

RESOLUTION NO. 96-81

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES ESTABLISHING PARAMETERS FOR THE CITY'S FIRST-TIME HOME BUYERS ASSISTANCE PROGRAM TO BE FUNDED WITH 1994 AND 1995 COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS AND AUTHORIZING CITY STAFF TO NEGOTIATE AND CONTRACT WITH THE HOUSING AUTHORITY OF SAN LUIS OBISPO TO ADMINISTER A PORTION OF THIS PROGRAM

WHEREAS, Section 24 CFR 570.201(n) of federal regulations authorizes the use of Community Development Block Grant (CDBG) funds for direct homeownership assistance to low income households (those earning 80% or less of the County median income); and

WHEREAS, via Resolutions 94-54 and 95-43, the City Council has allocated a total of \$205,520 in 1994 and 1995 CDBG funds for first-time homeowner assistance to low income households in the form of second mortgages; and

WHEREAS, the County of San Luis Obispo has established a First-Time Home Buyer (FTHB) assistance program, which uses federal funds from the Home Investment Partnership Act to make second mortgage loans to low income households, and has contracted with the Housing Authority of the City of San Luis Obispo (HASLO) to administer that program; and

WHEREAS, the County of San Luis Obispo's FTHB program is configured in such a manner that it would serve as an excellent model on which to base the City's CDBG-funded first-time homeowner assistance program; and

WHEREAS, HASLO is already administering the County's FTHB program and has a system set up and staff assigned to process loans and to inspect homes for compliance with federal housing standards and since City staff could not undertake the same tasks without spending a substantially greater amount of time per loan than HASLO would spend and without displacing staff time to be allocated to other housing programs;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso De Robles, California, to establish the parameters of the City's First-Time Home Buyers Assistance Program as shown on Exhibit "A", attached.

BE IT FURTHER RESOLVED, by the City Council of the City of El Paso De Robles, California, to authorize City staff to negotiate and enter into a contract with HASLO for the administration of (1) the loan application processing and (2) the home inspection tasks of the City's First-Time Home Buyers Assistance Program, subject to the condition that HASLO's fees for administering both tasks, on a per-loan basis, shall not exceed 2.5% of the amount of any second mortgage loan made.

PASSED AND ADOPTED THIS 18th day of June, 1996 by the following roll call vote:

AYES: Heggarty, Iversen, Martin, Picanco, and Macklin

NOES: None

ABSENT: None

ABSTAIN: None


MAYOR WALTER J. MACKLIN

ATTEST:



RICHARD J. RAMIREZ, CITY MANAGER/CITY CLERK

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EXHIBIT A

PARAMETERS FOR CITY OF EL PASO DE ROBLES' CDBG-FUNDED FIRST-TIME HOME BUYERS ASSISTANCE PROGRAM

- CDBG Funds are to be used as silent second mortgage (trust deed) loans that are due on sale, transfer or default. "Silent" means that no payments are made during the life of the loan; a lump sum payment is made upon sale, transfer or default.
- The maximum amount of funds loaned is 15% of the value of the home, as determined by an independent appraisal.
- Loans may only be made to qualified "First-Time Home Buyer low income households. "First-Time Home Buyer" is defined as a household that has not owned a home in the previous three years.
- The loans carry a 3% simple interest rate over 30 years. The loans may be kept for more than 30 years, but they do not accrue interest beyond 30 years.
- The first mortgage must be a 30 year fixed rate. Adjustable rate first mortgages are not permitted. Loan terms less than 30 years are generally not permitted as the higher payments would indicate that the borrower does not really have a high enough need for assistance.
- Borrowers must contribute at least 30% of their gross income to the total of all housing payments (principal, interest, taxes, insurance [hazard and mortgage], and homeowners association dues [if any]). Lower percentages are generally not permitted as they would indicate that the borrower does not really have a high enough need for assistance.
- Borrowers generally must provide a downpayment of 5% (unless the first mortgage requires less) of which 2% must be from the borrower's own resources.
- Home sales are limited to vacant units or units in which the renter is the buyer; units which are rented by households other than the buyers are not eligible. This requirement is established because federal regulations for relocation would trigger relocation expenses that would substantially exhaust the amount of CDBG funds available for loans.
- Loans shall be subject to a Recapture Agreement that provides that, upon sale or transfer of the property, principal and interest on the second mortgage is recovered as follows:
 - (1) First mortgage is paid off;
 - (2) Borrowers recover their down payments;
 - (3) Borrowers recover the value of improvements made minus the value of deferred maintenance as determined by an appraisal;
 - (4) City recovers the principal and interest on the second mortgage.