



Meeting Date: 05/03/11

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other Public Hearing

Prepared By: Ruth Johnson Hopkins *RJH* Agenda Item No. **I-3**

Reviewed By: City Manager *[Signature]* City Attorney *[Signature]* Finance *[Signature]* Other (Specify) \_\_\_\_\_

**DATE:** April 22, 2011

**TO:** City Council

**FROM:** William E. Wilkins, Housing Director *[Signature]*

**SUBJECT:** Proposed Modifications to the Neighborhood Stabilization Program (NSP) Homebuyer Program Guidelines

**RECOMMENDATION**

That City Council receive a report on proposed modifications to the Neighborhood Stabilization Program (NSP) Homebuyer Guidelines which were adopted on April 19, 2011; and adopt amendments to those Guidelines.

**BACKGROUND**

On April 19, 2011, Council considered and adopted homebuyer guidelines for the Neighborhood Stabilization Program (NSP). At the Council meeting of April 19<sup>th</sup>, members of the public commented on the NSP Homebuyer Guidelines, and Council received a letter from Ms. Barbara Macri-Ortiz, Esq., (the letter is included herein as Attachment No. 1). In her presentation, Ms. Macri-Ortiz proposed three substantive changes to the City's NSP Homebuyer Guidelines, and set forth an additional twenty-two (22) proposed written modifications to said Guidelines.

Council members provided additional comments on the NSP Homebuyer Guidelines, and directed staff to return with recommendations on possible modifications following review of the suggestions set forth in the letter and discussion with the author of the letter.

Following the Council action, staff reviewed the proposals, and provided a written response to Ms. Macri-Ortiz on April 21, 2011 (Attachment No. 2). As set forth in the written response, staff was able to recommend verbatim acceptance of ten (10) of the twenty-two (22) written modifications proposed by Ms. Macri-Ortiz, along with acceptance of six (6) additional proposed modifications with the incorporation of minor changes in wording. Staff invited Ms. Macri-Ortiz to meet and discuss the six (6) outstanding proposals and the three substantive policy proposals.

The parties met on April 22<sup>nd</sup> and engaged in a fruitful discussion of the outstanding proposed modifications.

**Proposed Modifications to the Neighborhood Stabilization Program (NSP) Homebuyer Program Guidelines**

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**DISCUSSION**

Staff believes that the sixteen (16) proposed modifications identified as “Acceptable” in Attachment No. 2 serve to clarify the NSP Guidelines and will enhance the operation of the program.

With respect to the other six (6) proposed modifications, staff has concerns and cannot recommend incorporation of those proposals into the existing Guidelines.

**FINANCIAL IMPACT**

There is no financial impact.

Attachment No. 1 – Letter from Barbara Macri-Ortiz to City Council with Proposed Modifications to the Neighborhood Stabilization Program (NSP) Homebuyer Guidelines

Attachment No. 2 – Responses from City Staff to Proposed Modifications to the Neighborhood Stabilization Program (NSP) Homebuyer Guidelines

Attachment No. 3 – Responses from City Staff to Additional Proposed Modifications to the Neighborhood Stabilization Program (NSP) Homebuyer Guidelines

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April 19, 2011

Dr. Tom Holden, Mayor  
City of Oxnard  
300 West Third Street, Ste. 400  
Oxnard, CA 93030

***RE: NSP Homebuyer Program Guidelines, Agenda Item I.4***

Dear Mayor Holden and Council Members:

Thank you for the opportunity to comment on the NSP Homebuyer Program Guidelines. I want to also thank the staff of the Housing Department, and in particular Ruth Johnson Hopkins for the hard work in putting together the Guidelines.

I represent four of the six families who were in the final stages of the process to purchase an NSP home from the City when the process was abruptly put on hold in order for the Housing Department to develop Guidelines for the program. These first time homebuyers, were participants under the City's Family Self-Sufficiency Program (FSS) and/or the Homeownership Individual Development Account Program (HIDA) and thus fall within Tier 1 of the Guidelines (Sec. 2.3, pg. 12). It is my understanding that after the Guidelines are finalized, these individuals will essentially commence where they left off – i.e. submitting an offer on one of the properties, entering into an purchase sales agreement with the City, and securing the lender's approval for a first mortgage loan, consistent with the NSP Guidelines and the available sources of funding.

I want to make it clear that during this last six month interim period while the Guidelines were being developed, mortgage interest rates have risen and the government has instituted even more changes in lending rules and procedures that pose additional challenges to qualifying my clients and all other very low and low income Oxnard families that this program was designed to assist, including those in public housing and

Letter to Dr. Tom Holden, Mayor and Oxnard City Council Members  
RE: NSP Homebuyer Program Guidelines, Agenda Item I.4  
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receiving Section 8 assistance.

It is my informed opinion that for the City to be able to sell these homes to very low and low income and public housing and Section 8 recipients, including my clients, as was the original intent of the program, we will have to make adjustments as necessary. These adjustments may include one or more of the following, depending on the buyer's individual circumstances:

1. Securing additional subsidies in order to write down the first mortgage loan amount, in order to qualify the buyer, consistent with the housing cost ratios set forth in the Guidelines;
2. Adjusting the sales price for some of the homes, as necessary where available subsidy is insufficient to allow for a loan at the maximum housing cost ratio, consistent with the Guidelines; and
3. Utilizing long term affordability resale restrictions that not only preserve the long term affordability of this housing stock, but also trigger application of the Ventura County Assessor's policy regarding the assessment of low income deed restricted properties. Application of the Assessor's policy can result in significant savings in the homeowner's annual property tax liability, thereby enabling the buyer to support a higher loan amount, i.e. a higher effective sales price. The City should consider increasing the term of the Program Loan to 30 years to coincide with the traditional term of the first mortgage.

I believe that working together we will be able to meet the challenges that lay ahead in order to allow our low and very low income community to take advantage of this program that was designed for them.

However, I must point out that the Guidelines as written contain some internally inconsistent provisions, and raise some policy questions that should be addressed by the Council. To expedite the process, enclosed please find a draft of my proposed changes to the language in the Guidelines to properly address these concerns.

I ask that the Council defer a decision in this matter for two weeks, in order to allow yourselves and the Housing Department the necessary time to review this matter, study

Letter to Dr. Tom Holden, Mayor and Oxnard City Council Members  
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my proposed changes to the Guidelines, and make an informed decision.

In addition, I have the following specific questions and comments:

1. What is the composition of the Loan Review Committee, and what internal appeal procedure will there be with respect to Loan Review Committee decisions and other disagreements that may arise during the approval process outlined in the Guidelines? My proposed changes to the Guidelines address this issue.
2. The Guidelines state that applications will be initially accepted for Tier 1 only, and then for the other two tiers, "for a specified period of time." Each time period should provide enough time to allow for necessary updating of the applications of the Tier 1 applicants, and marketing to the other targeted tier groups. Also, my proposed changes to the Guidelines include 5 Tiers in order to more specifically target the intended beneficiaries of the program.
3. The Guidelines state that there is no asset limitations for participation in the Program. There needs to be a limit on the amount of liquid assets that the applicant can have. I would propose that the asset limit be set at \$20,000.00, and that the program require those applicants who have significant assets to use any liquid assets in excess of \$20,000, (i.e. cash and savings with the exception of retirement funds, 401k, etc.) for their down payment. Any applicant engaged in self employment should be allowed a higher liquid asset level, consistent with the business and personal needs of the applicant (i.e. cash to cover 6 months to 1 year of business operating expenses and personal living expenses).
4. The Guidelines provide that the realtor's fee of 5% can be included in the Program loan. (See Section 6.0B). Realtor's fees are traditionally paid by the seller, and that should be no different in this case. In addition, the City should negotiate the amount of realtor fee, consistent with the intent of the program and the source of the funding.

Thank you for your efforts on behalf of Oxnard's very low and low income families in

Letter to Dr. Tom Holden, Mayor and Oxnard City Council Members  
RE: NSP Homebuyer Program Guidelines, Agenda Item I.4  
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need of decent, safe, sanitary and affordable housing.

Sincerely,

  
Barbara Macri-Ortiz

xc: Daniel Martinez, City Clerk  
Edmund Sotelo, City Manager  
William E. Wilkins, Housing Director

ATTACHMENT TO MACRI-ORTIZ LETTER

APRIL 19, 2011

PROPOSED CHANGES TO NSP GUIDELINES

**SECTION**    **PROPOSED CHANGE**

1.0    -    Third Paragraph, change "silent" second to "silent second"

1.2    Insert the entire text of Section 2.3 - DEFINITION OF AN ELIGIBLE HOME BUYER [see Guidelines, pages 11 and 12].

Homebuyers will be required to meet one of the following criteria for priority eligibility as set forth in the original NSP application.

Tier 1:        Same [see Guidelines, page 12]

Tier 2:        Same [see Guidelines, page 12]

Tier 3:        All other existing very low and low income residents of the City of Oxnard  
[Note this is a new category]

Tier 4:        Existing moderate income residents of the City of Oxnard.

Tier 5:        All other existing Residents of the City of Oxnard.

1.3    APPLICATION PROCESS AND SELECTION (was section 1.2)

A.        The City will compile a list of interested applicants. Each applicant is asked to complete an application form, which asks for sufficient information concerning family size, household income and employment to establish preliminary eligibility for Program participation. A complete application must be submitted by the close of the application period (application period will be publicized in advance). Applications are deemed complete only if all information is completed, and the application is signed and dated. Incomplete applications are returned to the applicant and will not be date/time stamped until complete.

B.        After the close of the application acceptance period, applications will be reviewed based on date/time stamp. The applications are reviewed consistent with the requirements of Section 1.2 [original Section 2.3], and prioritized in accordance

with the priorities set forth therein. Upon confirmation of eligibility, the potential homebuyer is given a "Preliminary Eligibility Letter" for the Program along with the following forms: Attachment (F) Instructions to Homebuyer, Instructions on Selection Lottery and other forms and instructions. Applicants who do not qualify will be sent a denial letter, which includes the reason for the denial, and notice of and a detailed description of the Program's appeal procedure.

- C. Same
- D. Same
- E. Same
- F. Same

G. Upon acceptance of the offer by the City, the potential buyer is given 15 days to begin the process of securing a primary loan for an available housing unit. If at the end of the 15 day time frame, the potential homebuyer is unable to begin the process of securing a primary loan, a 15-day extension may be requested by potential homebuyer and granted, at the discretion of the Loan Review Committee. If at the end of the extension period, the potential homebuyer has not been able to begin the process of securing a primary loan, the reservation of funds expires and the next eligible applicant with the highest priority position (based first on priority Tier level currently being served, and second on date/stamp of the applications within that Tier level), is given an opportunity to participate in the program (as defined in Section 1.3 B, *former Section 1.2B*).

#### 1.4 THE HOME PURCHASE PROCESS

- A. Same
- B. Same

- 1) Homebuyer's offer is contingent on an appraisal that establishes the value at an amount which is at least as high as the offer.
- 2) The housing unit will be subject to inspection to ensure that it complies with local codes at the time of construction and local health and safety standards. The cost of the inspection shall be borne by the seller.

- 3) Same
- 4) Same
- 5) Same
- 6) Same

- C. Same
- D. Same

E. Same

F. First sentence same. Change the last sentence to read: A policy of Title Insurance naming the City as an additional insured is also required.

1.5 HOMEBUYER COSTS, through 1.9 NON-DISCRIMINATION REQUIREMENTS, same as original Guidelines at Sections 1.4 - 1.8.

2.0 APPLICANT QUALIFICATIONS

2.1 same except for following:

**Residency Status:** The borrowers must be citizens or other national of the United States or . . . [rest of section same]

2.2 INCOME QUALIFICATION CRITERIA

A. Same

B. ASSETS:

The program has a liquid asset exemption of \$20,000. The program participants will be required to use any liquid assets in excess of \$20,000, (i.e. cash and savings with the exception of retirement funds, 401K, etc.) toward the down payment. Any applicant engaged in self employment may request that a higher liquid asset level be applied, consistent with demonstrated business needs (i.e. 6 months to 1 year of cash flow for business operating and personal living requirements). Income from assets is, however, recognized as part of annual income under the Part 5 definition. . . . Rest of section is the same.

C. Same

D. COSIGNERS/COMORTAGAGORS/COBORROWERS:

No cosigners are allowed. All comortagagors and/or coborrowers must meet all of the homebuyer eligibility requirements, including but not limited to, first time homebuyer status and income requirements, and they must live in the household.

2.3 Moved to Section 1.2.

- 3.0 Same
- 3.1 Same
- 3.2 Same
- 3.3 Same
- 3.4 Same
- 4.0 Same
- 5.0 Same

6.0 THE PROGRAM LOAN

- A. Same
- B. Non-recurring closing costs such as credit report, escrow, closing and recording fees, and title report and title insurance, title updates and/or related costs may be included in the Program loan at a maximum of 3% of the purchase price. Realtor related fees are to be paid by the Seller, and may not be included in the Program Loan.
- C. Same
- D. Same. However, there should be a provision to allow (or require) the homebuyer and the City to enter into a resale restriction agreement, that contains terms that meet the requirements of state law and the Ventura County Assessor's policy concerning the assessment of low income deed restricted homes. The Program Loan's term shall be 30 years.
- E. Same

- 7.0 Same
- 7.1 Same
- 7.2 Same
- 7.3 Same
- 7.4 Same

8.0 PROGRAM LOAN PROCESSING AND APPROVAL

- A. Loan Processing  
Upon determination of Program eligibility, homebuyers or their representatives will be sent out a Program Loan Packet. They should submit a complete packet with all the requested documents as well as the information from the Primary Lender within the specified time period, or

extended time period, as the case may be, pursuant to Section 1.3G. Staff will work with the homebuyer's lender to ensure qualified participants meet the City's requirements (Ratios) per Section 5.0A, and they receive the gap financing per Section 6.0C from the City's Program needed to purchase the housing unit.

B. Creditworthiness

Creditworthiness will be determined by the primary lender consistent with the qualifying ratios, as per Section 5.0A, and generally accepted FHA, Fannie Mae, and Freddie Mac standards.

C. Same

D. Same

8.1 Same

8.2 Same

8.3 Same

9.0 SUBORDINATE FINANCING

With today's high costs, in order for a low-income household to obtain a home, several funding sources normally are required. Subordinate loans may be used to cover costs that exceed the primary loan amount, consistent with Section 6.0E in order to make it possible for the homebuyer to purchase the property. All subordinate financing must be disclosed at time of application to be included in the underwriting process. Subordinate financing will be assessed prior to the Program loan. All subordinate loans must have the payments deferred and the term must be for at least five (5) years. The loan positions of the Program loan and any subordinate financing shall be negotiated to accommodate the various lenders' requirements.

10.0 Same

10.1 DEFINITION OF EXCEPTION AND PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES.

A. Same

B. The City's Loan Review Committee may initiate consideration of an exception and prepare a report. This report shall contain a narrative,

including the City's Loan Review Committee's recommended course of action and any information supplied by the applicant. The applicant shall be provided a copy of the report, and shall have the right to prepare a response to the report, including any additional information that he or she may wish to provide.

C. Same

11. DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. The Applicant must submit their appeal in writing and file it with the City's Loan Review Committee within ten (10) working days from receipt of the denial letter. The Loan Review Committee may reconsider its decision. However, if the applicant is not satisfied with the Committee's original or reconsidered decision, the applicant's appeal shall be heard by a City appointed neutral hearing officer. This officer, if an employee of the City, shall not be employed in any of the departments where any of the members of the Loan Review Committee are employed. If the applicant is not satisfied with the decision of the Hearing Officer, a request for an appeal may be filed with HCD within thirty (30) days after receipt of the Hearing Officer's decision on appeal.

Responses to Proposals for Modification to the City Council Approved (04.19.11) Neighborhood Stabilization Program (NSP) Homebuyer Guidelines – April 21, 2011

Proposed Changes	City Staff's Response
1.0 – Third paragraph, change “silent” second to “silent second”	Accepted.
1.2 – Insert the entire text of Section 2.3 – DEFINITION OF AN ELIGIBLE HOME BUYER [see Guidelines, pages 11 and 12].	Accepted.
Homebuyers will be required to meet one of the following criteria for priority eligibility as set forth in the original NSP application.	Accepted with the following modification:
Tier 1: Same [see Guidelines, page 12]	Tier 4 and Tier 5 will not be included. Tier 3 will remain but will include the verbiage “with income up to one hundred twenty percent (120%) of AMI.”
Tier 2: Same [see Guidelines, page 12]	
Tier 3: <u>All other existing very low and low income residents of the City of Oxnard</u> [Note this is a new category]	
Tier 4: Existing <u>moderate income</u> residents of the City of Oxnard.	
Tier 5: All other existing Residents of the City of Oxnard.	
1.3 APPLICATION PROCESS AND SELECTION (was section 1.2)	Accepted.
1.3.A. – The City will compile a list of interested applicants. Each applicant is asked to complete an application form, which asks for sufficient information concerning <u>family size</u> , <u>household income</u> and <u>employment</u> to establish <u>preliminary eligibility</u> for Program participation. A complete application must be submitted by the close of the application period (application period will be publicized in advance). Applications are deemed complete only if all information is completed, and the application is signed and dated. Incomplete applications are returned to the applicant and will not be date/time stamped until complete.	Accepted.

ATTACHMENT #2  
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<p>1.3.B. – After close of the application acceptance period, applications will be reviewed based on date/time stamp. The applications are reviewed consistent with the requirements of Section 1.2 [original Section 2.3], and prioritized in accordance with the priorities set forth therein. Upon confirmation of eligibility, the potential homebuyer is given a “Preliminary Eligibility Letter” for the Program along with the following forms: Attachment (F) Instructions to Homebuyer, Instructions on Selection Lottery and other forms and instructions. Applicants who do not qualify will be sent a denial letter, which includes the reason for the denial, and notice of and detailed description of the Program’s appeal procedure.</p>	<p>Accepted.</p>
<p>1.3.G. – Upon acceptance of the offer by the City, the potential homebuyer is given 15 days to begin the process of securing a primary loan for an available housing unit. If at the end of the 15-day time frame, the potential homebuyer is unable to begin the process of securing a primary loan, a 15-day extension may be requested by potential homebuyer and granted, at the discretion of the Loan Review Committee. If at the end of the extension period, the potential homebuyer has not been able to begin the process of securing a primary loan, the reservation of funds expires and the next eligible applicant with the highest priority position (based first on priority Tier level currently being served, and second on date/stamp<sup>1</sup> of the applications within that Tier level), is given an opportunity to participate in the Program (as defined in Section 1.2.B, formerly Section 1.2.B.).</p>	<p>Accepted with the following modification:  <sup>1</sup>The word “time” will be inserted after the word “date”. It will now read “date/time stamp.”</p>
<p>1.4 THE HOME PURCHASE PROCESS</p>	<p>Accepted.</p>
<p>1.4.B.(1) – Homebuyer’s offer is contingent on an appraisal that establishes the value at an amount which is at least as high as the offer.</p> <p>1.4.B.(2) – The housing unit will be subject to inspection to ensure that it complies with local codes at the time of construction and local health and safety standards. The cost of the inspection shall be borne<sup>2</sup> by the seller.</p>	<p>Accepted with the following modification:  <sup>2</sup>The recommended word “borne” will be replaced with the word “incurred.” The sentence to read: “The cost of the inspection shall be</p>

	incurred by the seller.”
1.4.F. – First sentence same. Change the last sentence to read: A policy of Title Insurance naming the City as an <u>additional</u> insured is also required.	Accepted.
1.5 HOMEBUYER COSTS, through 1.9 NON-DISCRIMINATION REQUIREMENTS, same as original Guidelines at Sections 1.4 – 1.8.	Accepted.
2.0 APPLICANT QUALIFICATIONS	
2.1. – same except for following:  <b>Residency Status:</b> <u>The borrower must be citizens or other national of the United States or . . . [rest of section same]</u>	Staff cannot recommend acceptance of this proposed modification.  Reason: The NSP program is governed by HUD regulations, Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 {PRWORA (42 USC 601 et seq.)}, which establishes the eligibility requirements for program beneficiaries.
2.2 INCOME QUALIFICATION CRITERIA	
2.2.B. – <u>The program has a liquid asset exemption of \$20,000. The program participants will be required to use any liquid assets in excess of \$20,000, (i.e. cash and savings with the exception of retirement funds, 401K, etc.) toward the down payment. Any applicant engaged in self employment may request higher liquid asset level be applied, consistent with demonstrated business needs (i.e. 6 months to 1 year of cash flow for business operating and personal living requirements). Income from assets is, however, recognized as part of annual income under the Part 5 definition. . . . Rest of section is the same.</u>	Staff cannot recommend acceptance of this proposed modification.  Reason: The “Technical Guide for Determining Income and Allowance for the HOME Program” explicitly states that there is no asset limitation for participation in the HOME Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. (Note: it is the income earned – e.g. interest on a savings account – not the asset value, which is counted in annual income.) An asset’s cash value is the market value less reasonable expenses required to convert the asset to cash, including: Penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

Responses to Proposals for Modification to the City Council Approved (04.19.11) Neighborhood Stabilization Program (NSP)  
Homebuyer Guidelines – April 21, 2011

<p>2.2.D. – No cosigners allowed. All comortgagors and/or coborrowers must meet all of the homebuyer eligibility requirements, including but not limited to, first-time homebuyer status and income requirements, and they must live in the household.</p>	<p>Accepted with the following modification:  The end of the sentence will read as follows: first-time homebuyer status, income requirements and owner-occupancy requirements.</p>
<p>6.0 THE PROGRAM LOAN</p>	
<p>6.0. – Non-recurring closing costs such as credit report, escrow, closing and recording fees, and title report and title insurance, title updates and/or related costs may be included in the Program loan at a maximum of 3% of the purchase price. Realtor related fees are to be paid by the Seller, and may not be included in the Program Loan.</p>	<p>Staff cannot recommend acceptance of this proposed modification.  Staff proposes to remove last sentence of Section 6.0.</p>
<p>8.0 PROGRAM LOAN PROCESSING AND APPROVAL</p>	
<p>8.0.A. – Upon determination of Program eligibility, if deemed eligible to participate in the Program<sup>3</sup>, homebuyers or their representatives will be sent out a Program Loan Packet. They should submit a complete packet with all the requested documents as well as all the information from the Primary Lender within the specified time period, or extended time period, as the case may be<sup>4</sup>, pursuant to Section 1.3G. Staff will work with the homebuyer's lender to ensure qualified participants meet the City's requirements (Ratios) per Section 5.0A, and they receive the gap financing per Section 6.0C. from the City's Program needed to purchase the housing unit.</p>	<p>Accepted with the following modifications:  It will now read as follows: They should submit a complete packet with all the requested documents as well as all the information from the Primary Lender within the specified time period, (including extension, if any), pursuant to Section 1.3G. Staff will work with the homebuyer's lender to ensure qualified participants meet the City's requirements (ratios) per Section 5.0.A, and they receive only the subsidy as set forth in Section 6.0C from the City's Program needed to purchase the housing unit, and that leverage funds will be used when possible.</p>
<p>8.0.B. – Creditworthiness will be determined by the primary lender consistent with the qualifying ratios, as per Section 5.0A, and generally accepted FHA, Fannie Mae, and Freddie Mac standards.</p>	<p>Staff cannot recommend acceptance of this proposed modification.  This section will be removed and the following language will be added to the end of Section 8.0.A. as a new paragraph: The City's Loan Review Committee was established to review all applications to ensure that all applicants/households meet the qualifications of the Program and to determine their eligibility. The Committee will take into consideration the information provided by the Lender(s), Program</p>

<p>Guidelines and generally accepted FHA, Fannie Mae, Freddie Mac and Conventional Loan standards when making any determinations, but is not bound by the primary lender's decision.</p>	
<p>The first two proposed changes have been accepted.</p> <p>Reason: Staff cannot accept the proposal to exclude the ending of the sentence "in order to make it possible for the homebuyer to purchase the property" which continued on to state in the guidelines, "but may never exceed the purchase price." Staff proposes that the guidelines will remain as in the original and it will continue to read, "in order to make it possible for the homebuyer to purchase the property, but may never exceed the purchase price." Finally, we cannot accept the proposal to include an additional sentence at the end of the paragraph, inasmuch as the loan positions have previously been negotiated and will remain in effect as previously agreed to by all interested parties.</p>	<p>9.0 SUBORDINATE FINANCING</p> <p>9.0 - With today's high costs, in order for a low-income household to obtain a home, several funding sources normally are required. Subordinate loans may be used to cover costs that exceed the primary loan amount, consistent with Section 6.0E in order to make it possible for the homebuyer to purchase the property. All subordinate financing must be disclosed at time of application to be included in the underwriting process. Subordinate financing will be assessed prior to the Program loan. All subordinate loans must have the payments deferred and the term must be for at least five (5) years. <u>The loan positions of the Program loan and any subordinate financing shall be negotiated to accommodate the various lenders' requirements.</u></p>
	<p>10.0 DEFINITION OF EXCEPTION AND PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES.</p>
<p>Accepted.</p>	<p>10.1.B. - The City's Loan Review Committee may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the City's Loan Review Committee's recommended course of action and any information supplied by the applicant. <u>The applicant shall be provided a copy of the report, and shall have the right to prepare a response to the report, including any additional information that he or she may wish to provide.</u></p>
	<p>DISPUTE RESOLUTION AND APPEALS PROCEDURE</p>
<p>Staff cannot recommend acceptance of this proposed modification.          Reason: The sale of these homes must occur prior to September 30,</p>	<p>11.0 - Any applicant denied assistance from the Program has the right to appeal. The Applicant must submit their appeal in writing and file it with the City's Loan Review Committee within ten (10) working days</p>

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Responses to Proposals for Modification to the City Council Approved (04.19.11) Neighborhood Stabilization Program (NSP)  
Homebuyer Guidelines – April 21, 2011

from receipt of the denial letter. The Loan Review Committee may reconsider its decision. However, if the applicant is not satisfied with the Committee's original or reconsidered decision, the applicant's appeal shall be heard by a City appointed neutral hearing officer. This officer, if an employee of the City, shall not be employed in any of the departments where any of the members of the Loan Review Committee are employed. If the applicant is not satisfied with the decision of the Hearing Officer, a request for an appeal may be filed with HCD within thirty (30) days after receipt of the Hearing Officer's decision on appeal.

2011. The existing provisions afford applicants due process and the opportunity to appeal any denial to the Loan Review Committee, and to HCD. The proposal implies that the Loan Review Committee is somehow not neutral. Staff believes that the creation of another layer of review between the Loan Review Committee and the HCD is unnecessary, would delay the entire process, and could potentially jeopardize the disposition of these properties and/or lead to the recapture of these homes by the Department of Housing and Community Development (HCD).

Responses to Additional Proposals for Modification to the City Council  
Approved (04.19.11) Neighborhood Stabilization Program (NSP)  
Homebuyer Guidelines – April 25, 2011

In addition to the aforementioned modifications, Ms. Macri-Ortiz set forth three proposals that represent significant changes in the policies set forth in the Guidelines:

1. That additional subsidies be secured in order to write down the first mortgage even further;
2. That the City reduce the sales prices of the homes currently in the City's NSP inventory; and
3. That the City impose resale restrictions on the homes in order to preserve the long-term affordability of this housing stock, and to trigger a lower property tax assessment, and couple this with an increase in the term of the loan to thirty (30) years.

With respect to the first suggestion, staff supports the concept of attracting additional subsidies to the loans, but has not been made aware of any additional sources of subsidies that might be available. Currently, the NSP process envisions a combination of subsidies from the following sources:

NSP Silent Second	up to \$60,000
CalHome (CEDC)	up to \$30,000
IDA (City)	up to \$15,000
WISH (CEDC)	up to \$15,000
Homebuyer Assistance Loan (City)	up to \$30,000

The City's current inventory of NSP homes consists of six (6) units, below is a breakdown of the costs associated with each property:

Sq. Ft./B.B.	Address	Purchase Price	Rehab Costs	Post-Rehab Appraisal
1000 3/1	211 Balsam Street, 93030	169,500	80,257	240,000
1057 3/1.75	125 Alpine Street, 93030	212,850	36,800	245,000
1180 3/1.75	3130 Merced Place, 93033	207,900	90,129	285,000
1121 3/1.75	2210 Lavanda Drive, 93036	267,300	39,977	290,000
1123 3/1.75	2035 North H Street, 93030	309,800	46,364	315,000
1686 3/1.75	171 South K Street, 93030	341,550	44,126	375,000
	Totals	1,508,900	337,653	1,750,000

Since more than six months has elapsed since the post-rehab appraisals were performed, the City is having the properties re-appraised. Any reduction in the price below appraisal value would in essence constitute an additional subsidy. Staff believes that it would not be appropriate to consider possible price adjustments until such time as the re-appraisals are completed.

While the final suggestion could potentially make the buyer qualification process easier, it would also entail certain costs. Were this to be adopted, a homebuyer's monthly housing cost payment would be reduced by an amount equal to one-twelfth of the property tax reduction (which can be projected to be in the range of \$75 to \$150 per month). When the homebuyer sells the unit to someone else in the future, the sales price of the unit would be limited, and the new purchaser would also have to qualify as a low-to moderate-income household. There are certain administrative costs associated with processing future loan applications under these restrictions; however, the NSP program is envisioned as a temporary program which will disappear in the near future, and it does not provide to the City any funding for such administrative costs. Staff is not prepared to recommend this change at this time.