



BARNSTABLE COUNTY HOME CONSORTIUM

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REFINANCING POLICY- JANUARY 2014

BACKGROUND:

There are two general circumstances in which the HOME Consortium must make a determination on a homeowner's request to refinance: 1) An affordable housing restriction or deed restriction in a HOME-funded project, and less often in a Cape Cod Commission Development of Regional Impact project, requires the owner to obtain permission from the County (and sometimes other funders and/or the Town as well) in order to refinance; 2) The Note and Mortgage in all HOME Down Payment Closing Cost (DPCC) and homeowner rehab program loans also require permission from the Consortium.

Case 1) Refinancing as a Result of a Deed/Housing Restriction:

The primary public purpose that our review and permission serves is to preserve long term affordability by making sure that the owner does not mortgage the property for more than the deed restricted resale value. The second public purpose is to ensure that the owner is not taking on a mortgage that could lead to trouble and possible foreclosure with the ultimate risk of a loss of the affordable unit. In the interests of having our policy be as comparable to the state's as possible, the Consortium has adopted a policy that is similar to that in the Local Initiative Program guidelines.

POLICY- CASE #1:

The following criteria shall be met in order to secure permission to refinance in those cases in which the County holds the deed/housing restriction but does not have a down payment or homeowner rehab mortgage on the property:

- 1) The value of the loan(s) on the property cannot exceed 95% of the maximum allowed resale price of the property.
- 2) Term of loan for various property types:
 - a) Single family homes: Fixed rate loan with a term of at least 15 years.



- b) Deed restricted condominiums: Fixed rate loan with a term of at least 15 years. ARMs (with fixed rate for at least first five years; maximum of 2% rate increase in any one year; and maximum of 6% rate increase over the life of the loan) are permitted if necessary to preserve the affordability of the unit.
- 3) The mortgage rate must not be more than 2 percentage points above the current 0 point MassHousing interest rate for households at 80% of area median income or below.
 - 4) Housing cost and debt/income ratio of no more than 45%.
 - 5) The mortgage has a maximum of 2 points.

In exceptional circumstances, the Consortium may grant a waiver from not more than two of these criteria upon receipt of satisfactory evidence that such a waiver will not result in an undue risk to the long term affordability of the unit and that the new mortgage will not place an undue burden on the borrower.

Case 2) Refinancing as a Result of a HOME DPCC or Homeowner Rehab Loan:

The primary public purpose that the Consortium’s review and permission serves is to determine whether the owner has the ability to repay the original loan. While ability to repay continues to be the primary factor in the Consortium’s decision, the Consortium’s policy also provides incentives for owners to refinance into standard and safer mortgage products.

POLICY- CASE #2:

The following criteria shall be met in order to secure permission for the Consortium to subordinate our loan to a refinancing of the first mortgage:

- 1) The value of the loan(s) on the property cannot exceed 90% of the maximum allowed resale price (or appraised value for non-deed restricted units) of the property.
- 2) Term of loan for various property types:
 - a) Single family homes: Fixed rate loan with a term of at least 15 years.
 - b) Deed restricted condominiums: Fixed rate loan with a term of at least 15 years. ARMs (with fixed rate for at least first five years; maximum of 2% rate increase in any one year; and maximum of 6% rate increase over the life of the loan) are permitted if necessary to preserve the affordability of the unit.

c) Non deed restricted condominiums: Fixed rate loan with a term of at least 15 years. ARMs (with fixed rate for at least first five years; maximum of 2% rate increase in any one year; and maximum of 6% rate increase over the life of the loan) are permitted only if the loan (including the DPCC loan) to value ratio is at least 95%.

3) The mortgage rate must not be more than 2 percentage points above the current 0 point MassHousing interest rate for households at 80% of area median income or below.

4) Housing cost and debt/income ratio of no more than 45%.

5) The mortgage has a maximum of 2 points.

6) The owner is taking less than \$20,000 cash out of the property.

In exceptional circumstances the Consortium may grant a waiver from no more than two of these criteria upon receipt of satisfactory evidence that such a waiver will not result in an undue risk to the recapture of the HOME loan upon sale or refinancing and that the new mortgage will not place an undue burden on the borrower.