

ST. TAMMANY PARISH COUNCIL

RESOLUTION

RESOLUTION COUNCIL SERIES NO: C-3410

COUNCIL SPONSOR: MR. STEFANCIK

PROVIDED BY: COUNCIL ATTORNEY

RESOLUTION REQUESTING THE GOVERNOR AND THE STATE OF LOUISIANA, DIVISION OF ADMINISTRATION, OFFICE OF COMMUNITY DEVELOPMENT, TO GRANT THE FINANCE AUTHORITY OF ST. TAMMANY PARISH \$ 2,625,000.00 IN CDBG FUNDS DIRECTLY FOR THE USE IN THE PATHWAY TO HOMEOWNERSHIP-LLT, PROGRAM.

WHEREAS, St. Tammany Parish (the Parish) has an opportunity to participate in a program to provide mortgage assistance to first time home buyers wishing to purchase new and existing residential housing; and

WHEREAS, the Finance Authority of St. Tammany Parish (the Authority) has given notice of its intention to participate in the "Pathway To Homeownership-LLT" program in order to provide monies to assist in funding soft second mortgages in the Parish to promote homeownership as outlined in the attached exhibit; and

WHEREAS, the Authority has requested the Parish to request and apply for a CDBG (Community Development Block Grant) in the amount of \$ 2,625,000 for use in the program.

THE PARISH OF ST. TAMMANY HEREBY RESOLVES that The Parish Council does hereby request the Honorable Governor Bobby Jindal and the State of Louisiana, Division of Administration, Office of Community Development, to grant the Authority directly or through the Parish the amount of \$ 2,625,000 in CDBG funds to be used by the Authority to participate in the " Pathways to Homeownership-LLT" program.

THIS RESOLUTION HAVING BEEN SUBMITTED TO A VOTE, THE VOTE THEREON WAS AS FOLLOWS:

MOVED FOR ADOPTION BY: \_\_\_\_\_ SECONDED BY: \_\_\_\_\_

YEAS: \_\_\_\_\_

NAYS: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

ABSENT: \_\_\_\_\_

THIS RESOLUTION WAS DECLARED ADOPTED ON THE 7 DAY OF JUNE , 2012, AT A REGULAR MEETING OF THE PARISH COUNCIL, A QUORUM OF THE MEMBERS BEING PRESENT AND VOTING.

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MARTIN W. GOULD, JR., COUNCIL CHAIRMAN

ATTEST:

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THERESA L. FORD, COUNCIL CLERK

**EXHIBIT  
FINANCE AUTHORITY OF ST. TAMMANY PARISH  
(the "Authority")**

(Under a Collaborative Endeavor Agreement by and between the Finance Authority of St. Tammany Parish, the State of Louisiana, Division of Administration Office of Community Development ("OCD"))

**"PATHWAY TO HOMEOWNERSHIP - LLT"  
SOFT SECOND MORTGAGE PROGRAM  
(March 8, 2012)**

<b>Grant Amount</b>	\$2,625,000
<b>Target Number of Houses to Finance</b>	71
<b>Soft Second Loans</b>	\$2,130,000 (71 X 30,000)
<b>Closing Costs &amp; Down Payment Assistance</b>	\$ 355,000 (71 X 5,000)
<b>Administrative Costs</b>	\$ <u>140,000</u> (See Exhibit B for Detail)
<b>Total Grant</b>	<b>\$2,625,000</b>
<b>CDBG Assistance</b>	CDBG Assistance to be given in the following order: a) A Soft Second Loan of 20% of the purchase price up to \$30,000 per borrower b) A grant of up to \$5,000 per borrower for Closing Costs and Down Payment Assistance on a need basis
<b>Documents Required to Reserve Funds</b>	Borrower must present a legally binding purchase agreement with application for funds and must close on the transaction within 90 days of applying for assistance under this program. Properties must be essentially "move in" ready when the purchase agreement is executed. Application date is based on the date that a complete application is received by the Program Administrator and all applicants will be served on a "first come, first served" basis.
<b>Minimum Required Homebuyer Investment</b>	1% of Purchase Price or \$1,000, whichever is greater
<b>Maximum Homebuyer Investment</b>	Greater of 10% of Purchase Price or \$10,000

<b>Maximum Liquidity</b>	Homebuyer's cash and or liquid assets must not be greater than 6 months of the monthly Principal & Interest plus Taxes and Insurance after down payment and out of pocket closing costs are paid. Any excess will reduce the Grant for Closing Costs and Down Payment Assistance.								
<b>Type of Eligible Units</b>	Any new and existing residential 1 & 2 Unit Dwellings, located in St. Tammany Parish will be eligible.								
<b>Maximum Purchase Price</b>	\$200,000								
<b>Mortgage Rate of First Mortgage Loan</b>	Established Rate, plus 1% origination fee								
<b>Soft Second Grant Amount</b>	A Soft Second Grant equal to 20% of the purchase price up to \$30,000 will be given to all qualified borrowers.								
<b>Mortgage Rate and Payment for Soft Second Loans</b>	0.00% Rate, No Monthly Payment								
<b>Soft Second Payment Requirement (Sale or Refinance)</b>	Repayment of a portion of the principal amount, up to \$30,000 of the CDBG Soft Second Loan, shall be due if the First Mortgage Loan is paid in full upon sale or refinance within five (5) years from Date of closing.								
	<table> <tr> <td>0-3 years:</td> <td>100% of Soft Second Loan</td> </tr> <tr> <td>3-4 years:</td> <td>80% of Soft Second Loan</td> </tr> <tr> <td>4-5 years:</td> <td>60% of Soft Second Loan</td> </tr> <tr> <td>After 5 years:</td> <td>\$0 due</td> </tr> </table>	0-3 years:	100% of Soft Second Loan	3-4 years:	80% of Soft Second Loan	4-5 years:	60% of Soft Second Loan	After 5 years:	\$0 due
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3-4 years:	80% of Soft Second Loan								
4-5 years:	60% of Soft Second Loan								
After 5 years:	\$0 due								
<b>Soft Second CDBG Loan Forgiveness upon proof of Continuous Occupancy, at the End of Fifth Year</b>	100%								
<b>Program Administrator and Compliance Agent</b>	Providence Community Housing 1050 South Jefferson Davis Pkwy Suite 301 New Orleans, Louisiana 70125								

<b>CDBG Assistance to Borrower at Closing</b>	The Originating Lender will advance the CDBG Assistance at loan closing and will be reimbursed by Providence Community Housing. The LRA has indicated that if given two weeks notice and all of the paperwork, they may be able to table fund the up to \$35,000 in total assistance at the closing table.
<b>First Mortgage Loan Type</b>	A FannieMae "My Community Mortgage" ("MCM"), FreddieMac, FHA-insured or VA-guaranteed loan may be originated. The loan must meet all FannieMae, FreddieMac, FHA or VA requirements and be a 30 year, fixed rate level payment loan with no pre-payment penalties.
<b>Credit Score</b>	A minimum of 640 credit score will be required.
<b>Ratios</b>	Only loans with Front End Ratios that do not exceed 38% will be accepted at this time. Compensating factors can be presented to allow for loans where the customers' front end ratio up to 40%.
<b>Second Mortgage Loan Payee</b>	The Second Mortgage will be made payable to the State of Louisiana, Division of Administration Office of Community Development ("OCD").
<b>Closing Costs and Down Payment Assistance Grant</b>	The Closing Costs and Down Payment Assistance Grant limit is \$5000. The \$5000 can include funding for prepaids (homeowners insurance, flood insurance, mortgage insurance premium, and taxes) and other customary costs associated with closing a real estate transaction. Advance payments for Homeowners, Flood Insurance, and Taxes are limited to 24 months of premiums.
<b>Eligible Borrowers</b>	<p>First time homebuyers with annual household incomes at or below 120% area median income (per Metropolitan Statistical Area data) who are purchasing a qualified, principal residence in St. Tammany Parish. A first-time homebuyer is an individual who meets any one of the following criteria:</p> <ul style="list-style-type: none"> <li>- An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).</li> <li>- A single parent who has only owned with a former spouse while married.</li> </ul>

- An individual who is a displaced homemaker and has only owned with a spouse.

Homebuyers who have already received payments from the State under the “sell” or “relocate” option under the Road Home Compensation Program are not eligible to receive additional financial assistance from this program.

**Household Income Limits**

Income Limits will be adjusted annually according to HUD MSA publications.

<u>Household Size</u>	<u>Income Limit</u>
1	\$52,000
2	\$59,450
3	\$66,900
4	\$74,300
5	\$80,250
6	\$86,200
7	\$92,150
8	\$98,100

**Insurance Requirements**

Eligible properties must be insured with flood, wind, and standard homeowner’s coverage in an amount equal to the first and second mortgage balances. *Prior to closing, proof of mortgagee clause listing the State of Louisiana, Division of Administration Office of Community Development (“OCD”), as 2<sup>nd</sup> position lien holder must be received by Compliance Agent.*

**Physical Standards/Inspection**

All properties must meet St. Tammany Parish Building Code requirements, Zoning Code requirements and the physical standards and inspection procedures of the FHA/VA or Fannie Mae mortgage loan product associated with the First Mortgage Loan. All properties must pass a Housing Quality Standards (HQS) inspection. The Authority will cover the costs for two inspections--any additional inspections will be the responsibility of the property owner.

**Occupancy Requirement**

Program recipients must occupy purchased unit as their principal residence for at least 5 years in order to receive forgiveness of entire indebtedness. Failure to do so without the written permission of the Authority will result in the soft second loan balance being immediately due and payable as described under Second Mortgage Repayment above.

There will be no waiver of the occupancy requirement during the first 36 months from date of purchase of the unit. The Authority may exercise its right to waive the acceleration of payments due upon proof of job related relocation of over 150 miles, serious illness or death of the homebuyer. Upon the Authority's determination that borrower meets the "hardship" test per supporting documents submitted and if the borrower has provided proof of continuous occupancy of the residence as the primary residence, the Authority may/will reduce the principal amounts due according to the following schedule:

After 36 months: 40% of principal balance due

After 48 months: 20% of principal balance due

After 60 months: full forgiveness of debt

### **Homebuyer Education**

All eligible homebuyers must receive at least 12 hours of homebuyer education and/or training from one of the participating homebuyer training organizations certified by the Louisiana Homebuyer Training Collaborative, Inc. *Homebuyers of a two unit residence must also complete a landlord training seminar from one of the participating homebuyer training organizations certified by the Louisiana Homebuyer Training Collaborative, Inc.*

The Lender will be responsible to coordinate and verify that the training has been completed.

### **Approved List of Lenders**

- (1) Gulf Coast Bank & Trust Company
- (2) First NBC (formerly Dryades Savings Bank, FSB)

### **Compliance**

Providence Community Housing will be the Compliance Agent and will process and provide all compliance reviews and reporting requirements related to the CDBG Soft Second Mortgage Loan Program.

### **Annual Compliance**

The borrower must provide, on an annual basis, the following documents for the term of the Soft Second Loan:

1. Proof of Homestead Exemption
2. Homeowners Insurance Policy
3. Current Electric Bill

**Lender Profit, Requirements, and Timing**

The Lender will originate the First Mortgage Loans and Soft Second Mortgage Loans and will package and deliver the First Mortgage Loan to an investor, as provided in the Amended and Restated Origination Agreement.

The Lender will deliver the Soft Second Mortgage Loan to Providence Community Housing for safe keeping.

The Lender will be allowed to charge a 1% origination fee on the 1<sup>st</sup> mortgage loan and to recoup other expenses that are deemed typical and customary at closing by documenting the same on the industry standard HUD-1 Settlement Form. OCD will review HUD-1 for reasonableness prior to closing.

Originating Lenders will sell the First Mortgage Loans to an Investor at a price sufficient to net the Lender one percent (1.0%) of the principal amount and one and a half percent (1.50%) service release premium. The total Lender compensation will be 2%, plus normal and customary fees.

The Lender will pay the Authority a servicing release premium of 1.50% of the principal balance. This premium will be used to pay for costs incurred by Authority to pay for upfront and ongoing costs.

Title Company can charge a flat fee on the soft second mortgages for title services, as per state mandated fee schedules. No other fees will be allowed on the soft second mortgage loans. This fee must be approved by OCD.

All Eligible Lender Partners will agree to offer the rate set by the Authority.

The Lender will have 60 days from the setting of the First Mortgage Loan rate to deliver the first Mortgage Loan to the Investor.

The Lender will be allowed to charge a funding fee to fund the up to \$35,000 in assistance. The funding fee may not exceed \$250 per loan. If funded by the OCD at closing, no funding fee will be allowed by Lender.

**Program Income**

Program Income will be reverted back to OCD. These funds can be reallocated back to the Program afterwards, only when approved by OCD.