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# PROGRAM OVERVIEW

# Program Mission and Purpose

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The Gateway Neighborhood Fund program removes barriers caused by the **appraisal gap** by providing loans to qualified borrowers to purchase and renovate homes in communities with depressed home values.

# Why Are We Here?

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- Decades of discriminatory housing policies and practices perpetuate segregation and vacancy throughout the St. Louis region
- Homes in majority black neighborhoods are severely undervalued, with homes at nearly half the value of those in all-white neighborhoods.
  - This contributes to a cash market, largely occupied by big developers
  - Without access to mortgage lending for purchase or home improvements, homes in black neighborhoods become vacant and fall into disrepair, while families lose out on becoming homeowners in their neighborhoods
- Population loss, redlining, and foreclosures following the 2008 housing crisis have made getting a mortgage nearly impossible for potential homebuyers

# Why Are We Here?

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- One reason loans are not being made is because of an issue called the “**appraisal gap**” – when homes in distressed neighborhoods are significantly undervalued, or the rehabilitation costs exceed a bank's appraised value of the property
- The appraisal gap is a significant barrier to providing equitable access to financial resources in neighborhoods that need them the most
- Borrowers are often unable to provide additional funds to cover the appraisal gap caused by the current state of housing affairs in the St. Louis area, and requests for financing are being denied

## **So, what is the solution?**

hint: it's the Gateway Neighborhood Fund...

# Objectives

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What is the Gateway Neighborhood Fund?

How does the Gateway Neighborhood Fund Work?

- Eligibility
- Housing Counseling

# Gateway Neighborhood Fund Overview

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# Gateway Neighborhood Fund

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- Nontraditional program designed to encourage reinvestment in historically disadvantaged communities
- GNF is a specialized loan product that opens up credit for families to finance homes in neighborhoods that have been omitted from mortgage lending due to high LTV
- A similar program in Detroit has seen a 25% increase in lending since it's inception in 2015



# With GNF....

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## A homebuyer can:

- Buy a home
- Buy and rehab a home

## A homeowner can:

- Refinance and renovate their existing home



# Gateway Neighborhood Fund Details

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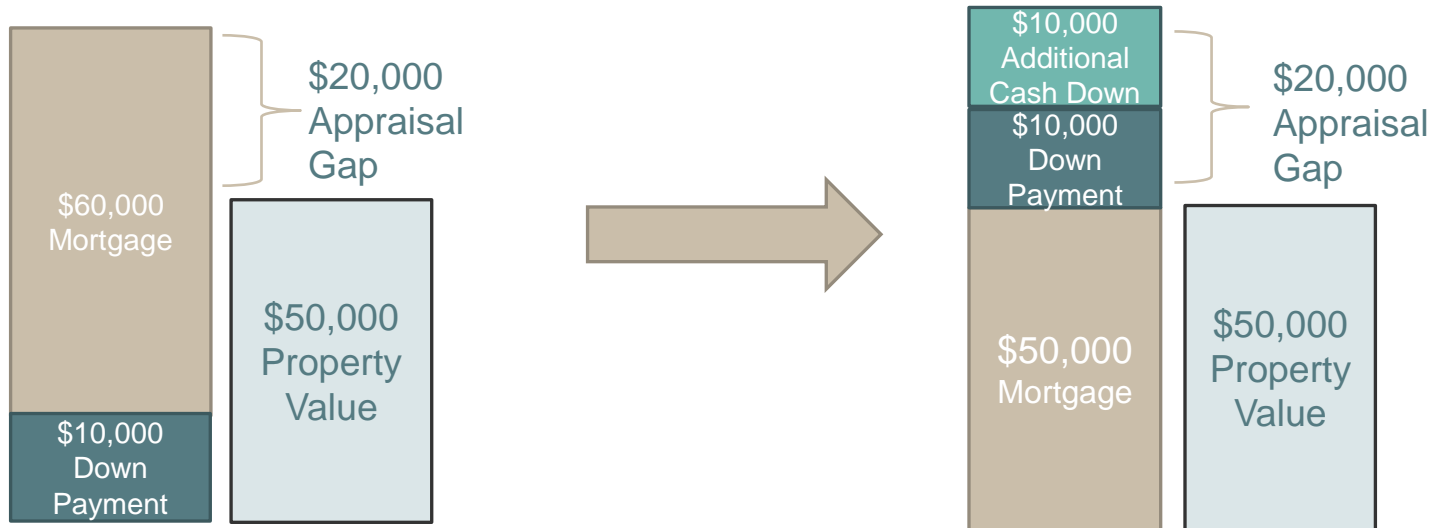
- GNF includes a **second mortgage** (up to \$75,000 over the appraised value) that will assist individuals purchasing property with a high appraisal gap
- Allows borrowers to bring a smaller down payment of 3% of the appraised value (minimum \$1000 borrower contribution)
- Provides financing for a borrower that qualifies for a traditional mortgage when their property does not



# Without GNF...

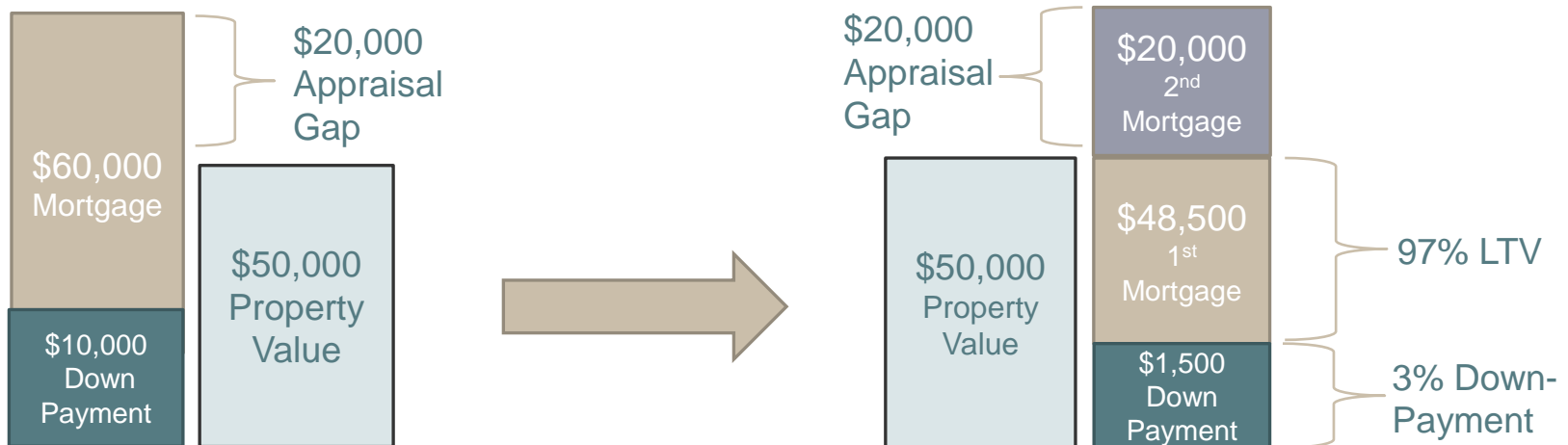
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The Millers are looking to purchase a home that is listed at \$70,000. They request a mortgage for \$60,000 with a cash down payment of \$10,000. However, the home only appraises for \$50,000. This leaves a \$20,000 appraisal gap. The Millers will have to come up with an additional \$10,000 in order to purchase the home or the seller will have to come down on price. If neither happens, the loan will be denied.



# With GNF...

- With GNF, The Millers are able to:
  - Finance at 97% LTV on the 1st mortgage
  - Use High CLTV financing to cover the appraisal gap using a 2nd mortgage up
  - The homebuyer can borrow **up to \$75,000 over the appraised value** to cover the appraisal gap and renovation, if applicable



# Homebuyer Eligibility

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- Minimum credit score of 620
- Minimum 2 years same or similar employment/income history
- No collections (medical and student loan collections do not apply if there is a payment plan in place)
- 3% down payment, minimum \$1000 from borrower
- 2 months reserves PITI
- 40% DTI
- Completion of standard homebuyer education AND High CLTV education

# Property Eligibility

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- Owner-occupied
- Within St. Louis City limits
- Single-Family (or multi-family conversion to a single family)

# Gateway Neighborhood Fund

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## Participating Lenders



# HUD-Housing Counseling – Justine PETERSEN

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- HUD Housing Counselors
  - Get YOU Homeownership Ready
- Includes:
  - Credit building
  - Home Buyer Education
  - Gate Way Neighborhood Fund Education Training & Process
    - Program specifics



# Advantages for the Homebuyer

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- Low down payment requirements
- No mortgage insurance premiums
- Don't need to be a first-time homebuyer
- No income limits
- Seller can pay your closing costs
- Lower minimum credit score
- Flexible underwriting
- Compatible with down payment assistance programs
- Low fixed interest rate
  - $\frac{1}{4}$  over Prime on the 1st mortgage;  $1 \frac{1}{4}$  over Prime on the 2nd mortgage





# Gateway Neighborhood Fund Benefits to St. Louis

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- Creates a lending ecosystem that revitalize and stabilizes neighborhoods by reducing vacancy.
- Eliminates the barrier to homeownership caused by the appraisal gap
- Improves financing options for homebuyers in distressed neighborhoods by allowing homeowners to access money for improvements.
- Makes homeownership available to traditionally underserved communities
- Increased Residential Property Values for Homeowners in St. Louis



# Q&A



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