

CHAPTER III

AFFORDABLE HOUSING

To understand and define affordable housing needs in Johnstown, we have reviewed the U.S. Census data and the Home Mortgage Disclosure Act statements for the metropolitan statistical area (MSA).

Demographics

The Johnstown MSA includes not only the city of Johnstown but also the surrounding counties of Cambria and Somerset. According to the 1990 census, there are 241,247 people living in the MSA, of which the city of Johnstown has 28,134 residents, or 11.6 percent of the total. The racial composition of the population is primarily white (98.1 percent), and 18.2 percent of the population is over 65 years of age. The median income for families in the MSA is \$26,144; low income is defined as 50 percent or less than the median, and moderate income is defined as 51 to 80 percent of the median. Within the MSA, 39.5 percent of all households and 36.9 percent of all families live at incomes below 80 percent of the median. The poverty rate is 15.1 percent for households and 11.2 percent for families.

Housing in the Johnstown MSA is predominantly single family (83.8 percent), defined as structures with one-to-four-family units. Mobile homes, at 7.8 percent of the total, represent the second largest category, and multifamily units (5+ units per structure) are 6.6 percent of the total. Other units (1.8 percent) comprise the balance of housing units; they include dormitories, homeless shelters, nursing homes, and institutional housing. Approximately 3 percent of the population lives in these types of facilities.

The housing stock in the Johnstown MSA was largely built prior to 1960 (63.9 percent) and units are mostly owner-occupied (66.3 percent), which reflects the predominance of single- family properties. The census reports that 23.5 percent of the

MSA's owner-occupants have resided in their homes since 1960 or before. Vacant units comprise 11.2 percent of the total, but boarded-up properties comprise only 0.1 percent of all units.

The median value for owner-occupied units is \$40,600, which is 1.55 times the median income for the MSA. This affordability index measures the cost of housing relative to income, with 2.5 considered the ideal and 3.0 the maximum for affordability. On a broad comparison basis, housing values are generally affordable in the MSA. Another indication of affordability is that less than 15 percent of the homeowners in the MSA pay 30 percent or more of their income toward monthly housing costs. Renter housing is not quite as affordable—37.4 percent of all renters are paying 30 percent or more of their incomes for monthly rental payments.

Demographics at a Glance				
	Johnstown City	Cambria County	Somerset County	MSA
Total Population	28,134	163,029	78,218	241,247
White Population	90.3%	97.3%	99.5%	98.1%
Black Population	8.9%	2.3%	.0014%	1.6%
Population over 65 Years of Age	23.1%	18.8%	17.7%	18.2%
TOTAL HOUSING UNITS: Occupied	12,536	62,004	29,574	91,578
Vacant	5,984	5,370	6,139	11,509
Median Value of Owner-Occupied Units	\$26,600	\$39,900	\$43,300	\$40,600
Total Number of Owner-Occupied Units	5,984	45,555	22,881	68,436
Affordability Index*	1.31	1.51	1.69	1.55
Median Monthly Gross Rent	\$239	\$276	\$283	\$278
Housing Stock Built Prior to 1960	81.8%	67.2%	59.9%	63.9%
Householder in Unit Prior to 1960	20.8%	24.5%	21.5%	23.5%
Homeowners Paying 30% or more of Household Income for Monthly Owner Costs	15.2%	14.4%	15.8%	14.8%
Renters Paying 30% or more of Household Income for Gross Rental Payments	39.5%	37.6%	37.0%	37.4%
Median Family Income (1989)	\$20,277	\$26,455	\$25,549	\$26,144
Unemployment Rate	9.3%(1991)	8.4%(1990)	7.4%(1990)	8.0%(1990)
Median Income as a Percentage of MSA Median Income	77.6%	1.01%	97.7%	100%

* Affordability Index = Median Value of Owner-Occupied Units/Median Family Income

Source: U.S. Bureau of the Census.

The previous information describes the MSA as a whole, but different patterns emerge if we look at income by census tract.

There are 70 census tracts in the MSA of which nine (12.9 percent) are classified as low- or moderate-income (LMI) because they have median incomes that are less than 80 percent of the MSA's median. Of the nine census tracts, one is low-income (less than or equal to 50 percent of the median income), and eight are moderate-income (51 percent to 80 percent of the median income). Most, but not all (seven of nine), of the LMI tracts are within the confines of the city of Johnstown. For the balance of the census tracts, 52 (74.3 percent) are classified as middle-income (80 percent to 120 percent of the median income), and six (8.6 percent) are upper-income census tracts (more than 120 percent of the median income). There are three census tracts with no income reported.

The next chart depicts some of the differences between LMI tracts and middle- and upper-income areas:

- Although LMI census tracts comprise 12.9 percent of the total, only 16,723 people, or 6.9 percent of the population, reside there, and only 8.7 percent of the MSA's housing units (9,005) are located within them.
- Low- and moderate-income households and families live in census tracts of all income levels—78.5 percent of LMI households (28,471) live in middle-income census tracts. For the 13,810 households living below the poverty level, 76 percent live in middle-income tracts. Families' places of residence show a similar but stronger pattern. There are 24,655 LMI families in the MSA, and 20,188, or 81.9 percent, are residents of middle-income tracts as are 78 percent of families with incomes below the poverty level.
- While only 1.6 percent of the MSA population is black, 13.9 percent of the

population in LMI tracts is black.

- The rate of home ownership in LMI tracts (35.5 percent) is only about half that found in middle- and upper-income tracts, where 68.6 percent and 73.5 percent of the residents, respectively, are home owners.
- The types of housing units in LMI tracts may in part explain the low rate of home ownership there. While single-family dwellings (one to four units) make up a significant portion of housing, 25 percent of the units in LMI tracts are in multifamily structures with five or more units per structure. In middle- and upper-income tracts, only 4.2 percent and 8.9 percent of the housing units, respectively, are in multifamily structures.
- Mobile homes are 9.5 percent of the housing units in middle-income tracts, but only 0.3 percent of the housing in LMI tracts.
- A larger percentage of vacant units are found in LMI tracts (16.6 percent) than in middle-income (11.6 percent) and upper-income (4.2 percent) tracts. In LMI tracts, boarded-up properties (0.2 percent) are twice that found in middle- and upper-income tracts (0.1 percent), but the number is very small.
- In middle-income census tracts, the percentage of renter households that pay 30 percent or more of their income for housing is 66.9 percent; in LMI tracts, the comparable figure is 22.1 percent.
- As of 1990, the unemployment figure in LMI census tracts was 18.0 percent, more than double and triple the 7.8 percent and 4.8 percent reported in middle- and upper-income tracts, respectively.

Selected Demographics of Johnstown MSA by Census Tract Income					
	Low	Moderate	Middle	Upper	MSA
Population	1,929	14,794	194,043	30,481	241,247
White	84.4%	83.2%	98.8%	98.5%	97.7%
Black	10.7%	15.5%	0.6%	0.5%	1.6%
Median Family Income	\$9,915	\$18,162	\$25,701	\$35,168	\$26,144
Poverty Level:					
Households	47.3%	32.9%	14.5%	6.0%	15.1%
Families	45.7%	26.8%	10.8%	3.9%	11.2%
Unemployed	24.4%	17.2%	7.8%	4.8%	8.0%
Owner Occupancy	32.8%	35.8%	68.6%	73.5%	66.3%
Vacant Units	19.1%	16.3%	11.6%	4.2%	11.2%
Boarded-Up Units	2.0%	2.0%	1.0%	1.0%	0.1%
Housing Types:					
1 to 4 Units	48.4%	73.3%	84.5%	88.6%	83.8%
5+	49.8%	22.2%	4.2%	8.9%	6.6%
Mobile Homes	7.0%	0.2%	9.5%	1.6%	7.8%
Other	1.1%	4.3%	1.7%	9.0%	1.8%
Median Value- Owner Occupied	\$28,333	\$22,104	\$38,776	\$60,201	\$40,615
Affordability Index	2.86	1.22	1.51	1.71	1.55

Source: U.S. Bureau of the Census, 1990

Home Mortgage Disclosure Act (HMDA) Statement Data

An important source of financial institutions' lending patterns in a community is the Home Mortgage Disclosure Act (HMDA) statement. This report is submitted annually to the Federal Financial Institutions Examination Council (FFIEC) and is available to the public for each reporting institution. The types of loans that must be reported are home purchase loans, for both owner-occupants and nonoccupants, refinancings, home improvement loans, and loans for improvement and/or purchase of multifamily structures (five or more units).

Depository institutions that have more than \$29 million in assets and a home or branch office in an MSA must file this report. Nondepository institutions are covered if they have assets of more than \$10 million and have an office or loan activity in an MSA. A depository institution is not required to report HMDA data, even though it meets the tests for asset size and location, if it made no first-lien home purchase loans (including refinancing of home purchase loans) on one-to four-family dwellings in the preceding calendar year. A nondepository institution is not required to report HMDA data, even if it meets the tests for location and asset size or lending activity, if its home purchase loan originations (including refinancing of home purchase loans) in the preceding calendar year came to less than 10 percent of all its loan originations (measured in dollars).

For this community profile, HMDA data were analyzed for 1995 through 1997 for the Johnstown MSA, which consists of Cambria County and Somerset County. In the years 1995 through 1997, 168 to 211 institutions reported the origination of 4,711 to 6,498 loans annually for a three-year total of 17,187 loans. The top 20 reporters in 1997 received approximately 75 percent of the applications. In 1997, \$239,902,000 in HMDA loans was originated.

Originated Loans: Johnstown MSA			
TYPE	YEAR		
	1995	1996	1997
Number of Financial Institutions Reporting	168	186	211
Home Purchase – Government	189	172	204
Home Purchase Loans- Conventional	1,691	2,158	1,866
Refinancings	884	1,711	1,665
Home-Improvement Loans	1,668	2,114	1,912
Nonoccupant Loans on 1-4 Family	265	325	315
Loans on Multifamily Dwellings (home purchase & home improvement)	14	18	16
Total	4,711	6,498	5,978

Source: Home Mortgage Disclosure Act (HMDA) data

HMDA information is valuable not only because it reports approved loans but also because it reports applications, denials, and the reason for denials of all applicants. Other reported information includes income, race, and gender of all applicants regardless of loan decision, and the property location by census tract. When sorted by the income of the applicants or the income of the census tract, the data provide an opportunity to determine if the credit needs of LMI families and LMI census tracts are being met.

HMDA Applications and Approval Rates By Income of Applicant: Johnstown MSA				
		<80% of Median Income	80% - 120% of Median Income	>120% of Median Income
Home Purchase Applications				
Government	Number		89	90
	% Approved		87.6%	78.9%
Conventional	Number	948	914	1407
	% Approved	46.9%	61.8%	78.6%
Refinances	Number	849	902	1451
	% Approved	42.6%	54.1%	68.2%
Home-Improvement Loans	Number	896	739	1126
	% Approved	65.5%	72.3%	83.4%
Nonoccupant Loans	Number	65	63	281
	% Approved	67.7%	71.4%	81.1%
Multifamily Loans*	Number			
	% Approved	0%	0%	0%

Source: HMDA Aggregate 1997. Approvals include originated loans and approvals not accepted. *Applications with no income reported not included except in multifamily category.

HMDA Applications and Approval Rates By Income of Census Tract: Johnstown MSA				
		<80% of Median Income	80% - 120% of Median Income	>120% of Median Income
Home Purchase Applications				
Government	Number	15	197	37
	% Approved	86.7%	84.3%	78.4%
Conventional	Number	130	2,944	474
	% Approved	56.2%	64.5%	79.3%
Refinances	Number	419	2,465	428
	% Approved	29.4%	60.0%	70.1%
Home-Improvement Loans	Number	157	2,370	274
	% Approved	59.9%	74.6%	83.9%
Nonoccupant Loans	Number	30	353	34
	% Approved	60.0%	77.6%	97.1%
Multifamily Loans	Number	4	13	2
	% Approved	50.0%	92.3%	100.0%

Source: Home Mortgage Disclosure Act (HMDA) data—1997

As one would expect, higher-income applicants had a higher approval rate than those with lower income, and applications from higher median-income census tracts had a higher approval rate than those from areas with lower median incomes. But the magnitude of the difference in approval rates (20 to 50 percentage points) requires further consideration. Bankers interviewed had various thoughts on the reasons for denial, but the HMDA data indicate that the two most prevalent reasons for denials of mortgage applications were (1) credit history, followed distantly by (2) high debt-to-income ratios. This was true for all income groups.

For LMI applicants and communities to achieve an approval rating equal to that of middle- and upper-income borrowers, special financing programs may be

necessary. The higher approval rates for government purchase loans seem to confirm this. Special financing programs include public and private loans with more flexible terms and/or government funds to subsidize or guarantee a loan. Loan counseling, particularly regarding credit, may also be required to better equip LMI and first-time home buyers.

Public/Private Partnerships

At least three groups within the MSA work with both public and bank financing to increase the opportunities for LMI families to obtain the financing they need. The following briefly describes their efforts.

1. **Keystone Economic Development Corporation (KEDC)**, a local nonprofit, initiated an innovative partnership to build four homes in the Prospect area of Johnstown to house low- to moderate-income families. U.S. Bank and PNC Bank provided construction financing of \$60,000 per home. The city of Johnstown subsidized the interest on the construction loan and provided a \$20,000 “soft” second mortgage with a 15-year term to each LMI buyer. The banks will provide the first mortgage of \$40,000 to the LMI home buyer at reduced interest rates, after buyers receive home ownership counseling from KEDC. The second mortgage requires no monthly principal and interest payment and will be forgiven if the buyer lives in the house for 15 years.
2. The **Johnstown Housing Authority** purchases properties from the county through tax sales and sells them to LMI families through its home-ownership program. Consumer Credit Counseling Services, Inc., provides pre-purchase counseling. If the LMI buyers are bankable, U.S. Bank provides them with mortgage financing and the city subsidizes the interest rate to provide lower-cost financing.
3. The **City of Johnstown** operates four housing-related programs through its **Department of Economic and Community Development**. All are restricted to LMI

families:

a. The **Owner-Occupied Rehabilitation Program** provides an existing owner with a home-improvement loan of up to \$15,000, which requires no principal and interest payments and is forgiven over seven years as long as the owner resides in the house. Because of the popularity of this program and the limitation of government funding, there is a three-year waiting period.

b. In light of this waiting list, **the Homeowner Housing Rehabilitation Program** was created. The city, using state HOME funds, provides half of the needed home-improvement funds (up to \$7,500) and forgives the loan after seven years. U.S. Bank provides the other half of the loan, up to \$7,500, at 1 percent below its regular interest rate to make the loan more affordable.

c. PNC Bank suggested the **First-Time Home Buyer Rehabilitation Program** to the city because it successfully introduced the program in Pittsburgh. Under this program, a first-time home buyer can get a 30-year mortgage through U.S. Bank, PNC Bank, or Laurel Bank at 1 percent below market rate and can apply to the city for up to \$20,000 in rehabilitation financing. The money for the rehabilitation comes from the city's Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development (HUD). The term of the rehabilitation loan is one year for every \$1,000 borrowed, and the forgiveness provision of the loan is \$1,000 each year that the person owns and occupies the property and keeps it free of code and energy violations.

d. Under the **Renter Rehabilitation Program**, the landlord provides one-half of

the funding for up to \$7,000 in renovations to each unit and the city provides the other half with no monthly principal and interest payment required. After seven years, the city's loan is forgiven. To qualify, the majority of the housing units must be designated for low- to moderate-income individuals.

Summary

Based on the loan and demographic data, if LMI families and communities are to achieve approval rates in line with their counterparts in middle- and upper-income categories and communities, public and private resources may be needed. The demographic data indicate that LMI communities not only have lower incomes but also need financing for multifamily properties in addition to single-family loans. The data indicate that LMI families live mostly in middle-income areas, and a disproportionate number of renters in middle-income census tracts have high housing costs. The HMDA data indicate a need for credit and home ownership counseling to improve applicants approval rates, but these prospective borrowers may also need a combination of public and private financing to reduce the amount of principal borrowed, the interest rate, and/or an extension of the repayment terms. More public/private partnership efforts could assist additional LMI families. Chapters V and VI of this profile detail not only the community organizations making that possible but also a wide range of government and bank financing programs used successfully locally, and throughout the state and the country, to address similar LMI credit needs.