PROGRESS REPORT

So far while researching, I see three principal avenues in which we can partner with government housing agencies to provide an indirect pay raise to teachers by making their housing more affordable. Through these programs, we would also be able to encourage teachers to live in the communities in which they teach.

1) Build on HUD's existing Teacher Next Door program

2) Work with HUD's Federal Housing Administration(FHA) to design a loan program for teachers which would allow them to finance their home with a low down payment and low interest rates provided that they live in the school district in which they are employed.

3) Work with HUD to create a program in which school boards receive assistance from HUD when they build affordable housing for their teachers within school district lines.

HUD already has started a great program known as Teacher Next Door. In this new program, HUD will offer 8,000 to 10,000 single family homes to K-12 public school teachers this year at a fifty percent discount. Furthermore, if teachers purchase a home with an FHA insured mortgage, the down payment will be reduced to100 dollars.

Criteria and parameters: Only applies to teachers who teach in specially designated revitalization areas(over 600 currently designated). Must be a teacher in grades K-12, includes both private and public schools. The home must be in the school district in which the teacher is employed. The teacher must live in the home for a minimum of three years.

The homes HUD is selling to teachers are houses which FHA has already foreclosed on, thus making them HUD property. There are tens of thousands of HUD homes available throughout the country every year. It is very possible then that we could work with HUD to increase the number of homes in the program. We could also work with them to create a program where teachers who do not live in one of the designated revitalization areas pay more than 50% of the cost of the HUD home(say 75%) to buy a home. This is just one idea.. There are lots of possibilities to work with HUD and build on this program.

The second avenue is to work with the FHA, HUD's loan insurance agency. What FHA does is put the full faith of the US government behind bank loans. In other words, if the borrower does not pay back the bank, FHA will. What this does is allow lenders to offer loans with low down payments and low interest rates because they know they will get their loan back. FHA targets most of its programs for low and moderate income people. However, FHA also has a wide variety of programs focused on a specific group. For example, there is the Native American Program in which Native Americans' home loans are 100% guaranteed by the government. Similar programs exist for seniors, soldiers, farmers, and other groups. It is definitely possible then that we could work with FHA to create a program especially designed for teachers. For example, we could start a program where all inner city school teachers receive full backing for their mortgage loans provided that the home is in the community in which they teach . Like with the Teacher Next Door program, there's many opportunities to work with FHA to make housing more affordable for teachers. I have attached a description of FHA's program for soldiers so you can get any idea of how one of their program operates and what their criteria and parameters are.

The third and final avenue is through encouraging school boards to build affordable housing for their teachers within school district lines. This was what the school board in the article Randy found in the San Jose Mercury Times did. Importantly, it mentioned in the article that HUD assisted them. Furthermore, there was a quote from Art Agnos, HUD's Western regional director, saying that more school boards should do a similar thing and that HUD is 'more than willing to help'. I have tried contacting Agnos today and will try again tomorrow when he should be in. I want to try to find out the specifics on how exactly HUD helped them and as to whether they would be open to working with us to create a national program.

I'm going to keep looking but from what I've found out so far, these are the three possible routes we can take on this issue. In each one, we need to work with HUD or it's agency FHA. Other agencies represent in my opinion much less of an opportunity for us. Freddie Mac, for example, purchases loans from lenders and then sell these loans as securities to investors. The borrowers' interest payments go to the investors and the initial lenders have already been repayed by Freddie Mac. Because of this, lenders have their supply of funds quickly replenished which means they can offer many more loans. Unfortunately, Freddie Mac does not have any programs specifically targeted to groups like seniors, farmers, veterans, etc. While this does not mean that any opportunity does not exist, we probably would be more successful trying to first work with HUD and FHA who have already created specifically targeted programs. Fannie Mae is similar to Freddie Mac and is Freddie Mac's main competitor. Ginnie Mae is another possibility I looked into but it turns out that it is more of an administrator for FHA. It does not have the authority to decide whether individuals of a specific group would be eligible for government backing.

Sample FHA Program: Section 222, Mortgage Insurance for Members of the Armed Forces

This program is an example of something we could set up with teachers. In Section 222, FHA fully insures loans made to members of the US Armed Forces. Because FHA backs the loans, down payments are reduced for soldiers from 10% of cost of the home(in a traditional mortgage) to 3%. The program also substantially lowers interest rates and allows closing costs(about 3% of the cost of the home) to be financed rather than paid-up-front as is traditionally done.

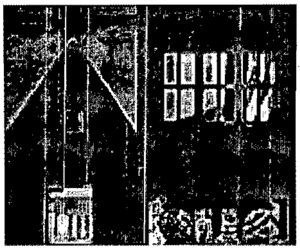
Principal Criteria and Parameters

1) Must currently be a member of the Armed Forces

2)FHA sets an upper limit on the dollar amount of the home's price(from $81,548 in some areas to $160, 950 in others.

3) FHA requires a small monthly insurance premium that the prospective homeowner pays to FHA.

4) The loan must be made through an FHA approved lending institution.



teacher next door

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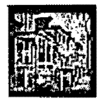
teacher next door

good teachers make great neighbors





The Teacher Next Door is an exciting new HUD initiative that will offer thousands of teachers highly discounted homeownership opportunities while also strengthening the communities where they work. The **Teacher Next Door** will offer an estimated 8,000 to 10,000 single-family houses, townhouses and condominiums for sale to teachers at **50 percent discounts** every year in specially designated revitalization areas.

Secretary Cuomo held a national announcement of the **Teacher Next Door** on March 13, 2000 at Burrville Elementary School in Washington, D.C.

Secretary Cuomo said, "By making it more attractive for teachers to live and work in school districts where they're needed most, we can build better futures for children and neighborhoods in need. A good teacher can make a great neighbor - as a mentor, an inspiring role model, and as a living link between the classroom and the community."

Secretary Cuomo was joined by Burrville Principal Gwendolyn Baccus and leader of the nation's two largest teacher's groups - American Federation of Teachers President, Sandra Feldman and National Education Association President, Robert Chase.

Feldman said: "HUD's **Teacher Next Door** initiative will help teachers buy a home and live in the community where they teach. It is an innovative, positive program that will benefit teachers, the children they educate and the communities they serve."

Chase said: "Secretary Cuomo's **Teacher Next Door** initiative is smart, community-friendly government at its best. It says that HUD values our teachers in a special way and is ready to help them get a piece of the American dream. I strongly encourage teachers to apply."

If you'd like more information on HUD's **Teacher Next Door** program, visit About Teacher Next Door or Questions and Answers.

OR

Send an e-mail to a Teacher Next Door Specialist at teacher_next_door@hud.gov.

Content last modified: May 1, 2000

good neighbor initiatives | officer next door | dollar homes | sales to nonprofits

about teacher next door

Any teacher who is employed full-time by a public school, private school or federal, state, county or municipal educational agency and is a state-certified classroom teacher or administrator in grades K-12 is eligible to apply for HUD's Teacher Next Door (TND) initiative.

Teachers can purchase HUD homes at 50 percent off of the list price in HUD-designated revitalization neighborhoods. These are neighborhoods receiving targeted public and private sector assistance that offer significant opportunities for local economic growth. To make properties even more affordable, HUD will reduce the down payment to just $100 if a teacher purchases a new home with an FHA-insured mortgage.

Homes must be located in the school district in which the teacher is employed. Homes offered for sale were previously insured through HUD's Federal Housing Administration (FHA) and then foreclosed on.

Teachers must live in their new home as their sole residence for at least three years after its purchase.

Teachers may purchase their home directly from HUD or use a real estate broker to arrange the sale. If a broker is used, the teacher's discount will be reduced by any broker or agent commission.

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questions and answers

1. How much of a discount do I get on my home?
HUD's Teacher Next Door discount is 50 percent off the sales price of the home. For example, if you bid successfully on a Teacher Next Door home listed at $100,000, your sales price is $50,000.

2. Who is eligible for HUD's Teacher Next Door initiative?
Any state-certified classroom teacher or administrator employed full-time by a public school, private school or federal, state, county or municipal educational agency is eligible to buy a Teacher Next Door home.

3. Where are the Teacher Next Door homes located?
In specially designated revitalization areas. The home must also be located in the school district where you work. There are over 600 revitalization areas across the country. Under HUD's Dollar Homes Initiative, teachers may have an opportunity to purchase HUD homes outside revitalization areas after an offering to local governments.

4. Can I get a HUD/FHA loan for a Teacher Next Door home?
Yes, if you qualify, HUD's Federal Housing Administration (FHA) offers low down payment loans. Your down payment can be as low as $100 if you purchase your TND home with an FHA-insured mortgage. Call us at 1.800.217.6970 to learn more about these loans.

5. Can HUD help me pay for improvements on my Teacher Next Door home if necessary?
Yes, HUD has a loan program – 203(k) – designed especially to help homebuyers both purchase and rehabilitate a home. For more information about the 203(k) program and whether you qualify, ask a Teacher Next Door Specialist or call us at 1.800.217.6970.

6. How long do I have to live in my Teacher Next Door home?
Three years, as your sole residence.

7. Do I have to use a realtor to buy a Teacher Next Door home?
Most people use a realtor when buying a home, but you are not required to. You may buy your Teacher Next Door home directly from HUD or use a realtor to arrange the sale for you, but you must pay the realtor's fees.

8. Can a teacher purchase a property at the 50% discount outside of the area where he/she is employed.
No. The Teacher must purchase a home in the school district/jurisdiction in which they are employed.

For more information on HUD's Teacher Next Door Program, call 1.800.217.6970 or send us an e-mail at teacher_next_door@hud.gov.

Content last modified: May 1, 2000

Hey JB,

Sorry I missed you. I've found some good stuff on how we can partner with gov. housing agencies to get more affordable housing for teachers. I've typed up a summary/progress report for it all. Take a quick look at it, let me know what things interest you, and I'll research those things further for when we meet. I'll check in with you sometime tomorrow and see if you're in.

Talk to you soon.

Aalap

Oh, just so you know, Randy and I divided it up so I'm doing the housing agencies part and he is looking for other examples.