposal will result in expeditious growth of SEH; however, I do believe that my recommendations could lay the foundation for the establishment of a more efficient and effective sector, which will enable scale in the future.

I would also not advocate for these recommendations to be unilaterally enacted. In fact, my first recommendation is to prioritize convening actors within SEH to critically and constructively revisit the definition for the sector and identify strategies for sector formation, coordination and growth. I would then recommend that a larger group of actors, including practitioners and housing advocates who are outside of the original scope of SEH, be brought into the planning process.

The planning process will need to include, but not be limited to: 1) renaming and redefining the sector, 2) redesigning the roles and responsibilities of existing organizations in the sector, 3) creating and enacting a practical and highly strategic plan that prioritizes sector formation and growth but balances the needs of existing SEH programs, and 4) establishing new systems of inter-organizational coordination and accountability. As I will explain below, I believe that buy-in can be cultivated among practitioners for the new sector and its approach through the implementation of my recommendations. With the aforementioned caveats, my proposal for the future organization, coordination, and functions of the sector are presented in Figure 1, and the remainder of this section explicates my recommendations. Hopefully, my proposal will act as a starting point for future dialogue and planning.

Permanently Affordable Homeownership (PAH) Sector Leader
(e.g. Cornerstone Partnership)
A national organization committed to developing the PAH sector & taking the sector to scale.

Program Areas:

Sector Planning, Branding, & Strategic Outreach	Research & Policy Engagement	Expansion & Adoption Assistance	National Conference & Sector-based Resource Development
• Lead the development of a strategic plan for the PAH sector and set short-term and long-term priorities. • Implement an effective process for ongoing strategic planning & work planning potentially with an Advisory Board and other PAH stakeholders. • Review, approve, and monitor Ford-funded grants for NMOs. • Create sector's visual and messaging brand , and policies on usage for NMOs. • Conduct strategic outreach for sector.	• Create a feasible, high-impact policy agenda that prioritizes growth of PAH (separate but coordinated with NMO's individual policy agendas). • Lead and structure working groups for enactment of policy agenda in collaboration with NMOs . • Identify and oversee needed research that will advance other policy agenda and other areas of work.	• Identify high-potential organizations that will adopt PAH or aggressively expand their PAH portfolios. • Establish projects, conduct preliminary needs assessment , and then technical assistance projects to appropriate NMO. • Conduct outreach and general education that lays the foundation for future expansion and adoption activities.	• Plan a national annual PAH conference that provides training developed by NMOs. • Create additional sector-based resources, such as workflow management systems that result in national data on the sector and a PAH certification program.

NATIONAL MEMBERSHIP ORGANIZATIONS (NMOs)

Ford funding shall be used solely for activities listed above or agreed to by PAH Sector Leader. NMOs have full discretion to utilize other funding to support their individual work plans, priorities, and members' needs.

National Limited Equity Housing Cooperatives (LEC) & PAH Support Organization	National Resident-owned Communities (ROC) & PAH Support Organization	National Community Land Trust (CLT) & PAH Support Organization
(e.g. UHAB or NAHC) A membership organization supporting LECs & emerging PAH submodels most akin to rentals or coops.	**(e.g. ROC-USA®)** A membership organization supporting ROCs or emerging PAH submodels using manufactured housing.	**(e.g. National CLT Network)** A membership organization supporting CLTs, deed-restricted housing, & emerging PAH submodels most akin to conventional homeownership.

Figure 2. A proposal for the organization and functions of the sector.

Rename and Redefine the Sector

I recommend that the name and definition for the sector is reconstructed. The original name, “shared equity homeownership,” has proven to be confusing due to its likeness to for-profit financial products, such as SAMs and “shared equity mortgages.” I believe that a less abstruse and more general name should be adopted, such as “permanently affordable homeownership” or “homeownership with lasting affordability.” The marketing research that was commissioned by NCB Capital Impact should be used as the foundation to collectively agree upon a name for the sector and model. Hereinafter, I use the term “permanently affordable homeownership” (PAH) to refer to the sector and model for the sake of clarity.

The original conceptualization of SEH defined the model by the inclusion and exclusion of particular submodels. However, new submodels, hybrids, and “shades of gray” have been developed (e.g. ROCs, shared equity second mortgage products, LEC-CLT hybrids), and other submodels will inevitably emerge. Consequently, I propose that a sector is based upon required *elements* for PAH rather than required submodels. While stakeholders must deliberate over the components that are deemed critical to inclusion within the sector, I put forth the following proposal for the required elements of PAH programs: 1) The PAH program is not a for-profit venture; 2) The PAH program aims for units to be permanent affordability and legally requires that units are affordable for no less than thirty years; 3) PAH units are owner-occupied; 4) PAH units serve low-to-moderate income households; 5) PAH units provide opportunities for wealth-building; 5) PAH programs meet minimum programmatic requirements for stewardship (requirements will need to be determined by stakeholders).

Defining the sector by required elements will hopefully result in support from practitioners. The current conceptualization of SEH divides practitioners by their submodels. My proposal aims to unify practitioners by focusing on what their PAH programs have in common. As alternative submodels have emerged, some practitioners have vocalized concerns about the SEH model being compromised. Hopefully, these concerns will be allayed by having *required* elements for inclusion in the PAH sector.

Redesign Roles and Responsibilities of Existing Organizations in the Sector

I recommend that organizations acting within the sector reorganize and assume new roles and responsibilities. With the express purpose of enabling PAH sector formation and scale, the inter-organizational redesign I propose modifies organizational functions and formalizes coordination for efficient collaboration. Currently, a strong leader that prioritizes strategic sectorial development and growth is missing from the PAH landscape, and organizations within the PAH landscape are not effectively collaborating or working as one sector.

A tension exists between meeting the needs of the practitioners within each submodel and addressing the needs for scaling up PAH. For instance, funding for technical assistance and training could be used to support struggling PAH programs or it could be used to support other organizations in the adoption of PAH programs. I propose that the sector leader does not have a membership of PAH organizations, but that national membership organizations (NMOs)—such as NAHC, the Network, and ROC-USA—continue to develop memberships of PAH organizations. Consequently, the sector leader may prioritize addressing sector development and advancing scale, while NMOs may prioritize addressing the needs of existing and new practitioners and their organizations.

Cornerstone Partnership is best suited to assume strong, effective sectorial leadership; however, it needs to shift the focus of its work, significantly alter its resource allocation, and do away with or alter its membership to effectively lead the sector. Cornerstone Partnership will require the most resources and growth in capacity to enact the four program areas proposed in Figure 1, which are: 1) sector planning, branding, and strategic outreach; 2) research and policy engagement, 3) expansion and conversion assistance, and 4) a national conference and sector-based resource development. Some of these activities are currently being conducted by NMOs, such as national or regional conferences; however, I believe these four program areas must be led by Cornerstone Partnership in order for PAH stakeholders to act as one sector. As presented in Figure 1, activities under the four program areas should directly support the primary goal of the sector leader, which is to prioritize sector development and PAH expansion. While NMOs would formally contribute to Cornerstone Partnership's program areas, NMOs can and should have similar program areas within their individual organizations to meet submodel-specific or member-specific needs.

The NMOs will also need to increase their capacity and expand their membership or scope of work to enact my proposal. For instance, a NMO that will effectively serve LECs or emerging PAH programs developed from rental or cooperative housing will need to be developed. Currently, NAHC does not adequately support LECs, and while the Urban Homesteading Assistance Board has the expertise and resources for supporting LECs, it would need to become a national organization. Additionally, the Network would need to expand its membership and services beyond CLTs to other PAH programs, such as deed-restricted housing programs. Additionally, all of the NMOs would need adequate resources to participate in initiatives and activities that would be coordinated with the PAH sector leader (see below).

My proposal aims to delineate clear roles and responsibilities for efficient coordination and effective advancement of sector development and scale. Ultimately, the inter-organizational coordination and collaboration I propose aims to build common cause among practitioners and national actors, fostering unification as one sector. Hopefully, the new organizational structure and functions would alter existing perceptions among NMO staff and practitioners that the goals of advancing sector development and meeting the needs of NMOs' memberships are not in direct competition.

As presented in Figure 1, I am not proposing that national membership organizations (NMOs) abort their broader missions or their work that falls outside of the scope of PAH expansion. Ideally, NMOs will experience that investing in the development of the PAH sector will result in the growth and success of their organizations. I believe that clear roles and responsibilities will assure practitioners that an "and-both" approach, rather than an "either-or" approach, is possible. After all, practitioners are passionate about their work and want to see expansion of PAH to help lower income households and communities across the U.S. And understandably, they also want their NMOs to support their organizations' work, sustainability, and growth.

Create a Feasible, High-Impact Strategic Plan

With the leadership of Cornerstone Partnership, PAH stakeholders must develop and commit to a feasible, high-impact strategic plan for the sector. Even if the Ford Foundation or other funders support the PAH sector, the needs and opportunities for growth will undoubtedly outstrip available resources. Unlike previous brainstorming sessions on how to advance the sector (see Appendix A for an example), I believe that a strategic plan must be rooted within practical resource and capacity constraints. In light of limited resources, I propose that a strategic plan prioritizes the four aforementioned program areas (which are also presented in Figure 1). Below I highlight the reasoning and relevance for some activities in each area.

Cornerstone Partnership must spear-head visual branding and messaging for the sector, which will need to be consistently applied by NMOs. This will be crucial for presenting a larger, cohesive, and professional sector in order to recruit needed supporters and future adopters of PAH. Additionally, the sector leader must develop and formalize an ongoing strategic planning process for the sector to maintain positive partnerships, effective collaborations, and high-impact performance.

The sector leader must also lead the development of a policy agenda for sectorial advancement. This is perhaps the single most important priority for the sector leader, and I believe that the majority of staff time and resources should be focused on short-term and long-term policy agenda activities. Cornerstone Partnership's policy agenda should be different than—but may overlap with—policy agendas pursued by each NMO. Cornerstone Partnership's policy agenda should be forward-looking, creating opportunities for the expansion of the sector and tackling major barriers that hinder PAH development. Cornerstone Partnership should organize working groups for various activities on the policy agenda, which should include staff and practitioners from the NMOs most affected by the policy agenda item.

Next, Cornerstone Partnership should facilitate the adoption of PAH programs by existing organizations and the expansion of PAH portfolios in existing programs. Rather than attempting to "convince and convert" organizations to PAH, I recommend that this program area initially targets high-capacity organizations interested in adopting PAH (e.g. some Habitat for Humanity affiliates, CDCs, or municipalities adopting inclusionary zoning policies). Rather than build new PAH organizations, I also recommend that the program initially target high-potential expanders that have unique political climates that may catalyze growth. For instance, in areas where the government is supporting inclusionary zoning or transit-oriented development initiatives, PAH programs could be supported to become beneficiaries of affordable housing units.

Currently, Cornerstone Partnership is expending a significant amount of resources on technical assistance and capacity building for PAH organizations. In light of practical resource constraints, I propose that it pass these activities to NMOs in the future. NMOs in large part have the needed capacity (or can develop it) to support these activities, and Cornerstone Partnership should expend the majority of its resources on high-priority, forward-looking, "big picture" activities for sector development.

Lastly, Cornerstone Partnership should spearhead the convening of an annual national conference for the sector and the development of sector-based resources. Currently, submodel-specific conferences are conducted by NMOs; however, it is critical that a sector-based conference fosters ownership and community among practitioners to promote buy-in to the sector. Cornerstone Partnership is already developing other needed resources in the sector, such as HomeKeeper (which is a workflow data management system that will track national performance of the sector) and a PAH program certification (which may enable partnerships with public and private lending institutions). I support both of these projects and recommend that more resources go into their development and that NMOs promote their adoption by PAH programs.

While I have put forth some of my ideas for the sector's strategic plan, it is crucial that an effective planning process is used to develop and adopt a strategic plan for the sector. The leadership of Cornerstone Partnership and NMOs will need to expend ample resources to implement a planning process that results in buy-in from practitioners, strategic partners, and needed supporters. I would urge the Ford Foundation to provide the resources necessary to conduct an effective and comprehensive strategic planning process.

Formalize Organizational Collaboration and Accountability

I recommend that the organizations working in the sector adopt a new formalized system of inter-organizational coordination and collaboration with accountability to the sector leader. I propose that the Ford Foundation makes funding for NMOs contingent upon this coordination and collaboration (see Figure 1). Lastly, I recommend that the Ford Foundation increases its funding for the sector leader and NMOs but mandates that Ford grants are used for supporting PAH sector formation and growth, as set forth by the strategic plan and program agendas led by Cornerstone Partnership.

The Ford Foundation *is* a foundation and not a national organizing body comprised of practitioners or applied experts. Therefore, Ford is sometimes limited to offering guidance and communicating its priorities to organizations working on grant proposals. However, the PAH landscape is lacking leadership that helps to ensure proposals for PAH projects are working effectively together and catalyzing scale (rather than proposals that focus more narrowly on the separate agendas of each applicant). It should be noted that the Ford program officer overseeing many PAH-related projects has requested that grant recipients collaborate and coordinate, but ultimately, a foundation is not able to provide the regular oversight, management, and staffing to implement effective collaboration and ensure performance.

Consequently, I propose that the Ford Foundation funds Cornerstone Partnership to act in this capacity as the sector leader, planner, manager, and monitor. As presented in Figure 1, Cornerstone Partnership would review and approve NMO's proposals for Ford funding to ensure that their proposals align with the sector's strategic plan and work plans for the program areas of Cornerstone Partnership. Cornerstone Partnership should also have a formal role in reviewing performance of the NMOs under Ford-funded proposals to maintain accountability. Perhaps Ford could incentivize performance by committing to ongoing funding for high-performing organizations.

While this proposal is giving a tremendous amount of power to Cornerstone Partnership, I do not believe that the Ford Foundation (or any other foundation) has the capacity to adequately coordinate multiple organizations and inter-organizational work plans or cross-sector performance. One entity needs to be in charge and held responsible for the performance and progress of the sector. However, I would also suggest that adequate checks and balances are put in the place to ensure that the sector leader is, in fact, effectively leading the sector. For instance, NMOs and other stakeholders should be involved in strategic planning and annual work planning for Cornerstone Partnership, and perhaps an Advisory Board including representatives from NMOs, local PAH programs, and other PAH stakeholders should be involved in reviewing the performance and priorities of Cornerstone Partnership.

Conclusion

Practitioners, advocates, funders, and partners alike have identified broad targets and activities that would result in the expansion of permanently affordable homeownership opportunities for lower income households (see Appendix A). What has been missing from the national dialogue is acknowledgement and reconciliation of critical issues existing in the PAH landscape. First, practitioners do not feel a sense of ownership or belonging to a sector. Second, the sector remains ill-developed in name, definition, leadership, coordination, and implementation. Third, the primary funder—the Ford Foundation— has not strategically invested in sector development and growth to enable better outcomes. Hence, this report has made explicit what has—for the most part—been “left unsaid” by PAH stakeholders and acknowledges how these existing problems may injure the future development of PAH. The comments and critiques I have put forth are not meant to be simply an academic exercise, nor are they meant to undermine the impressive work conducted by organizations that engage in or support PAH. Rather, the sole intention of this report is to make seemingly controversial dynamics or issues more approachable for stakeholders by putting them on the proverbial table.

This report has also put forth recommendations to help resolve existing problems and advance sector formation. I believe that the recommendations put forth will result in increased participation and acceptance of the sector by practitioners and other stakeholders. Additionally, the Ford Foundation should see better outcomes for advancing scale in the sector. My recommendations include renaming and redefining the sector, redesigning the roles and functions of existing organizations, creating a practical and highly strategic plan, and formalizing inter-organizational coordination and accountability.

Stakeholders may evaluate my recommendations as not the best course of action or infeasible. That would mean that my objectives were met, as ultimately I hope that this report will act as catalyze for further dialogue and critical engagement among stakeholders. The feedback and participation of stakeholders is vital to create and implement a more effective and coordinated strategic plan for sectorial development.

If the sector does not take root and implement a productive and aggressive growth strategy soon, much is at stake. First, SEH may remain within the margins of the U.S. housing market, helping a nominal number of households and modestly affecting select communities. Second, lower income households that could benefit from SEH may be left vulnerable to exotic loan products similar only in name. Third, the modest but increasing attention that has recently been paid to SEH by needed supporters could quickly wane if the sector fails to be responsive and proactive. Fourth, the progress, capacity, and services of national organizations could dissolve if the Ford Foundation loses their interest or faith in the capability for the sector to make significant strides. Ultimately, if PAH stakeholders are to forge a more positive trajectory for the future of PAH, then stakeholders must change from a grassroots, one-community-at-a-time approach to an approach that embraces sector formation and institutionalization of PAH. I hope that this report may fuel the efforts necessary for PAH to work towards becoming a viable third sector of housing.

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Footnotes

[1] Deed-restricted covenants are a common legal vehicle to set restrictions on properties, which may include restrictions to maintain the affordability of a home. Deed-restricted covenants are the dominant legal mechanism utilized by inclusionary zoning programs and other publicly-funded affordable housing programs to institute short-term affordability restrictions on rental and homeownership units. However, deed-restricted covenants may be designed and utilized to preserve long-term or permanently affordable housing. Programs using deed restrictions in the latter way shall be termed "deed-restricted housing" programs or "DRH programs" hereinafter.

[2] Due to my research and employment at the Network, I am frequently invited to participate and present at national conferences and meetings about CLTs and SEH. Inevitably, the knowledge I have gained from my work at the Network significantly informs this report; however, I am assuming the position of an "outside onlooker" for evaluation and interpretation set forth in this report, as this report has not been funded by or endorsed by the National Community Land Trust Network and solely represents the views of the author.

[3] The reviews of each submodel of shared equity homeownership present generalizations, common trends, and the most frequently used structures, policies, and practices for each submodel. Undoubtedly, there are many LECs, CLTs, and DRH programs that do not fit the descriptions presented in this report.

Appendix A. Recommendations for Taking Shared Equity Homeownership to Scale

Below are some activities that were identified to enable shared equity homeownership (SEH) to reach scale by presenters and participants of a convening titled, "Shared Equity Housing: A Forum on Financing and Capitalization." Activities are not listed in any order of priority. The convening was held at the offices of the Federal Reserve Board of Governors on June 22nd, 2012 in Washington, D.C. Approximately 60 attendees participated in the convening, including SEH practitioners, the Ford Foundation, representatives from public institutions and financial institutions, and leaders from national non-profits that support affordable housing. The convening was supported by NeighborWorks America, the Ford Foundation, the Federal Reserve Bank Board of Governors, and Federal Reserve Bank of Richmond. Additional notes from the convening, which were created by the Federal Reserve Bank, may be retrieved here: http://www.richmondfed.org/conferences_and_events/community_development/2012/sharedequity_20120622.cfm

- Promote public acceptance for a "third sector" of housing
- Provide additional resources and benefits to homebuyers that are only offered by the SEH sector (e.g. maintenance assistance, bulk utility purchases, discounted insurance, mortgage insurance waivers, reduction in transaction costs)
- Design a national approach for communicating about SEH that is consistent across the entire sector (e.g. branding, messaging, marketing, education)

- Standardize all aspects of SEH implementation, especially for partners (e.g. process for buyers and sellers, lending procedures and requirements, criteria and process for selling loans on secondary market, procedures for appraisals)
- Standardize education and messaging for potential homebuyers and supporting partners (e.g. lenders, developers, funders, realtors, appraisers, and government representatives)
- Create a certification system for SEH programs that ensures specific quality in order to increase confidence for partners and streamlines building partnerships
- Document outcomes of SEH & systematically measure success of sector
- Convert existing affordable housing to SEH and get affordable housing developers to adopt SEH:
    - Convert low-income housing tax credit projects to SEH after affordability periods expire
    - Have affordable housing non-profits, especially those with high capacity, adopt the SEH model (e.g. Habitat for Humanity affiliates, community development corporations, NeighorWorks America members, community development financial institutions)
    - Convert mobile home parks to resident-owned communities that preserve affordability
- Change policies and programs of publically-funded affordable housing programs to prioritize SEH:
    - Prioritize SEH through low-income housing tax credit project selection

    - Convert existing inclusionary zoning and short-term deed-restricted programs to SEH
    - Prioritize permanent affordability in HUD-funded programs (e.g. HOME, CDBG, NSP)
    - Prioritize SEH in the Affordable Housing Programs offered by Federal Home Loan Banks
- Find a way to ensure property taxation of SEH is equitable, affordable, and standardized
- Increase access to first mortgages and the secondary mortgage market:
    - Streamline mortgage lending to SEH and obtain institutional regulations that enable lenders to efficiently lend to homebuyers without added burden
    - Gain access to secondary mortgage market and create efficient systems for lenders to sell loans on secondary market
    - Change policy regulations to obtain access to FHA-insured mortgage products
    - Gain access to loan products offered by state housing finance agencies
    - Partner with national and local community development financial institutions (CDFIs) to provide first mortgages
    - Ensure that qualified residential mortgage regulations enable SEH