

Teacher Home Loan Assistance



Problem Overview

Given relatively low wages and ever-increasing housing prices, many educators cannot afford to live in the communities in which they teach and work (Mongeau, 2015). Housing costs often prove prohibitive to remaining in the education profession or even considering a career in education. One policy solution is for communities to provide housing incentives that attract educators to their district, including relocation reimbursement, reduced rent, down payment assistance, reduced mortgage rates, and tax incentives for living in the community in which they work. Survey data have shown that for nearly a quarter of teachers who have left the profession, housing incentives would be extremely or very important in deciding whether to return (Podolsky et al., 2019).

Strategy Summary

Based on a comprehensive review of other public and private teacher home loan assistance programs, there are three primary structures to consider:

- forgivable loans (contingent on years of service) to teachers for down payments or closing costs
- loans to teachers for down payments or closing costs (non-interest bearing by repaid over time)
- reducing the primary home loan basis points (interest rate)

Each of the first two listed options provide teachers with the immediate incentive to avoid a large lump sum payment typically required for any real estate transaction. The first also avoiding the costs entirely, contingent on completed years of service. However, the rise in interest rates since the pandemic makes the third option enticing. Attached to this brief are two examples of how these strategies or combinations thereof would play out. One is based on Chicago housing prices, and the other is based on Springfield housing prices.

Examples

Two cities, eight states, and two private programs either previously or currently offer versions of teacher home loan assistance. A summary of these programs and web links are listed below.

City-based Program Examples

The [San Francisco Teacher Next Door](#) program provides up to \$40,000 for market rate housing units or \$20,000 for a below market rate unit. Loans are forgiven after 10-years. Participation requires income under 200% of area median income (AMI), assets less than \$60,000 in value, and a down payment of at least three percent, 1.5% of which can be from gifts.

New Orleans' [Teacher Homeownership Program](#) provides up to \$65,000 in down payment costs and \$5,000 in closing costs for teachers that have been in the district for at least three years. Teachers must commit to teaching for an additional three years and living in the home for an additional ten years. There are claw-back provisions. The program also has strict income limits, restricting



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participation to those with no more than 80% AMI. For a family of four in New Orleans, this is the equivalent of \$62,700.

Private Entities Examples

[Landed](#) is a private program. Teachers put down at least five percent of the housing costs, and Landed covers the remaining fifteen percent to reach a twenty percent down payment. The teacher pays back the program when they sell or refinance. Once the teacher sells, they pay back 25% of the profits to the program. If the home is sold at a loss, Landed shares 25% of the loss. There are penalties for teachers who do not teach for at least two years—full repayment of the loan in less than one-year. The repayments are used for more loans to other teachers.

[Teacher Next Door](#) is a private, national program for preK-12th grade teachers and college faculty. The program streamlines the buying process and helps with funding, specifically providing up to \$10,681 in down payment costs and up to \$6,000 for closing costs.

State-based Program Examples

- Connecticut's [Teachers Mortgage Assistance Program](#)
- Florida's [Hometown Heroes Housing Program](#)
- Mississippi's [Assisted Housing Teacher Program](#)
- Nevada's [Housing Division's Home is Possible Program](#)
- Oklahoma's [Housing Finance Authority's Special Interest Rate for Teachers](#)
- South Carolina's Housing Finance and Development Authority's [Palmetto Heroes Program](#)
- Texas's [Homes for Texas Heroes Program](#)

Other Considerations

School leaders considering offering home loan assistance as an incentive should consider the following questions prior to starting this program:



Assuming 6.5% Interest Rate and 3.5% Down Payment	Chicago-Metro Example Average Cost of Home: \$285,000			Springfield Example Average Cost of Home: \$138,000		
	Without Help	With Help	Monthly Savings	Without Help	With Help	Monthly Savings
Baseline	\$2,257			\$1,098		
Provide \$10,000 for the initial down payment	\$2,257	\$2,175	\$82 (-3.6%)	\$1,098	\$1,056	\$42 (-3.8%)
Reduce interest rates up to 0.5%	\$2,257	\$2,167	\$90 (-4.0%)	\$1,098	\$1,054	\$44 (-4.0%)
Stack existing \$6,000 grant from IDHA and provides additional \$10,000 grant for DP	\$2,257	\$2,133	\$124 (-5.5%)	\$1,098	\$1,013	\$85 (-7.7%)
Provide \$10,000 grant for DP and reduces interest rate by 0.5%	\$2,257	\$2,088	\$169 (-7.5%)	\$1,098	\$1,014	\$84 (-7.7%)
Stack \$6,000 from IDHA with additional \$10,000 grant and reduces interest rate up to 0.5%	\$2,257	\$2,048	\$209 (-9.3%)	\$1,098	\$973	\$125 (-11.4%)