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The First Bond Issue

Distribution of the NMFF Funds in Omaha

By Jack Ruff and Larry Lavelle

Introduction

In the spring of 1980, the Nebraska Mortgage Finance Fund (NMFF) through the issuance of bonds made 150 million dollars available to be used by first-time low and moderate income home buyers. This money was to provide these buyers an opportunity to purchase "sanitary, safe, and uncrowded" dwellings.

The NMFF board is comprised of nine members; three positions are ex officio members, and six are appointed by the governor. The public purposes of the legislation that resulted in the NMFF are stated below:

Section 2. It is hereby found and declared that:

(1) From time to time the high rates of interest charged by mortgage lenders seriously restrict existing housing transfers and new housing and causes a condition of substantial unemployment and undevelopment in the construction industry; and

(2) such conditions generally result in and contribute to the creation of slums and blighted areas... necessitate excessive and disproportionate expenditures of public funds for crime prevention and punishment, public health and safety, fire and accident prevention.

Section 3. There exists in the urban and rural areas of this state an inadequate supply of, and a pressing need for, sanitary, safe and uncrowded housing at prices which persons of low and moderate income can afford.

Section 4. Such problems cannot alone be remedied through the operation of private enterprise or individual communities or both, but can be alleviated through the creation of a governmental body to encourage the investment of private capital and stimulate the construction of sanitary, safe, and uncrowded housing for low and moderate income persons through the use of public financing as provided by this act....

Purposes and Methodology

The purposes of this research are (1) to present a descriptive account of the geographic distribution of the mortgages made in the Omaha and Douglas County area and (2) to estimate the extent to which the use of these mortgages were used for reinvestment in transitional and/or declining areas.

With assistance from the NMFF a list of each of the loans made with bond proceeds in Douglas County was obtained.* Since the researchers were not interested in personal characteristics of the loan recipients, only information related to the structure, the location of the structure, and the sales and mortgage amounts was obtained. Specific data items were the amount of each loan, the total amount of each loan, the total amount loaned in each census tract, the purchase price of each unit, the total purchase prices of all units in each census tract, the size of each unit, the average size of units in each census tract, the age of each unit, and, finally, the average and median ages of units in each census tract. After these data were reviewed, the ratio of average purchase price to average loan amounts was calculated by census tracts. Moreover, the structures built in 1980 were also identified as an indicator of the new housing construction stimulated by the NMFF program. Data are presented in Table 1.

For purposes of analysis, Douglas County was divided into nine geographic areas. The information obtained from the NMFF located each case by the census tract numbers. Hence the geographic analysis consisted of comparisons of clustered census tracts in Douglas County. (See Map 1.)

General Findings

The ability of the NMFF to stimulate new housing construction was one factor investigated. The assumption was made that if the state were going to see a general improvement in the condition of the housing stock, then some new housing units would need to be constructed. Furthermore, the Fund had established a sales price ceiling of $35,000, which should have been high enough to allow for the financing of some newly constructed units. In Douglas County, 80 of the 889 units (9 percent) that were financed by the use of these monies were built in 1980. As expected, 55 of these 80 units (69 percent) were constructed in the Northwest and Southwest Suburban subareas. Within these two areas, 55 of the 104 units that the Fund financed were built in 1980.

Unit age was considered to be an important factor insofar as it related to the general areas in which housing was financed. The average age of all units...
financed in Omaha by the NFMF was 29 years. As expected, the average housing unit age ranged from 46 years in the Northeast to about six years in the Northwest and Southwest subareas.

Table 2 contains data related to the average loan price and the average loan-to-price ratio. The average loan amount for all NFMF financed houses in Douglas County was $33,290. The range varied from a high of $44,194 in the South Central subarea to a low of $23,169 in the Northeast subarea.

The average age of housing in the various sectors of Omaha. Three zones can be observed: 1) those zones east of 72nd Street with houses between 35 and 40 years old and selling for about $35,000-$37,000; 2) those comprised of the Northwest, Westcentral, and Southwest subareas having housing stock 15 years old and selling for $29,000-$32,000; and 3) those subareas that received the majority of the monies. Unfortunately, direct comparison of the area received. This provided a general comparison of differences were the Northcentral, South Central, and Southwest Suburban. By having about 24 percent of the NFMF transactions, the Northwest Suburban had a 4.91 percent higher Fund activity than it had no Fund activity. Conversely, the South Central Suburban and Northwest Suburban areas had 3.54 and 4.03 percent fewer transactions than the Northcentral subarea. Probably the sales price range caused much of this difference.

The researchers were interested in estimating the trend in the NFMF activity. The NFMF were used differently from other general mortgage monies. Unfortunately, direct comparison of the area received. This provided a general comparison of differences were the Northcentral, South Central, and Southwest Suburban. By having about 24 percent of the NFMF transactions, the Northwest Suburban had a 4.91 percent higher Fund activity than it had no Fund activity. Conversely, the South Central Suburban and Northwest Suburban areas had 3.54 and 4.03 percent fewer transactions than the Northcentral subarea. Probably the sales price range caused much of this difference.

The two primary comparisons were made. First, the percentage of Fund loans was compared to the percentage of all loans that the area received.

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MAP 1

GEOGRAPHIC DISTRIBUTION OF LOAN ACTIVITY IN OMAHA

NORTH CENTRAL
- 213 cases
- $6,255,540 loans
- $29,369 avg. loan

NORTHWEST
- 63 cases
- $2,783,950 loans
- $44,190 avg. loan

NORTHEAST
- 96 cases
- $2,377,450 loans
- $24,765 avg. loan

SOUTHWEST
- 138 cases
- $5,380,275 loans
- $38,988 avg. loan

Comparing the average sales price and proportion of funding of the NMFF to 1979 non-Fund financed activity suggests that lenders and realtors perceived the Fund to be just another financing tool which allowed for additional housing sales.

Conclusions

The geographic distribution of monies indicates that Omaha received approximately 20 percent of the money made available by the first issue of Nebraska Mortgage Finance Fund bonds. Within the Omaha area, the Norheentral subarea received the most loans. Eleven census tracts in the Northeast subarea received no loans. Some targeting of loans to those areas would aid revitalization efforts.

Loans on newly constructed houses amounted to about 9 percent of the total number of transactions. However, new construction loans constituted 12.3 percent of the money loaned—an average of $45,537 per loan. Although housing stock was not significantly expanded by the first issue, as builders become more familiar with the Fund they might be more willing to utilize it to finance dwelling units. Reserving monies for new construction in redeveloping areas would be a useful method of accomplishing the public purpose of alleviating “slums and blighted areas.”

Except for the Southwest subarea, suburban subareas tended to have average sales prices significantly higher than NMFF's financed units. This is undoubtedly directly related to the impact of the Fund imposed sales price ceiling.

The distribution of the NMFF monies indicates that perhaps some guidelines are needed as to where as well as how they are to be used. The data suggest that first time home buyers were encouraged to purchase in established areas. The average age of the houses purchased under this program was 29 years. With a few additional restrictions, the use of this program could become an even more vital instrument in the redevelopment of Omaha.
### Table 3

**Comparison of the Proportion of NMFF Activity and Total Non-NMFF Activity by Subarea**

<table>
<thead>
<tr>
<th>Subarea</th>
<th>Number of Transactions</th>
<th>Number of NMFF Transactions</th>
<th>Percent of all NMFF Transactions in the Subarea</th>
<th>Percent of all Transactions in the Subarea</th>
<th>Average Sales Price of all Transactions</th>
<th>Average Price of NMFF Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>770</td>
<td>96</td>
<td>10.51</td>
<td>10.80</td>
<td>$18,681</td>
<td>$26,299</td>
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<td>Southwest</td>
<td>704</td>
<td>120</td>
<td>10.04</td>
<td>13.50</td>
<td>23,373</td>
<td>29,245</td>
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<td>Northeast Central</td>
<td>1,366</td>
<td>213</td>
<td>19.05</td>
<td>23.96</td>
<td>35,795</td>
<td>31,817</td>
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<tr>
<td>South Central</td>
<td>647</td>
<td>82</td>
<td>6.23</td>
<td>10.26</td>
<td>36,000</td>
<td>37,155</td>
</tr>
<tr>
<td>Northwest</td>
<td>701</td>
<td>97</td>
<td>10.39</td>
<td>10.81</td>
<td>48,546</td>
<td>41,819</td>
</tr>
<tr>
<td>Southwest</td>
<td>1,326</td>
<td>138</td>
<td>18.21</td>
<td>15.52</td>
<td>71,220</td>
<td>44,099</td>
</tr>
<tr>
<td>West Central</td>
<td>213</td>
<td>29</td>
<td>2.81</td>
<td>3.26</td>
<td>50,029</td>
<td>51,017</td>
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<tr>
<td>Southwest Suburban</td>
<td>597</td>
<td>41</td>
<td>8.15</td>
<td>4.61</td>
<td>64,143</td>
<td>49,968</td>
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<tr>
<td>Northwest Suburban</td>
<td>815</td>
<td>63</td>
<td>11.12</td>
<td>7.09</td>
<td>64,143</td>
<td>49,968</td>
</tr>
<tr>
<td>Total</td>
<td>7,527</td>
<td>899</td>
<td>100.01</td>
<td>100.00</td>
<td>$43,433</td>
<td>$36,993</td>
</tr>
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</table>

**Note:** NMFF = Nebraska Mortgage Finance Fund.