

FACES OF HOME

Rebate Helps Renter Become Owner

When Tiffany Hanson first moved into Bluestem Townhomes, she never knew her monthly rent check would wind up being so valuable.

The property manager of the Fargo affordable housing development told her about the Rent Rebate for Homeownership program, but at the time that the single mom signed the lease addendum, Hanson was more concerned about having an affordable place for herself and her son, Alex, to live. The possibility of receiving a portion of her rent back later to apply towards a home purchase was a nice idea, but it wasn't in her immediate plans.

Bluestem Townhomes developer, Beyond Shelter Inc. (BSI), began offering rent rebates with the construction of its first Low Income Housing Tax Credit (LIHTC) property in 2001. The organization chose to do so because the program aligned with its mission, "Improving lives and creating communities by developing housing for those most in need."

Rent rebate programs offered at LIHTC properties require a developer to make a commitment to set-aside a portion of tenant rent to be paid to the lender on behalf of any household that moves from the property directly into homeownership.

North Dakota Housing Finance Agency, administrator of the state's LIHTC program, encourages



developers to offer the rebates by scoring these program applicants higher.

Rebated rent is applied to down payment and closing costs. At BSI properties, tenants must have a minimum of two years of continuous tenancy to be eligible. Hanson is one of only seven BSI tenants, all in the Fargo area, to use the program. Lisa Rotvold, a BSI developer, hopes that more people in communities across North Dakota will take advantage of the program.

"By the end of the year, BSI will have more than 400 units eligible for the program including our newest properties in Minot and Dickinson," said Rotvold.

For the lower income households that live in the nonprofit's units, saving for a

down payment and qualifying for financing can be challenging.

"Because we are a mission driven nonprofit organization, our average tenant's income is even lower than those households served at for-profit tax credit properties," said Rotvold. "Ninety

percent of our tenants earn 50 percent of Area Media Income or less (\$28,850 for a two-person household)."

Saving for a down payment on a new home can be very challenging for

these lower income households.

Expenses like car loans, medical bills and daycare all put a strain on their monthly budgets, inhibiting the household's ability to save. They may have issues qualifying for financing because of lower credit scores.

And, families that

qualify for a mortgage loan may find that the loan is not large enough to afford what the market is offering.

"For households who have been in one of our developments for a few years, maybe gotten a raise at work or a better job and had time to save some money, then homeownership starts to be more attainable," said Rotvold.

"That is exactly what should be

Low Income Housing Tax Credits

NDHFA offers the federal low income housing tax credits annually through a competitive application process.

The credits are awarded to developers who sell the incentives to private investors in exchange for funding affordable housing construction or rehab.

A combination of government oversight, private sector investment and public input makes the program efficient and effective.

happening. Most families start at one place in life and work hard to move upward.

“We are happy to be able to help these families realize their dream of homeownership, building equity, and owning an asset that will appreciate,” Rotvold added. “When they move on, that affordable rental unit opens up to another family that needs it.”

When they became engaged, Hanson and her fiancé Scott English decided they wanted a home of their own. Hanson worked two jobs, saved money with English, and used equity from her vehicle to make their homeownership dream come true. The rent rebate turned out to be an added bonus.

“After living at Bluestem for eight years, I had forgotten about it,” admitted Hanson. “The property manager reminded me when I called to put in my notice.”

Hanson and English purchased a

home in Osgood, just south of Fargo. It has a poured foundation, one of their major criteria, and is in the right location. “We jumped and got lucky,” said Hanson. “I didn’t want to regret later not trying to buy it.”

They were fortunate to find the house after only searching for two to three months. After their wedding, the couple has plans to personalize the house, landscape the yard and put up a fence. One thing couldn’t wait though - Hanson agreed to let Alex get a dog, something he couldn’t have in their rental unit.

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