BARNSTABLE COUNTY HOME CONSORTIUM ADVISORY COUNCIL
THURSDAY, AUGUST 16, 2012
CAPE COD COMMISSION OFFICE
MEETING MINUTES

Members Present: Lee Berger, Richard Carroll, Jillian Douglass, Lorri Finton, Jon Holt, Bernie Kaplan, Gerry Loftus, Elaine McIlroy, Sandee Perry.

Members Not Present: Vicki Goldsmith, Art Hultin, Michelle Jarusiewicz, Marlene McCollem, Mary McDermott, Judith Riordan

Public Present: Gael Kelleher-Housing Assistance Corp., Brenda Rocklage-Housing Assistance Corp.,

Staff Present: Paul Ruchinskas, Michelle Springer

MINUTES-

Bernie made a motion to approve the minutes of July 19, 2012. Richard seconded the motion, 6 members in favor, 0 opposed, 1 abstained.

HOME Program-

DPCC Eligibility and Underwriting Policy-

Paul began by introducing Gael Kelleher and Brenda Rocklage from HAC. HAC administers the Down Payment and Closing Cost program for the HOME program. HUD now requires when we use funding for the DPCC program that we have certification that we have done an underwriting review, assessed developer capacity, and fiscal soundness to make sure that there is a need for the funds to be used for the purpose for which we are using them. Part of the requirement is for us to have underwriting polices and procedures. Paul has drafted a policy which includes the basic eligibility criteria, the underwriting, and the mortgage criteria policy that we adopted a couple years ago. The intent would be to have this set of policies on paper for HAC to have so that when they send over a request for DPCC loan this will be the criteria they go by. HAC will have to verify that the loan was done in accordance with the DPCC policies and procedures. When we set up the funding within IDIS we will have to make that same certification. For monitoring purposes we will have the paperwork in the file to confirm the policies were used.

Policy Points Discussed -

DPCC Program Eligibility Requirements-

Household Assets-
Brenda explained that there are some people who could have retirement funds that would be a major asset, but we have not had anyone yet with a major asset amount. Brenda commented that this is a "need based program" and if they show to have an excessive amount of assets, which could be turned into income, and then there really isn't a need for them to use the program.

We do not currently have a maximum asset limit and there are no HOME regulations about maximum assets. Paul recommends an asset limit ($75,000) that is consistent with DHCD's Chapter 40B guidelines as our local program policy, and members expressed support.

First Time Homebuyer Requirements-
It is a requirement that people participating in the program be a first time homebuyer, be buying a single family home that is modest housing (FHA maximum single family limit of $362,790 or the 95% of median value), and attend a Homebuyer Education course. HAC is a certified Homebuyer Education agency. The consensus was to use the FHA limit for the modest housing criteria.

Principal Residence/Affordability Period-
The home also needs to be their principal residency. The minimum HOME affordability period is 5 years for loans under $15,000. Currently we require principal residency until the home is transferred or sold. We are required to monitor annually for this, but it has been a challenge. Under the Note, it is a default if the recipient is not occupying the unit and we are required to recapture funds or else pay HUD back. An option is to require principal residency only for the HOME affordability period? Members favored retaining our current practice, i.e. principal residency required until home is sold.

Property Standards-
The home needs to meet the federal Section 8 Housing Quality Standards on the date of purchase or within 6 months after date of purchase. Brenda described HAC's inspection procedures, and members favored the 6 month limit rather than shortening it.

Deferred Payment Loan-
Currently the DPCC loans are 0% deferred payment loans with no interest or transaction fee. If we did collect interest 10% could go towards Administration. Should we charge interest? The Consortium discussed and decided that no, we should not charge interest on the DPCC loan or a transaction fee.

Escrow for Major/Minor Repairs-
In the cases where major repairs are needed to address health and safety issues and those repairs need to occur prior to occupancy, the Lender may require copies of contracts

with contractors that include cost, completion dates for work performed. One option is to have an escrow of the contract amount held until the repairs have been certified. In the case of minor repairs are needed (non-health and safety) that will occur after occupancy, the Lender may require an escrow of up to $1000 be held until the repairs have been certified as having been completed. This would be a new policy.

Underwriting Criteria for DPCC Borrower-(this section is totally new)

Minimum down payment-
This new requirement would require the borrower invest 1 ½% of the acquisition price from their own seasoned funds in the transaction. The Borrower's funds may be applied to the down payment/or closing costs. In cases of 100% financing the funds we go towards the closing cost. Brenda added that these funds could also go towards pre-paid items such as termite inspection, lead inspection, etc.

Minimum credit score-
Borrowers must have a minimum average credit score of 600. Gael explained that the borrower would have to have a good credit score in order to qualify for a mortgage. The credit score is something that would be taken care of before they apply for the DPCC loan. Brenda said it would not be difficult to get this information seeing how the bank has it already.

Housing cost and debt to income ratio-
Borrower's total obligations (housing costs plus other debts) to income ratio should not exceed 45%. Gael explained that the banks would like to see a 41% ratio but some will go to 45%. Paul recommends keeping the 45% we adopted.

Loan to Value (LTV)-
The maximum LTV of all loans (including DPCC) to the appraised value should not exceed 103%. This is where we balance our program purposes of assisting first time homebuyers and wanting to be repaid so we can reinvest the funds. Brenda commented that most loans require 3% down. Paul recommends this limit to fulfill our primary program purpose of assisting low income, first time homebuyers.

Amount of DPCC Assistance-
The HUD standard is that the loan/amount of assistance will be the minimum amount required to make the purchase/transaction feasible. In recognition that there are costs, in addition to loan closing costs, the Borrower will be allowed to retain up to $2000 of their own funds. This has been the program practice but has not been put into policy or in other written communication.

Paul recommends that ability for staff to grant a waiver to any of the criteria upon satisfactory evidence that such a waiver will not place undue burden on the borrower and will not result in an undue risk to the recapture of the HOME loan upon sale or refinancing.

Underwriting Criteria for First Mortgages ahead of the DPCC loan-

The mortgage shall be from an institutional investor, i.e. a state or national bank, state or federal savings and loan association or credit union, cooperative bank, mortgage company, etc. This is an addition to the 2010 policy and is standard language from AHRs.

Lee made a motion to approve the Down Payment/Closing Cost (DPCC) Program-Underwriting Criteria and Borrower Eligibility Policy as discussed. Sandee seconded the motion, 9 members in favor, 0 opposed, 0 abstained.

Rental Funding Guidelines-

The Project Review Committee met to discuss the scoring system. They recommend the following:

- Eliminate additional funding levels for non-profit Community Housing Development Organization projects that have been in place since 2007.

- Funding levels of $30,000 per unit up to a project maximum of $150,000 for projects below the scoring limit and $35,000 per unit up to a project maximum of $175,000 for projects that meet/exceed the scoring limit.

- Scoring Changes-
  1. Eliminate the rental/ownership points.
  2. Eliminate the Energy Star criteria and replace with LEED eligibility.
  3. New category for local support of funds and/or land.
  4. New category for projects with more 2+ bedroom units.
  5. Increase points for redevelopment.
  6. Increase minimum points needed to qualify for funding from 55 to70

  Comments:

  Jill commented that she agreed with the option to go to a higher funding award should a particular project warrant it.

  Paul commented that the building code has gotten much more energy efficient so giving points for Energy Star doesn't seem to make sense.

  For recent projects the lowest score has been 81 with the other 12 being well above that.

Richard made a motion to approve the Project Review Committees recommendations. Jon seconded the motion, 9 members in favor, 0 opposed, 0 abstained.

HOME Annual Report-

Paul reviewed the report with the Consortium members

Highlighted Points:

- We received $65,233 in loan repayments
- We spent a little over $30,000 on the DPCC program which included 4 loans
- We spent $382,583 on Housing Production/CHDO
- There was one homeownership project- Barnstable Buy Down Program
- 163 affordable rental units were completed
- We committed money to 10 out of the 15 towns on Cape Cod
- We met 5 of our 6 rental housing goals
- We did not meet our homeless objective or homeownership goals
- The special needs objective was met with 4 of our units (Schoolhouse Green project) that were funded through the Community Based Housing program.
- August 2011 we submitted another application to HUD for the Fair Housing funding and scored 97 points but were not funded.
- 23% of the households receiving assistance were minorities

Lee made a motion to adopt the HOME Annual Report as drafted with needed corrections. Gerry seconded the motion, 9 members in favor, 0 opposed, 0 abstained.

Jon asked what the status was for the deed rider. Paul responded that DHCD had submitted a deed rider to HUD in February/March asking if they would review it and determine if it's compliant with the HOME program. To date DHCD has not received a response.

Meeting adjourned at 9:50

Meeting enclosures:

1. DPCC Eligibility and Underwriting Policy (from July meeting packet)
2. Rental Funding Guidelines (enclosed)
3. HOME Annual Report (enclosed)