

FOCUS

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*Editor in Chief,
Publisher*

Charles H. Washington

Editor

Larry J. Jackson, Sr.

Copy Editor

Joy Ramos

Business Manager

Gary Ann Taylor

Creative Director

Shawn Strahan

4747 NE Martin Luther
King, Jr., Blvd.
Portland, OR 97211

503-288-0033
Fax 503-288-0015

e-mail:

thefocus@portlandobserver.com
subscription@portlandobserver.com

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1999 The Portland Observer

Fair Housing April is Fair Housing Month

BY DANNY BELL
OF THE PORTLAND OBSERVER

About 15 years ago, inner North/Northeast Portland was a hotbed of open-air drug supermarkets, gang warfare and prostitution. Needless to say, it wasn't an area of dynamic urban growth as it is today. What has transpired to change a community once populated with

boarded-up and condemned houses to becoming a Mecca for the upwardly mobile and urbane? Answers to a few but not all of those questions await you in this special edition of The Portland Observer's housing edition.

John Powell, a professor at Michigan State, has pointed out quite eloquently that historically, when inner-city urban areas experience an influx of professional and other upper classes,

opportunities are created. However, due to the inflation of housing costs associated with this process, many of the traditional residents are forced to move; and the community becomes fragmented. Consequently, many historic residents are not able to benefit from these newly created economic opportunities.

This issue attempts to provide information on how to attain and preserve wealth through the

acquisition of property. It also endeavors to present options to those threatened by displacement by recognizing various rental alternatives that are affordable for low and moderate-income households.

Also, we wish to bring to reader's attention the availability of unique loan arrangement loans for homeowners who otherwise may be prohibited from making repairs on their homes.

A unique home savings program for low-income people

CONTRIBUTED STORY
FOR THE PORTLAND OBSERVER

Individual Development Accounts (IDAs) are matched savings accounts that allow low-income individuals and families to build assets and move up and out of poverty. Participants save money for a specific goal and their savings are matched at a rate that varies from 1:1 to 2:1, depending on the typed of IDA. Adult participants may save towards a down payment on a home, permanent rental housing, education, or a small business. Youth participants may

save for educational, artistic, or athletic goals. Once the participant has reached their savings goal and has attended the required financial education training, their savings is matched by PRIDA (matching funds never go directly into the participant's account, they are paid directly to the vendor).
Accounts Offered

Individual Development Account
Eligible Participants: Households that meet Earned Income Tax Credit income guidelines.
Savings Goals" First-time homeownership, education/skill

development, and business development.

Match Rate: 1:1
Maximum Savings: Up to \$750/year for three years = \$4,500 (match+savings)

NewStart Development Account
Eligible Participants: Households that meet Earned Income Tax Credit income guidelines.

Savings Goals: First-time homeownership/permanent rental housing, education/skill development, business development.

Match Rate: 2:1
Maximum Savings: Up to \$500/

year for two years= \$3,000 (match+savings)

Youth IDA
Eligible Participants: Youth (10-18) in families earning less than 65% of the area's median income.
Savings Goals: Educational, artistic, and athletic achievements.

Match Rate: 2:1
Maximum Savings: Up to \$300/year for one year= \$900 (match+savings)

For more information, please call the Family Financial Services Director at Human Solutions, 503/248-5201.

Buying investment property – a win win situation

BY CHRIS GUINN III
FOR THE PORTLAND OBSERVER

The term "first time home buyer" has become extremely familiar as of late, mainly from the prodding of realtors and bankers trying to encourage renters to become homeowners.

I would agree that acquiring your first home is an enormous and very important step toward one's financial stability. However, what about the people who have owned a home for 10, 5 or even the last 3 years? They may be ready to purchase a second home from more room or comfort, as an investment or even additional income. As a realtor, I help people purchase and sell property for various reasons. For those interested, we can focus on buying investment property in the North/Northeast areas. If you aren't quite sure how to go about it, maybe you just need the steps simply explained so you can go forward.

Getting A Loan
Getting a loan for investment property is a little trickier than when

you bought your first home. You are attempting to buy a "non owner occupied" property. To a banker, this indicates more risk on their part so they generally require a larger down payment, sometimes as much as 20% of the purchase price and a slightly higher interest rate. Let's say that you want to buy a duplex for \$200,000. The purchaser would need about \$20,000 for a down payment. There are banks that require as little as 10% to borrowers with A to A+ credit. The issue of keeping good credit is very important when buying investment property. It may be the single most important asset to have on your side. The more credibility you have in paying your debts, the more property you can leverage with less money. The most successful investors usually start out with more credit than money and over time, their income rises making the need for credit less critical.

Leverage Your Property
The term "leverage" is often used when buying investment property. This simply means using the money or

equity in a property to purchase or leverage another. Let's say the home you bought 7 years ago for \$110,000 is now worth \$175,000. This means you have \$65,000 equity in that property. Many homeowners use this equity for home improvement or debt consolidation, but it can also be used to leverage another property. Using property to buy property is generally financially wiser than just getting a loan on your equity because you make money on the investment property as opposed to just paying interest. So that \$20,000 you need to purchase that duplex doesn't sound like such a large number now, especially when the positive cash flow a multi-family unit can produce is considered. If a venture of that size seems a little too much right now, try something smaller and less expensive like a small home in North/Northeast Portland that needs a little fixing up. This is a way to acquire "sweat equity". This simply means buying a distressed property for little money and making improvements on your own or as

inexpensively as possible to bring it up to a level of the homes around it. At this point, you may choose to rent the property and make your money back over time with your tenant paying your mortgage or you may decide to sell and take your money or "sweat equity" on to the next one. You may also decrease the risk and obligation by going in on a joint venture with a partner. There are tax laws such as "capital gains" which you need to know about which you can learn by talking with your tax person or CPA.

Invest in your community
What better place to invest than your own community. Good investors who invest in their community generally improve their community. As we can see, North/Northeast Portland neighborhoods are experiencing sweeping changes and redevelopment in the last few years. Take the case of Ben and Lisa May of Northeast Portland. They started investing a few years ago in the community and have been able to

(Please see 'Property' page 5)