

HB 1031, also known as the Oklahoma Housing Stability Program, became law June 2, with an effective date of July 1. The program provides \$215 million for the new construction of single-family homes, multifamily rental housing, and homebuyer down payment and closing cost assistance in rural and urban Oklahoma communities.

Oklahoma Housing Finance Agency, as the administrator of the Oklahoma Housing Stability Program, is soliciting public comment on the program's draft white paper utilizing this discussion board.

Draft emergency rules have been published on OHFA's website and public input sessions on the rules and application(s) will be held on the following dates:

July 10 at 1:00 p.m.

**Metro Tech Springlake Campus Auditorium
1900 Springlake Dr.
Oklahoma City, OK 73111**

July 11 at 1:00 p.m.

**OSU-Tulsa Conference Center
Auditorium 700 N. Greenwood Ave.
Tulsa, OK 74106**

July 12 at 1:00 p.m.

Virtual Zoom Meeting

August 7th at 10:00 a.m.

**Indian Capital Technology Center - Seminar Center
240 Career Tech Way
Tahlequah, OK 74464**

August 8th at 10:00 a.m.

**High Plains Technology Center
3921 34th St.
Woodward, OK 73801**

August 14th at 10:00 a.m.

**Kiamichi Center for Workforce Advancement
314 East Main Street, Room 112
Durant, OK 74701
~~Kiamichi Career Technology Center - Room 112~~
~~810 Waldron Rd.~~
~~Durant, OK 74701~~**

August 15th at 10:00 a.m.

Museum of the Great Plains - Louise D. McMahon Hall
601 NW Ferris Ave.
Lawton, OK 73507

Name: Oklahoma Housing Stability Program

Funding Source: State of Oklahoma

Proposed Funding: \$215 million

Purpose: Increase the number of Single-Family residences available for purchase across the State of Oklahoma for individuals and families by creation of the Oklahoma Homebuilder Program and the Homebuilder Revolving Fund.

Provide gap financing to aid and incentivize the production of rental housing across the State of Oklahoma by creation of the Oklahoma Increased Housing Program and the Oklahoma Increased Housing Revolving Fund.

Remove the barrier to homeownership for Oklahomans caused by the lack of available funds for down payment and closing costs associated with buying a home by creation of the Oklahoma Increased Housing Program and the Oklahoman Increased Housing Revolving Fund.

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

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

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

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

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

Homebuilder Subsidy for Homeownership **\$100,700,000**

A 0% interest recourse loan program, which will provide 90% of the financing to for-profit and not-for-profit homebuilders committed to building single-family residences available for

purchase in the State of Oklahoma. The 90% recourse loan will be tied to the budget submitted at the time of application, less any builder profit included. The homebuilder must provide 10% of their own money upfront. The sales price of these homes will initially be capped at \$160/sq. ft. The OHFA Board of Trustees will evaluate and possibly adjust these limits based on market conditions. The home sizes may range from 1,000 sq. ft. to 2,000 sq. ft. If Down Payment/Closing Cost Assistance is required for the homebuyer, then they must utilize one of OHFA's Down Payment Assistance Programs; this will be enforced by a deed restriction that will be filed at closing and will last for 3 years, at which point the deed restriction will expire. If the homes are not being sold utilizing any Down Payment/Closing Cost Assistance, the homebuilders can use their standard marketing efforts and sell to any prospective homebuyers. Additionally, the home purchased must be owner-occupied for a period of no less than three years. Applicants must propose to build a minimum of 5 units and no more than 25 units at a time. Before submitting another application to OHFA for this program, all proposed units must be sold, and the loan must be repaid. Applicants must have experience of building a minimum of 5 single family homes that have received a certificate of occupancy, experience must be proportional to the number of units being proposed. To ensure funds are available throughout the State of Oklahoma while also incentivizing rural development, 75% of the funds will be set-aside for proposed developments located in Non-Metropolitan Statistical Areas or in rural areas as defined by the US Department of Agriculture (rural areas), and the remaining 25% of the funds will be set-aside for proposed developments located in Metropolitan Statistical Areas (urban areas).

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

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

This program is for the new construction of single family homes only, no duplexes/condos/townhomes are allowed.

Example: A builder applies to build an 1,800 sq. ft. home in rural Oklahoma for a budgeted \$130/sq. ft. equaling a cost of \$234,000 and a 90% recourse loan of \$210,600 with a 10% builder contribution of \$23,400. The builder then sells the home for \$288,000 (1,800 sq. ft. at maximum sales price of \$160/sq ft.); builder pays \$210,600 back to OHFA. $\$100,700,000 / \$210,600$ (amount borrowed) = 478 new homes produced. Using the example above, approximately \$100.7 million (478 homes*payback of \$210,600) will remain to be loaned out in future rounds of funding.

Potential program impact: Approximately 478 homes produced in the first round of funding with \$100,700,000 to be lent to homebuilders in funding rounds in subsequent years. This cycle will repeat in perpetuity.

Developer Subsidy for Rental Housing

\$63,550,000

~~Provide an equity incentive in an amount up to \$25,000 per unit (3 or more bedrooms), \$20,000 per unit (2 bedrooms), \$15,000 per unit (1 bedroom), or \$5,000 per unit (efficiency/studio). A 0% interest recourse construction loan program, which will provide gap financing to for-profit and not-for-profit developers committed to building single-family and/or multifamily rental units across the State. The financing will be the lesser of \$3,000,000 or 25% of the total development costs, up to an 85% loan to value (LTV). In either event, the total amount of debt financing on the property during the construction period cannot exceed 85%. Rents will be capped at 150% of FMRs for 3 years (up to the lesser of the annual increase in the FMR or a 5% increase, annually). Developers must have met the minimum of 2 years' experience developing single family homes and/or multifamily units requirements. Experience must be proportional to the number of units being proposed. To ensure funds are available throughout the State of Oklahoma while also incentivizing rural development, 75% of funds will be set-aside for proposed developments located in Non-Metropolitan Statistical Areas or in rural areas as defined by the US Department of Agriculture (rural areas), and the remaining 25% of funds will be set-aside for proposed developments located in Metropolitan Statistical Areas (urban areas).~~

~~The incentive will be paid once the Certificate of Occupancy and other necessary closeout documents are submitted to OHFA.~~

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

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

~~Example: 100 units of 3 bedroom apartments are built, receiving \$25,000 per unit in subsidy (\$25,000*100 = \$2,500,000), \$63,550,000/\$25,000 = 2,542 rental units built. A development with a \$10,000,000 total development cost borrows program funds of \$2,500,000 at 0% interest. The developer borrows an additional \$6,000,000 from another lender and puts in \$1,500,000 of their own equity contribution. Once construction is complete, the developer will pay the program loan back by taking out a permanent loan to pay off the construction debt.~~

~~Potential program impact: Approximately 2,542 rental units produced. More units could be built if smaller bedroom sizes are utilized.~~

Consumer Down Payment and Closing Cost Assistance

\$40,000,000

Provide grants of 5% of the loan amount to fund down payment and closing costs associated with the purchase of a home. The homebuyer must retain the loan and occupy the unit for at least 3 years, otherwise 100% of the assistance provided must be repaid (e.g. refinance, transfer of title, or sale). Following year 3 of the homebuyer occupying the residence as their

primary residence and retaining the indebtedness, the 5% down payment assistance received will be forgiven. The repayment will be enforced by deed restriction. Any prospective homebuyer receiving funds from this program must combine it with one of OHFA's loan programs that include down payment assistance (3.5% silent second mortgage, which is due and payable upon sale of the home or refinance). OHFA's 3.5% down payment assistance must be contributed first before any assistance is contributed from this program.

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

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

Example: 1,800 sq. ft. homes are built and sold at \$150/sq. ft. equaling a sales price of \$270,000. Each homebuyer receives 5% in down payment and closing cost assistance equal to \$13,500. $\$40,000,000/\$13,500 = \text{approx. } 2,962$.

Potential program impact: Approximately 2,962 homebuyers will achieve the dream of owning a home.

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

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

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

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

Any interest earned on program funds or recaptures of down payment assistance due to early sale of a home will be added back to the program and utilized to assist more Oklahomans.

Additional Program Details

Homebuilder Subsidy for Homeownership

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

Homebuilders will be required to submit an OHFA application. The application must include builder experience (must have experience of building a minimum of 5 single family homes that have received a certificate of occupancy, experience must be proportional to the number of units being proposed), financial and background information, location(s) for build, number of units planned (applications must be for a minimum of 5 homes and a maximum of 25 homes), house plans, as-built appraisal(s), proposed sub-contractor relationships, marketing plans, budget, market study, and other required items.

Homes must meet a minimum build criteria, including:

Sq. ft. between 1,000 and 2,000 sq. ft.

Maximum sales price of \$160/ sq. ft.

Oklahoma Uniform Building Code must be used

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

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

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

Loans at 0% interest will have a maximum 24 month loan term. Loans must be repaid upon the sale of each home. If any homes built do not sell within the 24 month loan period, the interest rate will be accelerated to prime plus 1.

Developer Subsidy for Rental Housing

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

Developers will submit an OHFA application, which must include development experience.

Experience must be proportional to the number and type of units being proposed, financial and background information, location(s) for build, number of units planned (applications can be for no more than 200 units), proposed sub-contractor relationships, description of multi-unit development, as-built appraisal(s), marketing plan, budget, market study, and other required items.

Homes/units must be built in accordance with the Oklahoma Uniform Building Code.

Selected developers will receive a 0% interest recourse construction loan that will be the lesser of \$3,000,000 or 25% of the total development costs, up to an incentive amount 85% loan to value (LTV) to be paid as draw requests are approved. Once a draw request is submitted, OHFA's inspection contractor must conduct an inspection and document the progress. OHFA staff will review the inspection report and disburse approved funds. Developers will be required to pay construction inspection costs.

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

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

Loans at 0% interest will have a maximum 24 month loan term. Loans must be repaid once the development reaches a stabilized level of occupancy (85%). If the loan is not repaid within the 24 month loan period, the interest rate will be accelerated to prime plus 3.

Consumer Down Payment and Closing Cost Assistance

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

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

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