

AH Committee

Subject: FW: Invitation to attend and present: 5/23 Affordable Housing Committee meeting
Attachments: Maui presentation - RCAC.pptx

From: Gina Chamberlain <GChamberlain@rcac.org>
Sent: Monday, May 23, 2022 9:55 AM
To: AH Committee <AH.Committee@mauicounty.us>
Cc: Stacey L. Vinoray <Stacey.Vinoray@mauicounty.us>; Alison N. Stewart <Alison.Stewart@mauicounty.us>; Paige Greco <paige.greco@mauicounty.us>; Erika Holzhauer <EHolzhauer@rcac.org>; David Ferrier <dferrier@RCAC.ORG>
Subject: RE: Invitation to attend and present: 5/23 Affordable Housing Committee meeting

Good morning,

Please find attached my presentation for today's meeting.

GINA CHAMBERLAIN

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www.rcac.org RCAC> Creating vibrant, healthy and enduring rural communities



RCAC

RURAL COMMUNITY ASSISTANCE CORPORATION

About RCAC

Founded in 1978, RCAC is a 501(c)(3) nonprofit organization that provides training, technical and financial resources and advocacy so rural communities can achieve their goals. For more than 40 years, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality and integrity, have helped effect positive change in rural communities across the West. Learn more about who we are and how we operate at www.rcac.org.



RURAL COMMUNITY ASSISTANCE CORPORATION

Who We Serve

Headquartered in West Sacramento, California, RCAC's employees serve rural communities in Alaska, Arizona, California, Colorado, Hawaii and other Pacific islands, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. Our services are available to a variety of communities and organizations, including communities with populations of fewer than 50,000, other nonprofit groups, [tribal organizations](#), farmworkers, colonias and other specific populations.



Maui County 2022 HUD Area Median Incomes

FY 2022 Income Limit Area	Median Family Income Click for More Detail	FY 2022 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Kahului- Wailuku- Lahaina, HI MSA	\$101,100	Very Low (50%) Income Limits (\$) Click for More Detail	39,950	45,650	51,350	57,050	61,650	66,200	70,750	75,350
		Extremely Low Income Limits (\$)* Click for More Detail	24,000	27,400	30,850	34,250	37,350	42,780	48,210	53,640
		Low (80%) Income Limits (\$) Click for More Detail	63,950	73,050	82,200	91,300	98,650	105,950	113,250	120,550

National Low Income Housing Coalition

2021 Out of Reach Report for Maui County

Housing Wage

Maui County

ZERO-BEDROOM	\$25.40
ONE-BEDROOM	\$27.08
TWO-BEDROOM	\$34.08
THREE-BEDROOM	\$47.33
FOUR-BEDROOM	\$52.38

Fair Market Rent

Maui County

ZERO-BEDROOM	\$1,321
ONE-BEDROOM	\$1,408
TWO-BEDROOM	\$1,772
THREE-BEDROOM	\$2,461
FOUR-BEDROOM	\$2,724

Annual Income Needed to Afford

Maui County

ZERO-BEDROOM	\$52,840
ONE-BEDROOM	\$56,320
TWO-BEDROOM	\$70,880
THREE-BEDROOM	\$98,440
FOUR-BEDROOM	\$108,960

4 person 80%
AMI \$91,300 can
only afford a
2bd apartment



Additional Affordability Challenges

- High rents create cost burdened renters, resulting in limited savings and higher debts to afford high rent and cost of living
- Underwriting impacts
 - Lower down payment ability
 - Higher debt to income
 - Lower credit scores

National Models

- Thousand of variations using the different underwriting components to make it affordable.
- Main methods
 - Down payment Assistance for 3-20% or more – grant & loan
 - Purchase price – affordable for 50-120% AMI
 - Affordability covenants
 - Community Land Trust – removing the cost of the land
 - Mortgage financing

Conforms to major mortgage financing options

- FHA – Underwriting allows for 3.5% down payment and lower credit scores. Maximum housing ratio – 31% *(estimate that 2/3 of mortgages for moderate income and below are FHA)*
- USDA 502 Direct and 502 Guaranteed – 0% down payment and limited to rural areas. Maximum total debt ratio – 41%

Housing and Total Debt Ratios are lower than current model, eliminating these sources as option for most.

- Conventional – 5-10% down payment and higher credit scores required

RD eligible



Tan areas
ineligible

Current model

AMI - 3 BD	Purchase Price	Downpayment 3.5%	Mortgage	Interest Rate	PMI	PI	HOA	Taxes	Insurance	Conventional Housing Expense	% of Income - Conventional
50%	240900	8432	232469	5.25	360	1283	200	483.8075	85	2412.36	51%
60%	289100	10119	278982	5.25	432	1540	200	580.6092	85	2838.008	50%
80%	385400	13489	371911	5.25	576	2053	200	774.0117	85	3688.422	48%
100%	481800	16863	464937	5.25	721	2566	200	967.615	85	4539.72	48%
120%	578200	20237	557963	5.25	865	3080	200	1161.218	85	5391.017	47%
140%	674500	23608	650893	5.25	1009	3593	200	1354.621	85	6241.431	47%
160%	770900	26982	743919	5.25	1153	4106	200	1548.224	85	7092.728	47%

Proposed model

AMI - 3 BD	Purchase Price	Downpayment 3.5%	Mortgage	Interest Rate	PMI	PI	HOA	Taxes	Insurance	Conventional Housing Expense	% of Income - Conventional	FHA	% of Income
50%	133000	4655	128345	5.25	199	708.5	200	267	85	1460	30.7%	1351	28.4%
60%	157000	5495	151505	5.25	235	836.3	300	315	85	1771	31.1%	1644	28.8%
80%	223000	7805	215195	5.25	334	1188	300	448	85	2354	31.0%	2173	28.6%
100%	290000	10150	279850	5.25	434	1545	300	582	85	2946	31.0%	2710	28.5%
120%	355000	12425	342575	5.25	531	1891	300	713	85	3520	30.8%	3232	28.3%
140%	420000	14700	405300	5.25	628	2237	300	844	85	4094	30.8%	n/a	n/a
160%	490000	17150	472850	5.25	733	2610	300	984	85	4712	31.0%	n/a	n/a

Proposed change

The recently published Comprehensive Affordable Housing Plan (CAHP) recommends that we update our rent and sales price guidelines to come up with prices that include principal, interest, taxes, insurance, mortgage insurance, HOA fees capped at 31% of the homeowner's gross income.

Affordable Sales Price Limits – Cushion needed for changing market

- Interest rates are likely to increase
- Maximum amounts allowed result in only upper portion of each category qualifying
- Recommend using 31% as Housing Ratio to incorporate some cushion
- For moderate income and below using FHA, this results in typically less than 31% due to lower mortgage insurance

Other assistance

- Down payment assistance
 - If 20% or more, mortgage insurance can be eliminated on conventional.
 - Down payment assistance for closing cost and down payment
- Mortgage financing with flexible underwriting

Results of limited affordable housing

- Lower longevity of residency
- Lower community engagement due to short term residency and/or requirement to work multiple jobs
- Few workers to keep community running
- Lower quality of life considering limited funds for personal expenses (under 20%)
- High risk of default and foreclosure due to cost burden renters and homeowners

Proposed 31% total housing expense model benefit to community

- Homeownership affordable
 - Creates long-term fixed affordable housing expense
 - Wealth generation for low- and moderate-income households
- Community building
 - Generational wealth created
 - Ability to raise families
 - More time for community engagement