

Mobilizing Investment for Affordable Home Ownership

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Mobilizing Investment for Affordable Home Ownership

Background

RootedHomes is a nonprofit housing developer in Central Oregon committed to creating permanently affordable, climate-resilient homeownership opportunities for the region's workforce. Formerly Kôr Community Land Trust, RootedHomes operates using the Community Land Trust (CLT) model, separating land ownership from homeownership to ensure long-term affordability. Homes are sold through a 99-year renewable ground lease that stabilizes prices across generations and prevents speculative resale, while enabling homeowners to build equity.

RootedHomes pairs this model with a commitment to environmental sustainability, building net-zero energy, all-electric homes that dramatically reduce household emissions and operating costs. Recent performance modeling shows RootedHomes' homes emit only 2.1–2.3 metric tons of CO₂ per year, compared to 3.4 metric tons for a typical Oregon home—reflecting a 30% to 40% improvement in energy efficiency. This is achieved through advanced building envelopes that exceed code requirements and through highly efficient mechanical systems. Their homes are also much more energy resilient, using 33% less electricity on average than a typical U.S. home (8,132 kWh vs. 12,194 kWh annually). As a result, homeowners report electric bills averaging \$14/month, a staggering 89% lower than the regional average of \$137/month—savings that materially support financial stability.

Addressing the Regional Housing Challenge

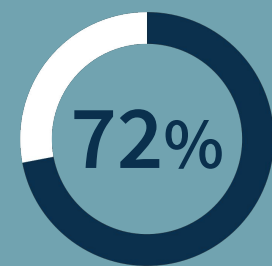
In Central Oregon, where the median home price in cities like Bend has exceeded USD \$800,000, the housing market is increasingly inaccessible to working families. RootedHomes' homes are priced between USD \$250,000–\$280,000, targeting households earning 60% to 80% of the Area Median Income (AMI). Within this range, RootedHomes is reaching families traditionally excluded from ownership, including those using ITINs for income verification.

Demographically, 38% of RootedHomes' residents are BIPOC, 72% are female-led households, and 50% have children. On average, their housing costs represent 33% of income—a meaningful improvement in a market where housing burdens often exceed 50%.



38%

**OF ROOTEDHOMES
RESIDENTS ARE BIPOC**



**OF HOUSEHOLDS ARE
FEMALE LED, AND 50%
HAVE CHILDREN**

89%

**LOWER ELECTRICITY BILLS
FOR RESIDENTS THROUGH
ENERGY EFFICIENCY**

Transformative Impacts on Households

The impacts of RootedHomes extend far beyond affordability. A recent impact survey with 76% participation from RootedHomes residents revealed striking outcomes:

- 92% **Feel less stressed about housing**
- 92% **Feel more financially stable**
- 85% **Have greater environmental awareness and sustainable living habits**
- 54% **Feel safer in their neighborhoods**
- 39% **Experience improved health outcomes**
- 100% **Feel they can ask neighbors for help**

Qualitative insights reinforce these shifts. One resident shared,

“I have less stress about stability and so much less anxiety about my future... I was able to switch jobs to something that makes me very happy... I knew how to budget since being in the homebuyer program and realized with my stable housing I could move on.”

Another reflected,

“Our indoor air quality in our RH home during wildfire season is night and day compared to our older rental.”

These testimonies underscore the mental, physical, and social health benefits that stable, climate-friendly housing can bring—especially for households previously vulnerable to displacement or substandard conditions.



A Collaborative Approach to Financial Innovation

High interest rates and rising home prices have made it increasingly difficult for RootedHomes to serve those making $\leq 80\%$ AMI. RootedHomes partnered with SecondMuse Capital, the impact investing arm of the SecondMuse Group, to explore solutions to this challenge. SecondMuse Capital brings deep expertise in designing innovative financial mechanisms that support inclusive and resilient economies. Through the Future Economy Lab™ (FEL), they convene ecosystem actors — philanthropies, investors, lenders, public agencies, and entrepreneurs—to challenge entrenched capital flows and develop new, community-informed approaches to financing. The FEL deploys a four step approach to design financial mechanisms:



Envision: SecondMuse Capital’s FEL team and partners kickstart the process together by defining the current state of capital in the target sector and developing a common vision of the desired future state of capital.



Define: Use various research tools—such as desk research, interviews, and landscape mapping—to understand the ecosystem’s needs and challenges. Then, synthesize the data during sense-making sessions with partners and begin creating initial models of potential solutions.



Design: Together with investors, entrepreneurs and other stakeholders, the FEL team develops an investment strategy, establishes a risk framework, constructs both a financial and impact model, and identifies a sample pipeline of investments and potential collaborators.



Launch: To bring the mechanism to life, the FEL team develops collateral for fundraising, including a pitch deck, a term sheet, and a data room outline. The FEL team also works with the client to define the strategy for raising capital and begin making investments.

With RootedHomes, the FEL team’s role was to investigate whether a blended financial mechanism could be designed and capitalized to materially reduce mortgage interest rates—and if so, under what conditions, through which types of partners, and using what capital structure. Rather than jumping straight into fund design, the team approached this work through an exploratory Envision phase, aimed at testing the feasibility of a hypothetical solution: a financing mechanism to support homebuyers earning $\leq 80\%$ of Area Median Income, offering 30-year fixed-rate mortgages targeted at 3% interest, with 0–3% down payments and alternative credit verification pathways, specifically for homes in Community Land Trusts.

The structure of this mechanism was already outlined at the start of the engagement—with proposed scope, eligibility, and terms—but had not yet been tested for feasibility. The team’s task was to explore whether this concept could gain traction in the current capital ecosystem and what it would take to bring it to life.

The team set out to engage a diverse array of stakeholders—from impact investors and CDFIs to philanthropic institutions, green bond originators, and public sector actors—to gauge their interest, surface design constraints, and identify potential pathways for co-investment. The FEL methodology enabled the team to examine both the demand for a low-interest product and the capital appetite to fund it, without prematurely locking into a rigid structure.

The initiative began with a shared hypothesis between RootedHomes and SecondMuse Capital:

“There is appetite among mission-aligned capital providers to fund a blended financial mechanism that brings mortgage rates down to 3% for low-to-moderate income households, particularly when paired with energy-efficient, CLT-based homes. This mechanism, if proven viable, could unlock a replicable model for expanding affordable homeownership access.”

The next section of this report presents what the team heard through 25+ stakeholder conversations: areas of alignment, skepticism, enthusiasm, and important design considerations. These findings inform how the hypothesis has been refined and the recommendations for next steps provided to RootedHomes.



Interview Insights

Building on the exploratory work described earlier, this section distills insights from over 25 interviews with a diverse set of stakeholders—including capital providers, nonprofit developers, financial institutions, and policy experts across Oregon and beyond. These conversations were essential to assessing real-world appetite, barriers, and co-investment potential for a financial mechanism aimed at reducing mortgage interest rates for households earning less than 80% of AMI.

A Mid-Process Pivot: From Bonds to DAFs

We initially explored a bond structure to address affordability with a hypothesis that investors in sustainable debt markets could be drawn to the climate benefits of RootedHomes' buildings. However, given the need for concessional sources of capital (from either government and/or philanthropic sources) to achieve the below market rate mortgage objective, we concluded that these investors were not the right target for this instrument. Additionally, bonds are typically used for construction and/or infrastructure related projects, not mortgage lending. Furthermore, ongoing interviews revealed that green or social bond structure posed significant legal, timeline, and cost barriers—especially given RootedHomes' project pipeline and near-term goals.

In response, the FEL team pivoted mid-project to explore a Donor-Advised Fund (DAF) anchored mechanism, which offers greater flexibility, lower upfront costs, and stronger alignment with philanthropic capital sources. This pivot has shaped the revised hypothesis, mechanism structure, and capital strategy.

25+

INTERVIEWS CONDUCTED
ACROSS A DIVERSE RANGE OF
ACTORS

Interview Volume and Composition

25+ interviews were conducted across a diverse range of actors including:

- Capital Providers (e.g., Oregon Community Foundation, US Bank Foundation, Robert Wood Johnson Foundation)
- Community Development Financial Institutions (CDFIs) (e.g., Craft3, NOAH)
- Commercial and Community Banks (e.g., Umpqua Bank, Washington Federal)
- Capacity Builders and Policy Experts (e.g., Grounded Solutions Network, Just Value)
- Subject-Matter Experts (e.g., Edward Jones)

These interviews yielded rich qualitative data on market appetite, structural barriers, and capital preferences.

Common Themes Across Interviews

1 Interest Rate Feasibility

Interviewees underscored that a 3% mortgage interest rate cannot be achieved through market-rate capital alone. For instance, U.S. Bank is currently offering a 30-year fixed mortgage with an interest rate of 6.625% and an APR of 6.765%, assuming a FICO® Score of 740+ and a 25% down payment. Thus, buy-downs, philanthropic guarantees, or below-market pools are essential.

2 Blended Capital Stacks

The mechanism must balance impact and return. A tiered structure—featuring public / philanthropic first-loss capital, impact-oriented mezzanine debt, and senior lending—was seen as most viable.

3 Government's Role

Interviewees emphasized that government actors play a critical but often underleveraged role in preserving affordability. In Oregon, tools like the LIFT program—partially funded through Article 11 bonds—have supported affordable housing development, but constraints on state bonding capacity limit their reach. Stakeholders noted that expanding state-level guarantees or repurposing bond programs could help reduce borrowing costs and de-risk participation for private lenders, especially if paired with philanthropic or hybrid capital.

4 Scalability Considerations

To be compelling, the mechanism must serve more than RootedHomes alone. Interviewees supported a structure that other developers and CDFIs could adopt or plug into—possibly via a pooled facility.

5 Alternative Underwriting

Strong interest emerged around expanding underwriting criteria beyond FICO scores—especially for ITIN holders. Validated rental or utility payment history was seen as a viable basis, but would likely require loss reserves or de-risking features.

6 Philanthropy's Role

Philanthropic actors were supportive but emphasized the importance of narrative framing. DAFs emerged as a pragmatic option, especially if paired with clear impact metrics, replicability, and ease of administration.

7 Target Population Fit

The mechanism must reach households typically excluded from mortgage access—particularly those earning below 80% AMI, including ITIN-eligible families. There was enthusiasm for models tailored to those at 60–70% AMI, where affordability pressures are greatest.

8 Partnerships and Collaboration

Success hinges on alignment across public, private, and philanthropic actors. Many interviewees offered to serve as collaborators, pipeline developers, or early funders if the model were adequately de-risked and clearly structured.

Promising Models

Below are three promising models for driving down mortgage costs for low to moderate income home buyers. While no single model meets all the needs of RootedHomes' target home buyers, they each have design elements that could be scaled.

1



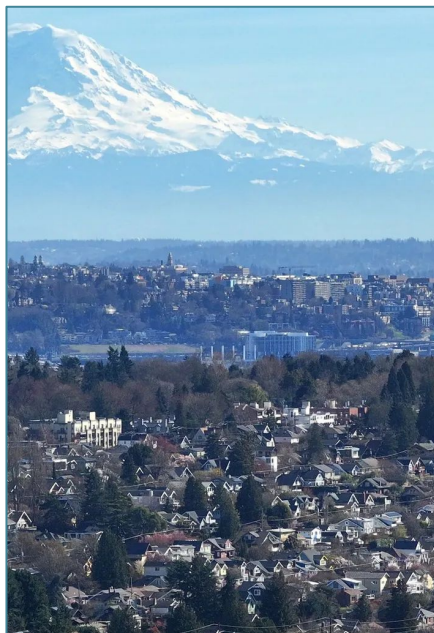
Colorado's Driving
It Home Program



2



Washington's
Covenant Home
Ownership
Program



3



Oregon's Amplify
Accelerated
Mortgage Program





MODEL 1

Colorado's Driving It Home Program



COST REDUCTION MECHANISM

1. Developer / construction loans are originated by Colorado Housing & Finance Authority (CHFA) at a blended 2 – 2.75 % rate—roughly half the cost of bank construction debt.
2. At sale, each construction loan converts to a 30-year fixed-rate mortgage at 2 – 3 % for the homebuyer; CHFA aggregates and securitizes these loans to repay bondholders.
3. The combined effect closes up to 50 % of the affordability gap, cutting monthly payments by USD \$350–\$450 when compared to a market 6.5 % loan.



KEY TERMS

- 30-year fixed, 2–3 % interest, no mortgage insurance required.
- Borrowers up to 120 % AMI (deepest discounts for those below 80 % AMI).
- 0–3 % down-payment; flexible underwriting for ITIN holders and alternative-credit files.
- 60-year affordability covenant recorded on the home.



FUNDING SOURCES

- USD \$40 million tax-exempt “Driving It Home” bond issued by the State Treasurer; privately placed with mission-aligned investors at ~3 % yield.
- USD \$10 million zero-interest appropriation from the State of Colorado blended into the pool.
- Creates a USD \$50 million pilot revolving fund capable of financing 175–200 homes; principal is recycled every 4–5 years.



KEY PLAYERS

- Colorado Housing & Finance Authority (originator / servicer)
- State Treasurer (issuer)
- Nonprofit & community developers
- Participating retail lenders that sell the loans to CHFA.



KEY INNOVATION

A single, blended capital pool simultaneously funds low-cost construction lending and the take-out mortgages, recycling public dollars and eliminating the need for permanent subsidy grants.



**MODEL 2****Washington's Covenant Home Ownership Program****COST REDUCTION MECHANISM**

1. Provides a 0 % interest subordinate loan for down-payment and closing costs up to 20 % of purchase price (max USD \$150,000).
2. For borrowers ≤ 80 % AMI who occupy the home ≥ 5 yrs the loan is fully forgiven, eliminating repayment.
3. Lower loan-to-value (LTV) ratio removes mortgage-insurance premiums and often qualifies buyers for better first-mortgage pricing.

**FUNDING SOURCES**

- Dedicated USD \$100 document-recording fee on every real-estate transaction statewide.
- Generates USD \$75 – \$100 million per year for the Covenant Homeownership Account.
- Funds are appropriated biennially and may be leveraged with revenue bonds if needed.

**KEY TERMS**

- First-time buyer; household income ≤ 100 % AMI (120 % AMI as of 07/25).
- Must document that the buyer or an ancestor resided in WA before 1968 and is a member of an eligible racial/ethnic group (Special-Purpose Credit Program).
- Market-rate first mortgage from Commission-trained lenders; the down payment assistance (DPA) lien is repaid on sale/refi unless forgiven.

**KEY PLAYERS**

- Washington State Housing Finance Commission (program operator)
- Department of Financial Institutions Oversight Committee
- Washington Homeownership Resource Center hotline
- Certified lenders
- National Fair Housing Alliance & Abt Associates (research partners)

**KEY INNOVATION**

Nation's first statewide, race-conscious Special-Purpose Credit Program created under ECOA; combines a perpetual fee revenue stream with targeted down-payment forgiveness to remedy historic discrimination.



**MODEL 3****Oregon's Amplify Accelerated Mortgage Program****COST REDUCTION MECHANISM**

1. Offers a 20-year fixed-rate first mortgage at ~4.90 % in lieu of a 30-year market loan at 6.89 %.
2. On a typical \$275 k loan, borrowers save ~ \$219 k in lifetime interest while monthly payments stay roughly even (\$1,800).
3. Faster amortization builds equity sooner, improving household balance sheets.

**FUNDING SOURCES**

- HB 3235 (2025) appropriates \$10 million from the state General Fund to Oregon Housing & Community Services (OHCS).
- Requires a 1:1 private-capital match, bringing the initial pool to \$20 million.
- Complements a prior \$7.5 million LIFT allocation (HB 3395) that can layer in down-payment grants.

**KEY TERMS**

- 20-year term, 4.90 % rate; paired with CLT ground-lease resale restrictions.
- Eligible up to 80 % AMI; may layer up to \$40 k LIFT down-payment assistance.
- Standard credit-union underwriting plus allowance for non-traditional credit where permitted.

**KEY PLAYERS**

- Oregon Housing & Community Services (program steward)
- DevNW & NOAH as originating CDFI
- Joint Task Force on Addressing Racial Disparities in Homeownership (policy champion)
- Participating credit unions and community lenders

**KEY INNOVATION**

Pairs a shorter-term, below-market mortgage with CLT ownership, letting families build equity rapidly while the land-trust covenant preserves long-term affordability for future buyers.



Let's collaborate

If you're interested in learning more about SecondMuse Capital or want to explore how your organization could co-design, pilot, or fund a financial mechanism through our process, we'd love to connect.

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