

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 will be published on [OHFA's website](#) no later than June 30 and public hearings on the rules 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

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](#). ~~with incomes up to 120% of Area Median Income (OHFA Board of Trustees may consider waivers to ensure program goals are met).~~

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

Impact:

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

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

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

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

Note:

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

Homebuilder Subsidy for Homeownership

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

A 0% interest recourse loan program, which will provide 90% of the financing to for-profit and not-for-profit homebuilders committed to building single-family residences available for purchase in the State of Oklahoma. The 90% recourse loan will be tied to the budget submitted at the time of application, less any builder profit included. The homebuilder must provide 10% of their own money to finance upfront. The sales price of these homes will initially be capped at \$160/sq. ft. in Metropolitan Statistical Areas (urban areas) and \$140/sq. ft. in Non-Metropolitan Statistical Areas (rural areas). The OHFA Board of Trustees would evaluate and possibly adjust these limits based on market conditions. The home sizes may range from 1,300 sq. ft. – 2,200 sq. ft. In exchange for building and selling the homes at a discounted price, a pro-rata share of the original loan will be forgiven as each house closes. 10% of the original loan will be forgiven for developments located in Metropolitan Statistical Areas (urban areas); 15% of the original loan will be forgiven for developments located in Non-Metropolitan Statistical Areas (rural areas). For example, if the homebuilder promised to build 30 homes in a rural area, 0.5% of the original loan would be forgiven as each house is sold. The remainder of the original program loan must then be paid back to OHFA. The homes must be sold to individuals who qualify for and utilize OHFA's Down Payment Assistance Program. whose annual income does not exceed 120% of Area Median Income for the prospective county and family size. This will be enforced by a deed restriction that will be filed at closing and will last for 3 years, at which point the deed restriction will expire. Additionally, the home purchased must be owner-occupied for a period of no less than three years. Applicants must propose to build a minimum of 5 units and no more than 100 units at a time. Before submitting another application to OHFA for this program, all proposed units must be sold and the loan must be repaid. Applicants must have a minimum of 2 years'

experience building single family homes. To ensure funds are available throughout the State of Oklahoma, 75% of the funds will be set-aside for proposed developments located in Non-Metropolitan Statistical Areas (rural areas) and the remaining 25% of the funds will be set-aside for proposed developments located in Metropolitan Statistical Areas (urban areas). To ensure timely expenditure of these funds, these set-asides may be adjusted by the OHFA Board of Trustees periodically.

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

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

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

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

Developer Subsidy for Rental Housing

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

Provide equity gap financing in an amount up to 10% of the Total Development Cost to for-profit and not-for-profit developers committed to building single-family and/or multifamily rental units across the State. Developers must have a minimum of 2 years' experience developing single family homes and/or multifamily apartment units. To ensure funds are available throughout the State of Oklahoma while also incentivizing rural development, 75% of funds will be set-aside for proposed developments located in Non-Metropolitan Statistical Areas (rural areas) and the remaining 25% of funds will be set-aside for proposed developments located in Metropolitan Statistical Areas (urban areas). To ensure timely expenditure of these funds, these set-asides may be adjusted by the OHFA Board of Trustees periodically. To aid in cost containment, there will be a maximum allowable Total Development Cost (TDC) of \$250,000 per unit.

Preference shall be given to applicants seeking to build homes and/or multifamily apartment units in communities that have been under a federally declared natural disaster within twelve

(12) months of the date of application.

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

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

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

Consumer Down Payment and Closing Cost Assistance	20% of allocation after Admin Cost \$40,850,000
--	--

Provide grants of 5% of the loan amount to fund down payment and closing costs associated with the purchase of a home. The homebuyer must occupy the unit for at least 5 years, otherwise 100% of the assistance provided must be repaid. Following year 5 of the homebuyer occupying the residence as their primary residence, the down payment assistance received will be forgiven on a pro rata basis (i.e. 1/60th of the amount forgiven each month until 100% of the assistance is forgiven or the remaining balance is re-paid if the homeowner sells or otherwise changes ownership or refinances the 1st mortgage. 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. $\$40,850,000 / \$13,500 = \text{approx. } 3,025$.

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

Administration/Compliance/Marketing	Up to 5% of total allocation \$10,750,000
--	--

Program administration will be carried out by OHFA staff (new and existing); including program
Page 4 Oklahoma Housing Stability Program

Revised June 30, 2023 June 1,

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

Homes must meet a minimum build criteria, including:

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

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

Minimum of a two-car attached garage

Nationally recognized building codes

Building facades that are a minimum of 60% brick

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

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

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

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

Developer Subsidy for Rental Housing

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

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

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

Nationally recognized building codes

Maximum allowable Total Development Cost (TDC) of \$250,000 per unit

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

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

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

Consumer Down Payment and Closing Cost Assistance

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

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

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