

GLOSSARY OF HOUSING TERMS

ACQUISITION-REHAB PROGRAM

A colloquial term for program, usually run by a nonprofit group or local government, that purchases abandoned or substandard properties, repairs them and sells them to lower income homebuyers.

AFFORDABILITY GAP

The difference between the home price a household can afford and the current market price of a typical home for that household size. A *deficit* or *shortage* in affordable housing for a region is the difference between the number of affordable homes available and the number of homes needed to house all of that region's low-income residents.

AFFORDABLE HOUSING

A home is generally considered affordable if the household pays 30% or less of their gross income (before taxes are taken out) towards rent/mortgage payments. The term usually refers to homes affordable to people with low, very low and extremely low income, including low-wage working families, seniors on fixed incomes, veterans, people with disabilities and the homeless. There are different kinds of affordable homes, including public housing (owned by the local housing authority), Section 8 vouchers that help people rent privately owned homes, and privately owned housing developments with restricted rents. In the Bay Area, many affordable homes are built and managed by nonprofit organizations.

AFFORDABLE HOUSING OVERLAY ZONES (HOZs)

HOZs provide a package of incentives to developers who include homes that people can afford in their developments. They are called "overlay" zones because they layer on top of established base zoning regulations, and present developers with more choices by offering additional benefits to projects that increase the supply of homes that people can afford

AFFORDABLE HOUSING FUND

A subsidy funding program of the Federal Home Loan Bank Board, the official governing body that oversees savings and loan institutions.

AMORTIZATION

The gradual repayment of a mortgage by installments.

AMORTIZING LOAN

A loan for which equal payments are due on a regular periodic basis, usually monthly. The payments include varying amounts of principal and interest. These are sometimes called "level payment" loans, as opposed to deferred payment loans due only on resale or loans repaid with unequal periodic payments of principal and interest.

AREA MEDIAN INCOME (AMI)

A term of art used by some federal programs to describe published income standards for various areas of the country that are used as benchmarks for determining households' eligibility for federally funded programs. For example, homebuyers assisted with HOME or CDBG funds generally must have incomes at or below 80% of area median income. AMIs are calculated and published annually by HUD. "Median" means that half of all households in the area are estimated to have more than this amount of income.

BOOMERANG FUNDS

New property tax revenues to a city or county's general fund that came out of the elimination of Redevelopment Agencies, so called because these funds were relinquished by the local jurisdictions to the state and then "boomeranged" back to the local jurisdictions. Since 2012, over \$60 million dollars in boomerang funds have been set aside for affordable homes due to successes in San Francisco, Fremont, Alameda County, San Mateo County, Santa Clara County, and recently Mountain View.

BUILDER'S REMEDY

A housing development streamlining tool that provides developers the option to file an application for a housing development project with at least 20 percent affordable housing that is not in conformance with a jurisdiction's zoning or General Plan. This tool is triggered when a jurisdiction fails to maintain an HCD-certified housing element.

CAPACITY BUILDING

A term used to describe technical assistance (and sometimes staff grants) given to a nonprofit organization to increase their organizational and staff capacity, funding resources, and output.

CAPITALIZE; CAPITALIZATION

Has several meanings as used in the low-income housing industry. The most common is "capitalizing a loan fund," i.e. raising grants or low-interest loans for a fund from which loans are made to third parties. In real estate development, the term can also mean characterizing certain expenses such as loan interest and professional fees as capital costs, not ordinary operating expenses.

CASH-TO-CLOSE

A colloquial term used in the single-family lending industry to describe the total amount of cash to be provided by the homebuyer at the real estate and loan closing. This cash is applied to pay the down payment, appraisal fee, and other loan-related fees, recording costs, and pre-paid real estate taxes and insurance.

CHDO

Pronounced CHO-DOE. A HUD term for a Community-Based Housing Development Organization in relation only to the federal HOME program (see "HOME"). HOME reserves 15% of its funds for CHDOs. A CHDO must have on its board at least one-third low-income people, their specially elected representatives, or residents of low-income census tracts.

CHDO ENTITLEMENT

The amount of money a city, state or urban county gets annually from HUD based on a formula through the Community Development Block Grant program.

CLOSING

The occasion where the sale of real estate and/or the making of a loan is finalized. Sometimes called “settlement.”

COMMERCIAL LINKAGE FEES (CLF)

CLFs are a type of impact fee assessed on new commercial developments or major employers based on the need for workforce housing generated by new and expanding businesses. Revenues generated by the fee are then used to help fund the development of affordable housing opportunities within accessible commuting distance to the employment center.

COMMUNITY DEVELOPMENT

A term broadly used to describe any efforts to improve housing, infrastructure, education, social services and employment in lower income areas.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

This is a HUD (federal) program that provides grants to cities and states to undertake community development efforts. Affordable housing is a common use, and many cities subcontract with nonprofits to run the programs.

COMMUNITY DEVELOPMENT CORPORATION (CDC)

Entrepreneurial nonprofit institutions that combine public and private resources to aid in the development of affordable homes in socioeconomically disadvantaged areas.

Generally rural areas and cities smaller than 50,000 population must apply on a competitive basis annually or bi-annually to be a state government agency administering the Small Cities CDBG program.

CONVENTIONAL FINANCING

In the low-income housing industry, a term often used to refer to any loan made with non-subsidy sources. Among private, single-family lenders, a term to describe a loan that is made with a minimum 20% down payment and conventional underwriting criteria—a maximum 80% loan-to-value ratio and maximum 28/36 underwriting ratios. See “loan-to-value ratio” and “underwriting ratios.”

CRA – THE COMMUNITY REINVESTMENT ACT

A federal law that encourages lenders to make residential and commercial loans to low-income and minority people, and/or in low-income areas.

DEBT RATIO

See “installment debt ratio.”

DEBT SERVICE

Principal and interest payments on a loan usually paid monthly.

DEED IN LIEU OF FORECLOSURE

The transfer of title of a mortgage property from the owner to a mortgage lender to avoid foreclosure and further collection actions.

DEED OF TRUST

See “mortgage loan.”

DEFERRED PAYMENT SECOND MORTGAGE LOAN

A non-amortizing loan, usually at 0% interest, on which no repayments are due until sale or some other point in the future. They are usually made by a public or nonprofit agency to a lower income homebuyer or a developer of low-income housing. Sometimes called a “deferred payment loan,” a “DPL,” or a “soft second mortgage.”

DENSITY

The level of concentration (high or low) of buildings, including their total volume, within a given area. Often expressed as a ratio, i.e. homes per acre.

DENSITY BONUS

A percentage increase in the number of homes authorized for a particular parcel of land beyond the maximum allowed per local zoning ordinances used to incentivize the developer to include affordable homes. In California, the State Density Bonus Law (Gov. Code 65915), enacted in 1979, requires cities and counties to offer density bonuses, incentives and waivers to housing developments that include a certain percentage of homes affordable to low- or very low-income households.

DISPLACEMENT

Direct or Physical Displacement occurs when existing homes are torn down to make room for new buildings and tenants are forced to leave their homes and neighborhood. Indirect or Economic Displacement occurs when new development causes rents to increase, forcing people to move when they can’t afford the higher rents.

DOWN PAYMENT ASSISTANCE

Grants or low interest loans given to lower income homebuyer’s help to fund down payment and/or closing costs—usually in the range of \$2,000 to \$5,000. Less commonly, the term is used to refer to any second mortgage financing in any amount.

ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD)

A special district with defined boundaries that uses local property taxes to issue bonds to fund infrastructure projects (e.g. streets, utilities, sidewalks, pedestrian safety enhancements) or affordable housing.

EMERGENCY SHELTER

An intervention that places homeless families directly in permanent housing, rather than putting them through a succession of programs. Families reside in shelters for the minimum time necessary to secure housing. Individually tailored support services assist families in attaining housing and achieving stability.

ENTITLEMENT JURISDICTION

In the affordable housing world, a city or county entitled to receive Community Development Block Grant funds directly from HUD—usually with a population exceeding 50,000.

EXCLUSIONARY ZONING

An oft-mentioned policy that keeps affordable housing out of neighborhoods through land use and building code requirements. It's a legal practice that has been used for decades to keep lower-income people—disproportionately racial minorities—out of wealthy and middle-class neighborhoods across the country. It can have a damaging effect in that it prevents these low-income families from having access to the education and employment opportunities typically found in wealthier neighborhoods.

EXTREMELY LOW-INCOME HOUSEHOLD

As widely defined by governmental and nonprofit organizations, a household with an income at or below 30% of median income. See “area median income.”

FAIR MARKET RENT (FMR)

Rental rates set by the U.S. Department of Housing and Urban Development (HUD), that represents the estimated monthly rent for a modest apartment. FMRs determine the eligibility of rental housing units for the Section 8 program and serve as the payment standard used to calculate subsidies under the Rental Voucher program.

FANNIE MAE

The most common term for the Federal National Mortgage Association (FNMA), a publicly chartered corporation that buys residential mortgage loans from loan originators, typically local banks and thrift institutions.

FARMER'S HOME ADMINISTRATION

See “Rural Housing Service.”

FEE SIMPLE OWNERSHIP

Outright ownership of real estate, as opposed to leasing, lease-purchase arrangements, and buying a home on land leased from a land trust.

FIRST MORTGAGE LOAN

For a home purchase or a real estate project, usually the largest loan and one that gives the lender the most security. In case of foreclosure and sale, the first mortgage lender gets the money before any other lender is paid off. Also called a “first deed of trust” loan in some areas of the country.

FIXED-RATE MORTGAGE LOAN

A mortgage loan for which the interest rate does not change over time.

FORBEARANCE AGREEMENT

An agreement in which a lender postpones foreclosure on a mortgage loan to allow the borrower time to catch up on overdue loan payments.

FORECLOSURE

The process by which a mortgaged property may be sold when a mortgage is in default.

FREDDIE MAC

A commonly used name for the Federal Home Loan Mortgage Corporation, a publicly chartered corporation that buys residential mortgage loans from loan originators, typically local banks and thrift institutions.

GREEN/ENVIRONMENTAL HOUSING BENEFITS

Green house building practices ensure long-term affordability, while simultaneously improving people's health and living conditions. These benefits include lower bills, increased energy efficiency, less maintenance required over time, better air quality and proximity to parks and transportation.

HAMFI

HUD Area Median Family Income

HOME

The HOME Investment Partnership Program, a HUD program that grants housing subsidy funds on a formula basis to cities and states. Smaller cities must apply to states for funding. Funds may be used for acquisition, rehab, rent subsidies and (in some places) new construction. Subsidies can be low interest second mortgages, "forgivable" loans, grants, interest subsidies and rent subsidies. The program requires local nonfederal matching funds. HOME will fund developer fees and administrative costs of programs (up to certain limits).

HOMELESS

A person who lacks a fixed and regular nighttime residence. The general public tends to think of "homeless" as persons living on the streets, whereas it can include persons living involuntarily with a friend or family member, living in a car, etc.—anyone without a fixed address.

HOME BUYER TRAINING

Workshops conducted for groups of prospective homebuyers. Participants receive training on the pros and cons of buying a home, credit issues, the home search, mortgage financing, special financing (if available), the loan closing, home maintenance, and other responsibilities of homeownership.

HOPE

A series of HUD programs that provide grants to local governments, housing authorities, or nonprofit organizations to convert unused or HUD-owned rental properties to homeownership opportunities. Properties must be public housing or government foreclosed housing. The grant pays for some administration, but requires a local match. Applicants compete for funds in periodic requests for proposals.

HOUSING AUTHORITY

A federally recognized public corporation with boards appointed by the local government. Their mission is to provide affordable housing to low- and moderate-income people. In addition to public housing, housing authorities also provide other types of subsidized housing for seniors or others with special needs and via housing vouchers such as Section 8, Veterans Affairs Supportive Housing (VASH) or Family Unification Program (FUP).

HOUSING CHOICE VOUCHER / SECTION 8 PROGRAM

Federal rent-subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households. The voucher payment subsidizes the difference between the gross rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). Recent Bay Area media stories have covered the discrimination that Section 8 voucher holders have faced while searching for housing.

HOUSING COST BURDEN

When 30% or more of a household's income is spent on housing costs. Many households are severely over-burdened and pay more than 50% of their income towards housing (see Severe Cost Burden).

HOUSING ELEMENT

A required element of all California city general plans, housing elements identify and analyze housing needs and include goals, objectives, policies, and programs for providing a city's fair share of affordable housing needs. Although state law mandates that jurisdictions rezone enough land to meet their regional housing needs allocation and each jurisdiction is required to have an approved housing element, jurisdictions retain local land use control and Housing Elements are only plans for housing. Advocates then push for implementation of these plans and work tirelessly to get these cities and counties to produce the homes their communities desperately need.

HOUSING FIRST

An innovative approach to ending chronic homelessness in which people are provided rapid access to low-cost apartments, with vital medical, mental health and other support services available on site. It is a more humane, a more successful and a more cost-effective method than paying for these same individuals to cycle in and out of the emergency room, rehabilitation centers or jail.

HOUSING IMPACT FEE

A per square foot impact fee levied on market rate housing that can be used to build affordable homes. The fees are based on the idea that every person who moves into a market-rate home generates a need for services typically provided by employees paid less than the median income.

HOUSING PAYMENT RATIO

In single-family lending, the percentage of a borrower's income that will be spent on the housing payment after a home purchase, refinancing, or home renovation refinancing. This includes payments of loan principal, interest, real estate taxes, and insurance (called PITI).

HOUSING TRUST FUND

A loosely defined term covering various types of public and nonprofit-controlled funds from which loans and grants are made for affordable housing. These trust funds are variously capitalized with public revenue, dedicated taxes, grants and payments from market-rate developers.

HUD

The U.S. Department of Housing and Urban Development. See definitions of Community Development Block Grants, HOME, HOPE, Low Income Public Housing, Section 8 and Section 202.

INCENTIVE ZONING (IZ)

Incentive zoning is a policy requiring developers to make a percentage of housing units in new residential developments available to low- and moderate-income households. In return, developers receive non-monetary compensation in the form of density bonuses, zoning variances, and/or expedited permits that reduce construction costs. By linking the production of affordable housing to private market development, incentive zoning expands the supply of affordable housing while dispersing affordable homes throughout a city or county to broaden opportunity and foster mixed-income communities. Although some jurisdictions have voluntary programs, the vast majority of jurisdictions require compliance. Most programs mandate that 10-20% of the homes developed be affordable.

INCLUSIONARY ZONING

A requirement that developers of new housing include a certain percentage of below market-rate homes. Inclusionary Zoning is a local law and each city that passes this law decides how many units must be affordable, and what price is considered affordable. Often developers can pay the city an "in-lieu fee" instead of including affordable units, which allows the city to use the money to build new affordable homes. In California, there is a legal challenge to Inclusionary Zoning's application to rental housing, which is now being debated at the California State Supreme Court.

INFILL DEVELOPMENT

A strategy for accommodating growth and preventing sprawl through rehabilitating unused and underutilized lands into greater developments that feature greater density and efficiency.

INFILL HOUSING

New homes or apartments built on smaller tracts of land, often in older neighborhoods, urban renewal areas or inner cities that fall in line with the parameters of an infill development.

INSTALLMENT DEBT RATIO

In single-family lending, the percentage of borrower's income that will be spent on all installment debt after a home purchase, refinancing, or home renovation financing. The conventional ratio is 36% of income. Some community reinvestment loan products and insured loans allow a higher ratio.

LAND TRUST

In the strictest sense, a nonprofit organization that sells affordable homes but retains ownership of the land under them in order to control, through the lease, the long-term affordability of the homes. The lease ensures that the home is resold to a low-income family, sold at a below-market price, and/or sold with a share of the appreciated value going to the nonprofit. The term is used more loosely to describe programs that subsidize fee simple homeownership for low-income families and impose similar kinds of long-term affordability controls.

LAND VALUE RECAPTURE

Public action such as investment and regulation changes often cause property values to increase. With land value recapture, the public gets back a portion of the increased property value in the form of public benefits like affordable housing, instead of profits going completely to landowners.

LAYERED FINANCING

Financing for an affordable housing project that includes several subsidy sources (for example, HOME, CDBG, and Tax Credits).

LIEN

A document recorded in public records that represents a debt owed on the property. Examples of liens include: a recorded mortgage deed, a lien for unpaid taxes, and a mechanic's lien representing construction work on a property that was not paid for.

LEVERAGE

In low-income housing, this means using one source of funds in a project to encourage investment by another source. As in "our funding was leveraged five times in that project."

LOAN-TO-VALUE RATIO

The ratio between the proposed loan amount and the appraised value of a property that money is being borrowed for. For instance, if a proposed loan equals 85% of appraised value, the loan-to-value ratio is 85%. For community reinvestment programs, lenders will sometimes lend up to 95% or 97% of value, typically only if mortgage insurance is provided. The maximum ratio for conventional loans is 80%.

LOW INCOME

A person or household with gross household income below 60% Area Median Income, often including receptionists, preschool teachers and security guards, or 80% Area Median Income, often including construction workers, firefighters, and teachers in the Bay Area (depending on program eligibility requirements) adjusted for household size.

LOW-INCOME HOUSEHOLD

As widely defined by governmental and nonprofit organizations, a household with an income at or below 80% of area median income. See “area median income.”

LOW INCOME HOUSING TAX CREDIT PROGRAM (LIHTC)

Created by the Tax Reform Act of 1986 to provide incentives for private sector production of low income housing, LIHTC replaced traditional housing tax incentives with a tax credit that enables developers of affordable housing to raise equity through the “sale” of tax benefits to investors (corporations and individuals). Investors receive 10 years of tax credits in exchange for their investment. LIHTC is a very important source of equity for nonprofit housing developers. The program requires a certain percentage of homes built be restricted for occupancy to households earning 60% or less of Area Median Income and the rents on these units be restricted accordingly.

MARKET-RATE HOUSING

Housing built by for-profit developers with private capital for people above 120% Area Median Income, adjusted for household size. This often includes doctors, lawyers and technology workers.

MARKET RATE RENT

The prevailing monthly cost for rental housing. It is set by the landlord without restrictions. The rate varies on market conditions but historically trends higher over time. The 2022 Fair Market rent for a 2-bedroom apartment in Sonoma County is [\\$2,038](#).

MISSING MIDDLE HOUSING

House-scale buildings with multiple units in walkable neighborhoods that provide diverse housing options and support locally serving retail and public transportation options. Most often consisting of 4 to 11 units, while “Upper Missing Middle Housing” can consist of 12 to 19 units. They are referred to as “Missing” because these housing types have been typically illegal to build since the mid-1940s. “Middle” comes from their placement in the middle of a structure spectrum between detached single-family homes and mid-rise to high-rise apartment buildings, in terms of form and scale, number of units, and often affordability.

MIXED-USE DEVELOPMENT

A building or group of buildings that combines multiple revenue producing uses in an integrated and coherent plan. As an example, a mixed-use development might include retail space on the ground floor, offices on the middle floor, condominiums on the top floors and a garage on the lower level.

MODERATE INCOME

A person or household with gross household income between 80% and 120% of Area Median Income, adjusted for household size, often including registered nurses and police officers. This housing, also called Work Force Housing, is typically built by for-profit developers in exchange for incentives offered by local jurisdictions (density bonuses, etc.)

MODERATE-INCOME HOUSEHOLD

As widely defined by governmental and nonprofit organizations, a household with an income between 80% and 120% of area median income. See “area median income.”

MORTGAGE INSURANCE

Insurance provided by a private institution or public agency that insures a lender in whole or in part from losses due to a default on a loan. Lenders typically require mortgage insurance only for loans that are not considered conventional (see “conventional financing”). Borrowers pay the premiums. The Federal Housing Administration (FHA-part of HUD) provides many kinds of mortgage insurance, as does the Veterans Administration (VA) and many private insurers, who provide what is called “private mortgage insurance (PMI).”

MORTGAGE LOAN

A loan secured by a mortgage deed, meaning the property owner has agreed to give the property to the lender if monthly payments are not made, so the property can be sold to pay off the loan. First deed of trust loan means the same thing.

MORTGAGEE

The Lender of a mortgage loan.

MORTGAGOR

The borrower of a mortgage loan.

MULTIFAMILY HOUSING PROGRAM (MHP)

A subsidy program funded with state funds, administered by CA’s Dept. of Housing and Community Development (HCD).

NEXUS STUDY

A formal study that analyzes the relationship between new development (housing, office, retail, etc.) and increased demand for facilities and services. Nexus studies are used to document that there is a relationship between development and these additional needs, to calculate how much of a need is created by the development, and to decide the fees necessary to address these newly created needs.

NIMBY: NOT IN MY BACK YARD

Neighborhood opposition to low-income homes built near their own homes.

NON-AMORTIZING LOAN

See “deferred payment loan.”

NONPROFIT HOUSING

Nonprofit housing is developed by nonprofit corporations with a community board of directors and specific mission. Most housing developed by nonprofit housing developers is affordable with rents or prices below market-rate. Income generated from the housing is put back into the buildings and the mission of the organization, rather than being distributed to stockholders or individual investors as would be the case in for-profit housing.

OPERATING SUBSIDY

This is a type of subsidy going to property owners to reduce the management, maintenance and utility costs of housing. It is needed for projects housing extremely low-income residents who can't afford rents covering the actual costs of housing.

ORINATION

Once a lone has been underwritten, the act of processing the loan through closing, providing the loan funds and setting the loan up for servicing.

OVERCROWDING

The U.S. Census defines an overcrowded unit as one occupied by 1.01 persons or more (excluding bathrooms and kitchens). Units with more than 1.5 persons per room are considerably severely overcrowded.

PARTICIPATION LOAN

Usually, a first mortgage loan made on a larger real estate project such as an apartment acquisition, where two or more lenders provide the funds. In proportion to their funds provided, the share risk, repayments and any proceeds of sale in the event of a default. A common way to get lenders to finance multi-family deals that cannot immediately be sold to the secondary market.

PERMANENT AFFORDABLE HOUSING FOR HOMELESS FAMILIES

Permanent affordable housing with tenant services serves homeless families with barriers to sustaining sufficient income to maintain independent housing. Like Rapid Re-Housing, emphasis is placed on rapid placement into housing from shelters or homelessness to support families in establishing permanent housing as quickly as possible. Rent obligations remain affordable by an established standard (based on fund sources). Supportive services are not required, but Tenant Services may be made available for families.

PERMANENT HOUSING

Rental apartments or ownership homes that provide individuals and families with a fixed street address and residence. Most housing is permanent.

PJ

Either what you wear late at night, or a Participating Jurisdiction under the HUD HOME program. A PJ is a local or state government eligible to contract directly with HUD for HOME funds. Smaller cities must subcontract from state government agencies.

PLAN BAY AREA

A long-range regional plan for the Bay Area, adopted in July 2013. Its purpose is to encourage most new development (housing, jobs, etc.) to take place in areas close to transit in order to reduce greenhouse gas emissions that cause global warming. Local governments are required to make sure that they have enough land available to build housing that matches this growth pattern and community organizations and advocacy groups, including NPH, are organizing to make sure that Plan Bay Area includes affordable homes and policies that prevent lower income people from being displaced.

PMI

See “mortgage insurance.”

PREQUALIFICATION

The process of assisting a homebuyer in determining if they qualify for conventional and/or subsidy loans. This typically involves a credit check, verifying income and asset information, and evaluating debt, income, and credit information in relation to lender underwriting standards. The process typically determines: 1) if a borrower has good enough credit to borrow, and 2) approximately how much can be borrowed at certain interest rates and loan terms.

PRIORITY DEVELOPMENT AREAS (PDAs)

Areas designated by cities and approved by the Association of Bay Area Government, as places where new growth (housing, jobs) should be concentrated. PDAs must meet certain requirements, including location close to transit.

PDAs are supposed to be “complete communities” with housing, shopping and services accessible by bike and walking and homes for a range of economic levels. Plan Bay Area is based on concentrating growth in these PDAs.

PRIVATE MARKET OR FOR-PROFIT HOUSING

This housing rents or sells at market rate and is developed and owned by for-profit individuals, partnerships, or corporations.

PROJECT-BASED SECTION 8 HOUSING

This federal program created in the mid-1970’s initially pledged 20-year commitments of rent subsidy to developers of privately owned rental housing stock in the community to encourage them to build affordable housing. The program is subsidized and regulated by HUD.

PUBLIC BENEFITS ZONING

A set of policies that require developers to provide public benefits, such as affordable housing, especially in areas where the public sector has invested in transportation and infrastructure, or where regulations have been modified to provide more benefits to developers. Public Benefits Zoning is often based on the principle of “Land Value Recapture.”

PUBLIC HOUSING AUTHORITIES

Local government agencies that are authorized to manage housing for very low- and extremely low-income households, either as public housing, through Section 8 vouchers, or with other types of affordable housing. Generally, households pay no more than 30% of their income for rent and the remainder is subsidized by the Federal government through HUD.

PURCHASE-REHAB PROGRAM

See “acquisition-rehab.”

QUALIFYING RATIOS

See “underwriting ratios.”

RTC – RESOLUTION TRUST CORPORATION

A quasi-public, federally chartered corporation that was charged in the early 1990s with selling off assets acquired by the government from bailed-out lenders that were federally insured.

RAPID RE-HOUSING PROGRAM

Short-term intervention for homeless families, which includes housing attainment, employment, and financial assistance services. Support is provided for up to one year.

REGIONAL HOUSING NEEDS ASSESSMENT (RHNA)

Association of Bay Area Government (ABAG) assessment that produces regional, sub-regional and local targets for the amount and type of homes needed over a seven-year period, based on new growth. RHNA takes into account anticipated housing demand generated by employment growth and population increase, however, is not enforceable, which has led to the Bay Area vastly under producing housing for lower income individuals and families. RHNA also does not take into account prior unmet housing needs, which leads to the Bay Area falling farther and farther into a housing deficit.

RENT STABILIZATION

Policies and laws that prevent landlords from charging tenants large rent increases. Under California law, there is no limit on how much a landlord can charge a new tenant, but once the tenant moves in, future rent increases can be regulated.

In California, rent stabilization does not apply to new apartments built after 1995 and it does not apply to single-family homes, and while some jurisdictions have adopted rent stabilization and protection policies, the vast majority have not.

RENT SUBSIDIES

Term typically used to describe HUD’s Section 8 program, which subsidize, the rent of low-income tenants in privately owned apartments and are typically administered by local housing authorities. There are two types of subsidies with only slight technical differences—certificates and vouchers. Generally, tenants pay 30% of income for rent and utilities and HUD pays the rest directly to the landlord. Some other HUD funding programs for supportive housing and special needs housing can be used for rent subsidies. Some local governments sometimes provide rent subsidies or stipends with their own funds.

RURAL HOUSING SERVICE

A division of the U.S. Department of Agriculture that provides housing grants and loans to housing projects in small cities and rural areas, similar to programs of HUD in urban areas.

SECTION 8

See “rent subsidies.”

SECTION 8 VOUCHERS

This federal program is administered by local housing authorities. Also known as Housing Choice Vouchers, eligible tenants receive vouchers they can use to help them pay for apartments in the private market. With a voucher, tenants pay between 28 and 40 percent of their household income for rent and utilities, and the housing authority pays the difference between this amount and the amount the landlord requests.

SECTION 502

A program of the Rural Housing Service that provides low-income borrowers with direct low-interest loans or loan guarantees to buy a new or existing home. The guarantors are used as an incentive for private, institutional lenders to make home purchase loans at interest rates slightly below market. Section 502 loans are also sometimes originated as low-interest second mortgage loans made in tandem with first mortgage loans from private lenders.

SECONDARY MARKET

Collectively, the companies and government institutions that buy mortgage loans from lenders that originated them. Many single-family mortgage loans and some multifamily loans are sold to the secondary market, even though originators may still service many of the loans (see “servicer”).

SECONDARY FINANCING

A term used to describe any **financing** used in conjunction with first mortgage loans from conventional financing institutions—for example, a down payment grant, a deferred payment loan, or an amortizing second mortgage loan.

SELF-SUFFICIENCY PROGRAMS

A loosely defined term used to describe various programs that assist the homeless, people on welfare or public housing tenants in getting training, day care and employment. HUD funds or promotes several self-sufficiency programs for public housing tenants and tenants with HUD rent subsidies.

SERVICER

Or “loan servicer.” A company that collects payments due on mortgage loan, often the lender that originated the mortgage loan, even if the lender sold the loan to another entity.

SERVICING

The act of collecting loan payments, accounting for them, making reports and managing escrowed funds for taxes and insurance.

SETTLEMENT

See “closing.”

SEVERE HOUSING COST BURDEN

When 50% or more of a household’s income is spent on housing costs.

SHELTERS

Also called emergency housing. Provides temporary overnight living accommodations. Shelters often are not open during the day.

SOFT COSTS

A jargon term for non-bricks-and-mortar costs of a real estate development project. Includes architectural costs, surveys, appraisals, other fees, holding costs, etc.

SOFT MONEY

A jargon term for subsidy funds from public or charitable sources used in a real estate development project. There are degrees of “soft.” The softest funding consists of grants and deferred payment loans. Less soft are low interest, amortizing loans.

SOFT SECOND MORTGAGE

See “deferred payment second mortgage.”

SPECIAL NEEDS MMORTGAGE

A loosely defined term for affordable or no-cost residential facilities for people with special medical problems, the homeless or people enrolled in self-sufficiency programs. In the broadest sense, it includes emergency shelters, longer-term shelters, transitional housing, halfway houses, and group homes.

SPECIFIC PLANS

Plans prepared by city government to attract, stimulate, and guide development in a particular neighborhood. Often specific plans streamline certain requirements to make it easier for developers to get approvals to build projects.

SRO

Single Room Occupancy units. The traditional SRO unit is a single room, usually less than 100 square feet, designed to accommodate one person. Amenities such as a bathroom, kitchen or common areas are located outside the unit and are shared with other residents.

SUBORDINATED LOAN

In single-family mortgage lending, a second or third mortgage loan with a lien that is subordinate to a first or second mortgage loan. In the event of default and foreclosure, subordinated loans

are repaid only after other debts with a higher claim have been satisfied. (See “mortgage loan” and “lien.”)

SUBSIDIZED HOUSING

A generic term covering all federal, state, or local government programs that reduce the cost of housing for low- and moderate-income residents. Housing can be subsidized in numerous ways—giving tenants a rent voucher, helping homebuyers with down payment assistance, reducing the interest on a mortgage, providing deferred loans to help developers acquire and develop property, giving tax credits to encourage investment in low- and moderate-income housing, authorizing tax-exempt bond authority to finance the housing and/or providing ongoing assistance to reduce the operating costs of housing and others.

Public housing, project-based Section 8, Section 8 vouchers, tax credits, the State Housing Trust Fund, and Seattle Housing Levy programs are all examples of subsidized housing. Over the years, programs have been designed to help local housing authorities, for-profit developers and builders, nonprofit organizations and public development authorities provide low-cost housing. Unfortunately, the number of people needing subsidized housing is far greater than federal, state, or local funding for these programs.

SUBSIDY

In housing, money put into a deal to lower the monthly debt service on an individual home or in a larger project. Low interest second mortgage loans are the most common source of subsidy. Tax credit investments can also act as a subsidy. Rent subsidies are given to landlords to reduce rents paid by tenants.

SUPPORTIVE HOUSING

Combines affordable housing with individualized health, counseling and employment services for persons with mental illness, chemical dependency, chronic health problems, or other challenges. Generally, it is transitional housing, but it can be permanent housing in cases such as a group home for persons with mental illness or developmental disabilities. Supportive housing is a solution to homelessness because it addresses its root causes by providing a proven, effective means of re-integrating families and individuals into the community by addressing their basic needs for housing and on-going support.

THREE-TWO (3/2) OPTION

Underwriting guidelines that allow homebuyers to make a three percent down payment with their own funds, coupled with a gift from a relative or a two-percent grant or unsecured loan from a nonprofit or government-sponsored program. For example, Fannie Mae will purchase loans from approved lending programs that use this option, if the borrower’s income does not exceed 115% of the area median income.

TRANSIT-ORIENTED DEVELOPMENT (TOD)

Development of housing and mixed-use development close to public transit such as BART, frequent bus lines, etc. TOD is usually within 1/4 to 1/2 mile of a transit station or major bus line and Plan Bay Area encouraged TOD.

TRANSIT-ORIENTED COMMUNITIES (TOCs)

Development that enables people to access and use transit more often for more types of trips by centering housing, jobs, services, and shopping around public transit. TOCs typically are implemented within a 1/2 to 1 mile radius of a transit station or major bus line.

TRANSITIONAL HOUSING

A loosely defined term covering a number of housing facilities that serve the formerly homeless, people trying to get off welfare, or people released from institutions. Usually, the term of stay is restricted to one to two years. The most common form is apartments or shared living facilities for the formerly homeless or single female parents with children. When treatment and supervision is involved, a facility is usually called a halfway house or group home.

UNDERWRITING

The process of evaluating a loan application to determine if it meets credit standards and any other special requirements (as with special loan products for low-income borrowers). The underwriting process determines whether or not a loan will be approved, and on what terms and conditions.

UNDERWRITING RATIOS

Criteria used by lenders to determine how large a loan a prospective borrower can afford. The housing payment ratio (for “front” ratio) is the maximum percentage of monthly household income that can be paid for principal, interest, taxes, and insurance (PITI). The installment debt ratio (or “back” ratio) is the maximum percentage of income that can be paid for total installment debt (including PITI, car loans, etc.). Ratios for conventional loans are 28% for PITI, and 36% for all installment debt, often expressed as 28/36. Many special loan products allow ratios of 33/38 or even higher increasing the amount of the monthly payment and, thus, the amount that can be borrowed.

VACANCY RATE

The percentage of unoccupied units in a particular rental building or complex. A desirable low vacancy rate is generally considered to be 5% and factors for recently vacated units beings prepared for the next occupants. Generally, in boom times, vacancy rates fall; while in recessions, vacancy rates rise. Low vacancy rates often are a signal for market providers to raise rents.

VACANT PARCEL TAX

Is a special tax put on properties that meet the defined criteria for “vacant” as set by a governing body. This policy solution is typically leveraged to increase the supply of homes for rent or purchase to meet local housing demand. It’s commonly implemented in markets that are oversaturated with second homes, or dwellings that are typically occupied less than 30 days in a 12-month period.

VARIABLE-RATE MORTGAGE LOAN

A mortgage loan for which the interest rate may change over time in relationship to some index such as the market price of long-term U.S. Treasury obligations.

VERY LOW INCOME

A person or household whose gross household income does not exceed 50% of Area Median Income, adjusted for household size. This income category often includes preschool teachers, paramedics, and retail clerks.

VERY LOW-INCOME HOUSEHOLD

As widely defined by governmental and nonprofit organizations, a household with an income at or below 50% of area median income. See “area median income.”

VOUCHERS

Or Housing Vouchers. See “rent subsidies.”

WAITING LIST

Because there is a shortage of affordable housing, many individuals and families must sign up to be on a waiting list for a particular apartment or type of affordable housing. Waiting lists in Sonoma County can be up to 24 months depending on location and type of subsidy offered.

WORKFORCE HOUSING

Sometimes referred to as middle-income or moderate-income housing, workforce housing is housing for individuals and families typically earning between 60% and 120% AMI. (California California Statewide Communities Development Authority (CSCDA))

WRITE-DOWN

A colloquial term used to describe a grant from a public or private source used to pay for part of the costs of a real estate development project. The grant is called a write-down because it makes the housing more affordable for tenants or homebuyers.

YIGBY: YES IN GOD’S BACK YARD

A term coined to refer to affordable housing initiatives that make use of underutilized and/or repurposed faith-owned lands.