Designing Home Buyer Programs

Monte Franke
Franke Consulting Group

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Agenda

- Trends in Homeownership
  - ➔The changing face of 1st time buyers
- Homebuyer Program Design
  - Homeownership & community development
  - Managing the process
- Understanding lending markets
  - Credit analysis
  - Predatory lending
- HOME & ADDI Program requirements

Trends in Homeownership

Major Homeownership Trends

- Rising homeownership rates
- Minority homeownership rising at faster pace
  - but still lags
- Expected demographic trends:
  - aging population
  - childless households
  - minority/immigrant growth
- Bottom line: changing face of the 1st time buyer

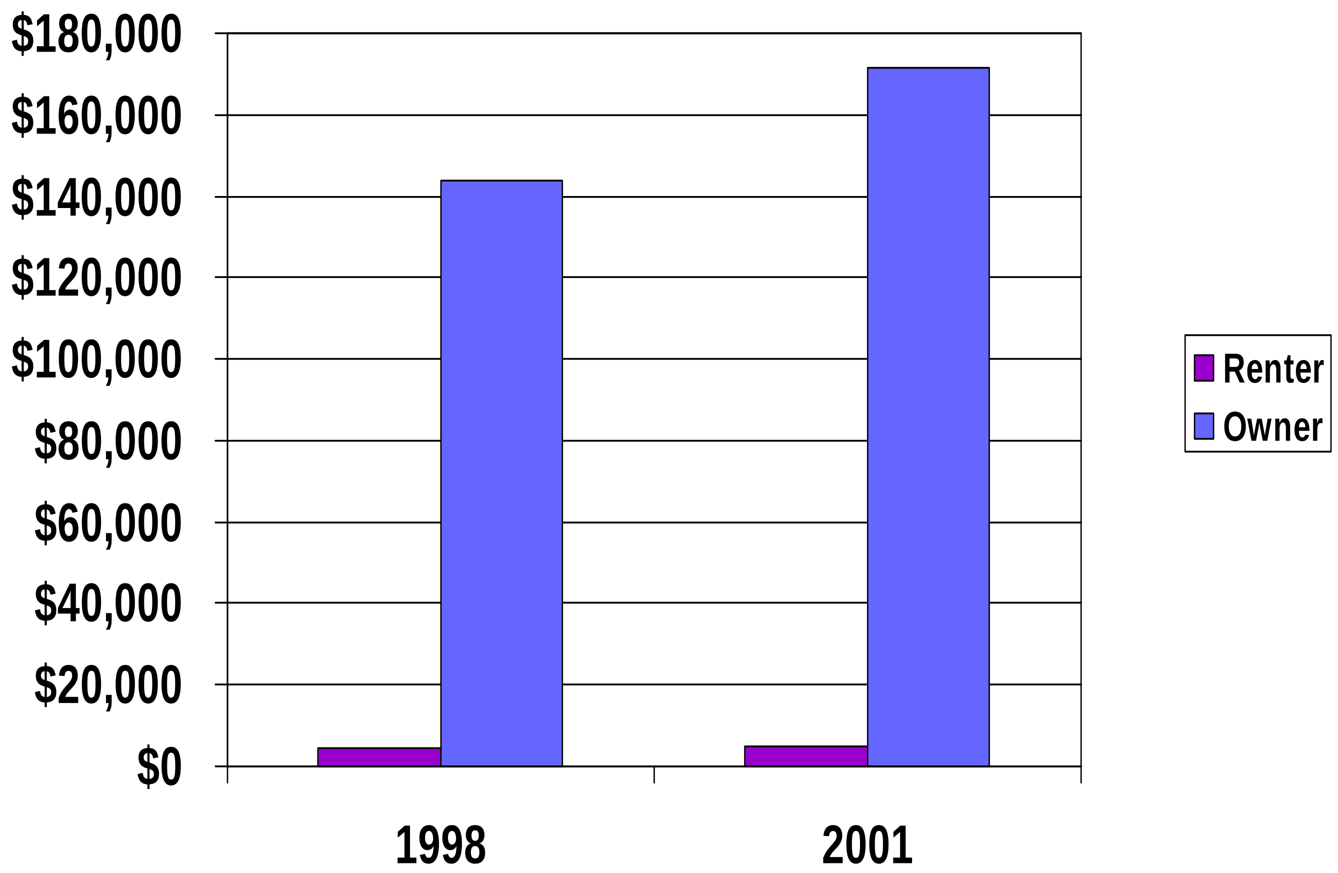
Large Increase in Homeownership

- Until 1940, U.S. homeownership rate averaged 46%
  - Only 40% of homeowners had mortgages!
- Post-war growth
  - Rates increased thru 1980
- 1980's drop in ownership rate
  - Baby-boomers being absorbed into housing market
- 1990's – 2000's
  - Political commitment and slowing household formation produced record ownership rate
- First quarter 2004
  - 68.6% – the highest rate to-date!
  - But level during last 2 quarters

Why Homeownership Is Important

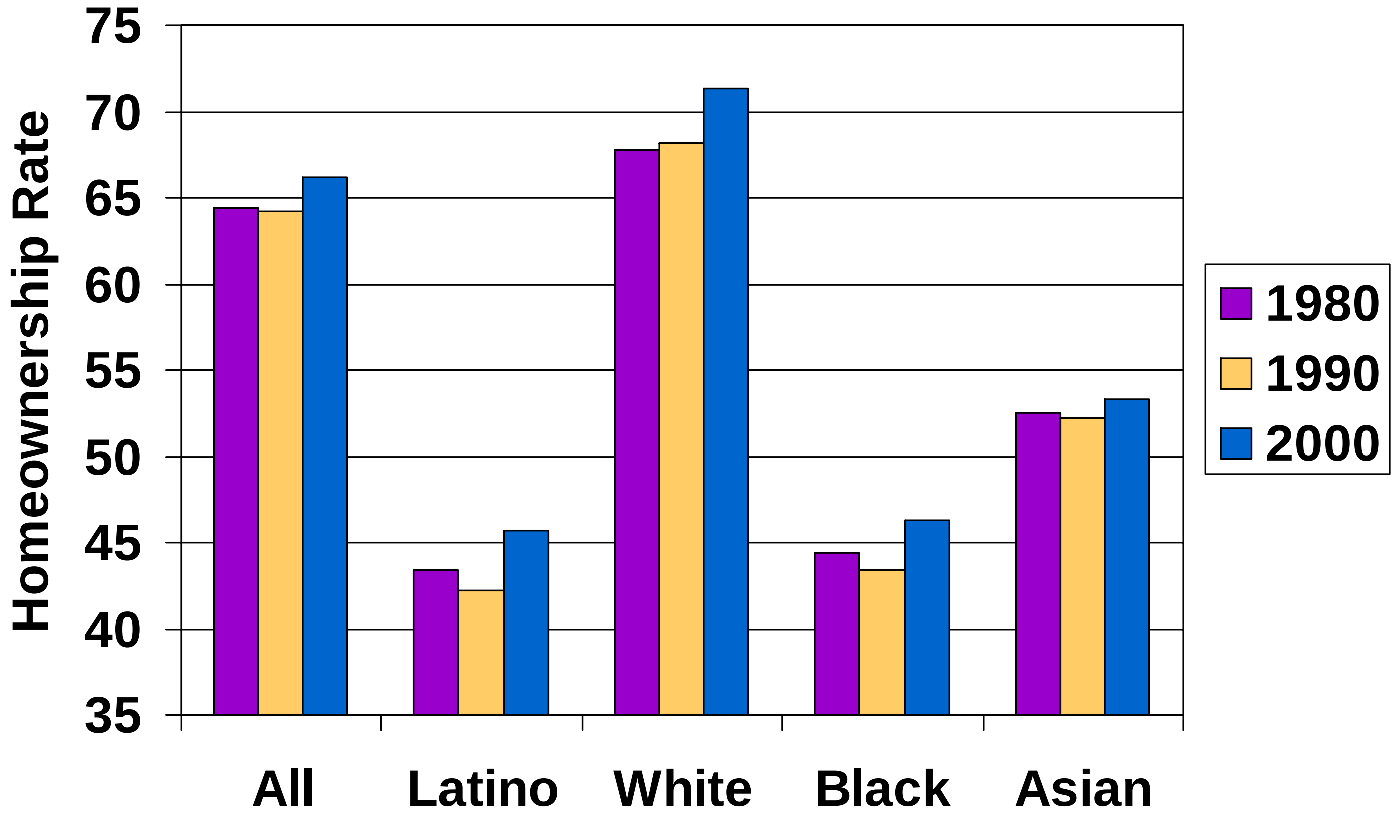
- Neighborhood stability
  - Protecting the tax base
- Family stability and child welfare
  - Lower dropout rates
  - 7 to 9% higher school achievement
  - 10% higher High School graduation rate
- Wealth accumulation

Homeowners Have More Net Worth



(Federal Reserve Board : 2001 Survey of Consumer Finances)

Increases for All Ethnic Groups



Minority Homeownership Faster

Homeownership Growth (1990 – 2000)
(in millions)

	All	White	Black	Asian	Latino
1990	59.0 M	52.5 M	4.3 M	1.0 M	2.5 M
2000*	69.8 M	59.7 M	5.5 M	1.7 M	4.2 M
Increase in homeowners	18.3%	13.7%	27.9%	70.0%	68.0%

Source: U.S. Census Bureau.
** Excludes 919,000 households in 2000 whose head is of more than one race.*

Minority Homeownership

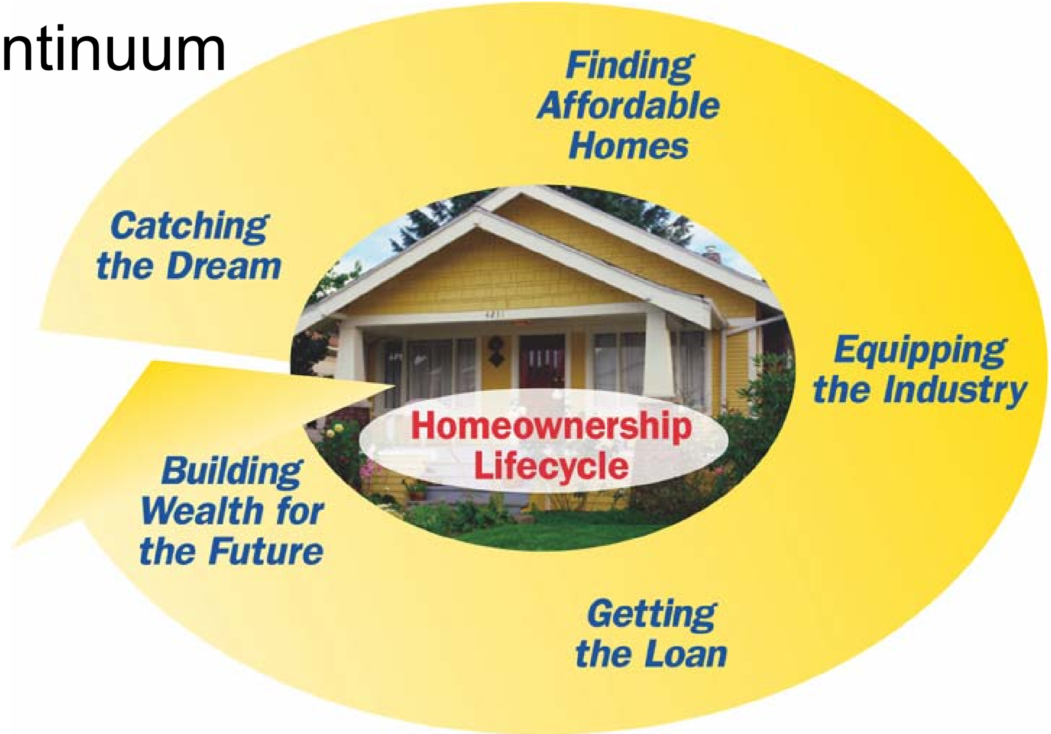
- The large increase is the result of
  - Demographic and economic factors AND
  - Lending industry outreach, initiatives and alternative mortgage products
- But the increase in minority and low-income loans has been a suburban phenomenon
  - Central city homeownership has lagged
- Without concerted effort, it will take over a decade to bring the minority rate to 50%

Barriers to Minority Homeownership

- Minorities face numerous barriers to homeownership
  - Lack of understanding of the home buying process
  - Language and cultural barriers
  - Nontraditional or blemished credit
  - Difficulty accumulating funds for down payment
  - Shortage of affordable housing
- The problems are systemic and require a comprehensive response

A Systemic Approach

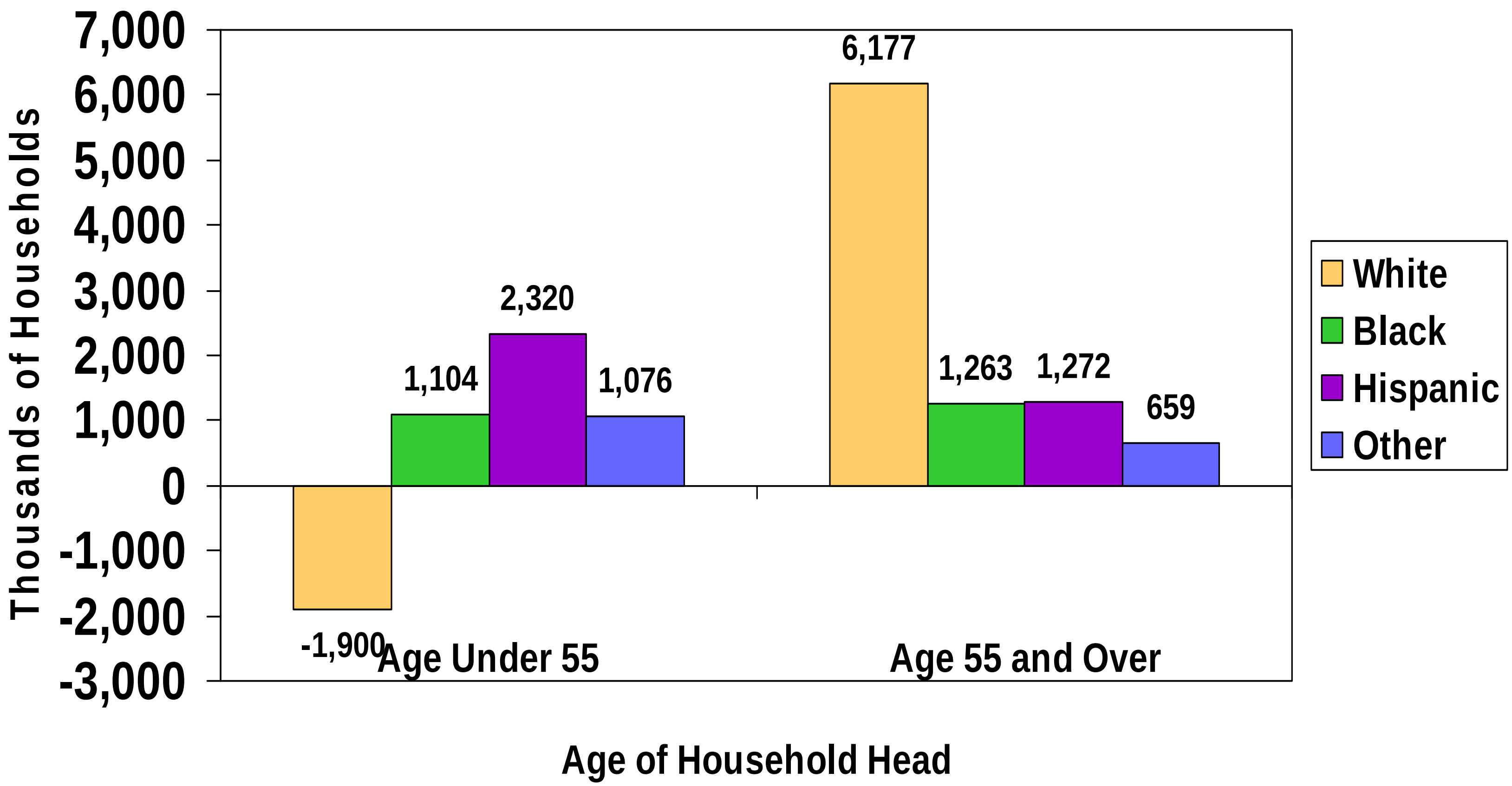
- Freddie Mac's Catch the Dream
- 25 initiatives to dismantle barriers throughout the entire homeownership continuum



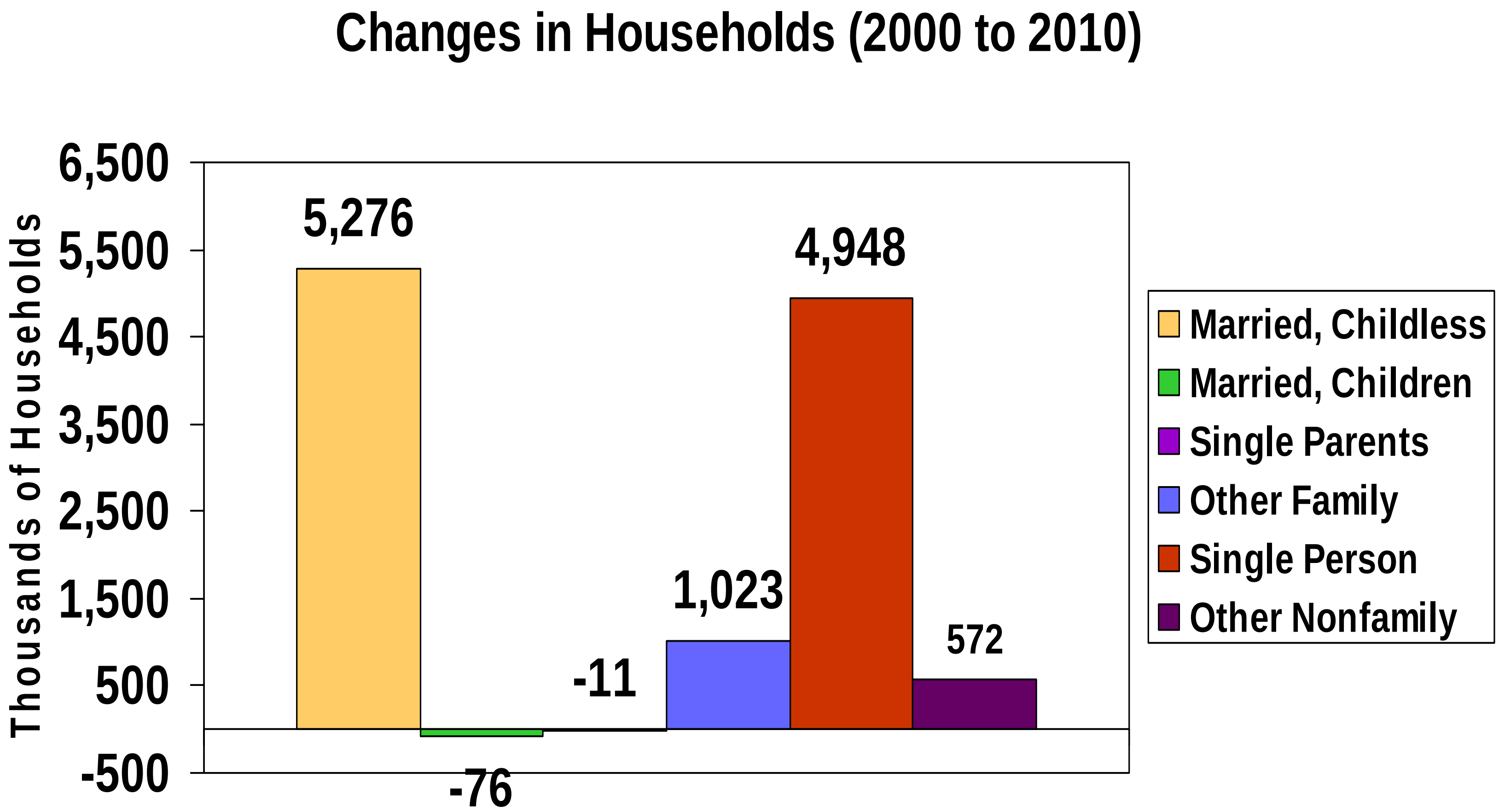
US Population Trends: 2000 - 2010

- Continued steady household growth
  - HHs to increase over 11% during this decade
  - 1.1 - 1.2 million households per year
  - Growth rate slightly lower than the 1990's
- Three important demographic trends:
  - Aging population
  - Childless HHs
  - Racial/ethnic HHs & immigrant HHs growth

Growth in Over 55 HHs (2000-2010)

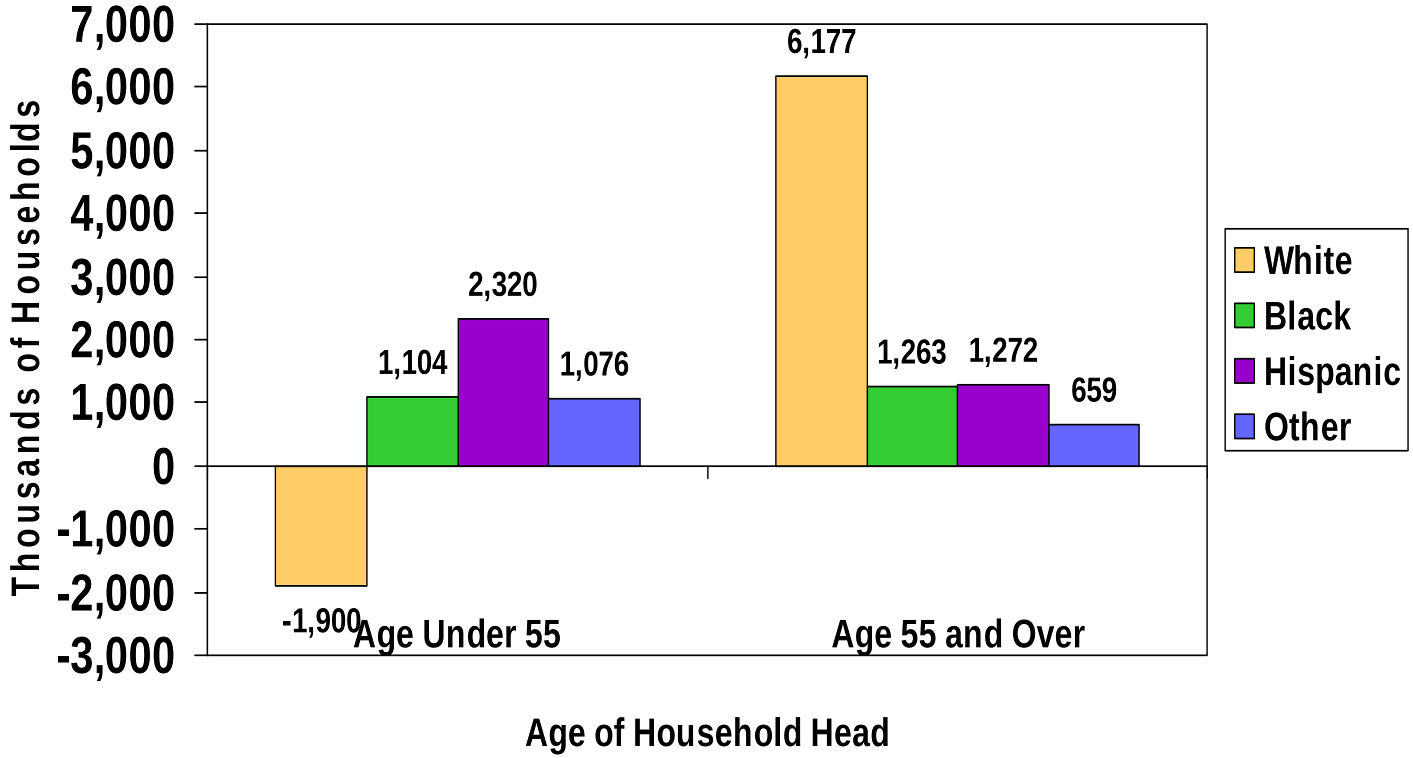


Childless Households Dominate



Household Growth: Ethnic Groups

- Minorities will account for **65%** of net household growth (2000 – 2010)



Immigration: Major Growth Source

- 11% of U.S. population is foreign-born
- 44% of foreign-born have entered U.S. since 1990
- 27% of total household growth in next decade will result from immigration
  - Maybe larger because of difficulty in counting illegal immigrants
  - Immigration will be concentrated in Gateway Regions
- Hispanic household growth will be largest contributor
  - 51% of foreign-born are from Latin America

Changing Face of 1st Time Buyers

- The 1st time buyer is changing
- Minority & immigrant households will be the predominant 1st time buyer
  - Largest portion of growth
  - Larger portion of younger households
  - Lower ownership rate (disproportionately large portion of non-owners)

What applies to your local market?

- Affordability: prices relative to incomes?
- Growing, stable, shrinking population?
- Aging?
- Immigration?
- Minority homeownership?
- Availability of mortgages?
- Predatory lending?

- What does this mean for the type of homeownership program you should pursue?

Homebuyer Program Design

Program Design Topics

- Role of homeownership in community development
- Managing the process:
  - Intake & processing
  - The critical role of counseling and training
- Financing:
  - Understanding lending markets & mortgage credit
  - Structuring the subsidy

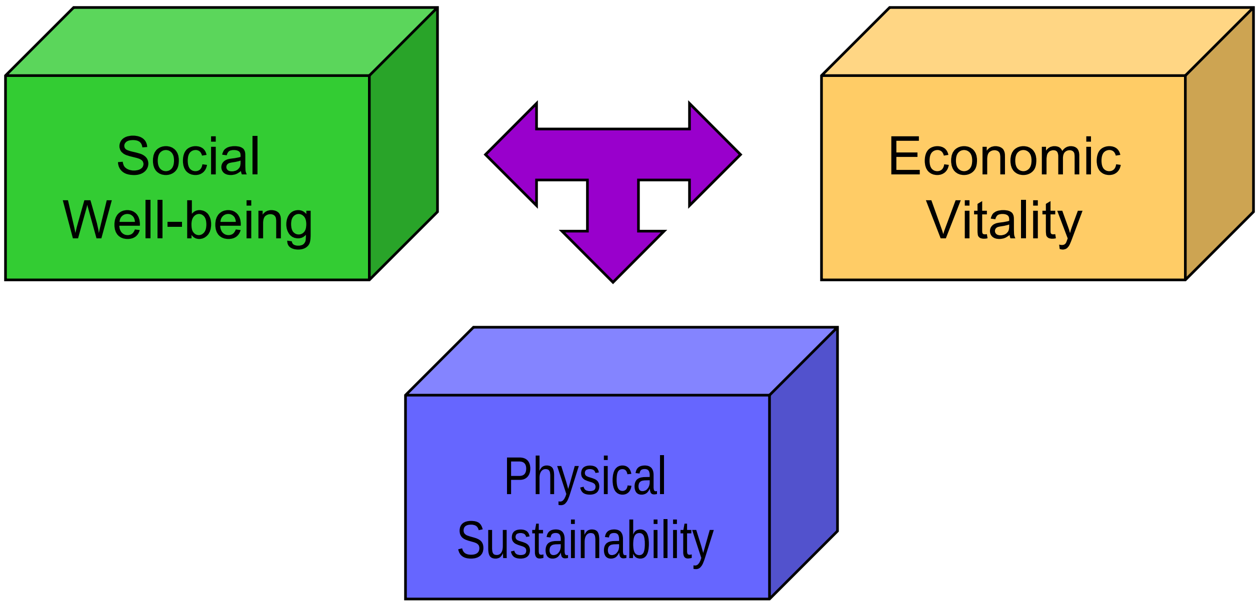
What are your design issues?

Homeownership & Community Development

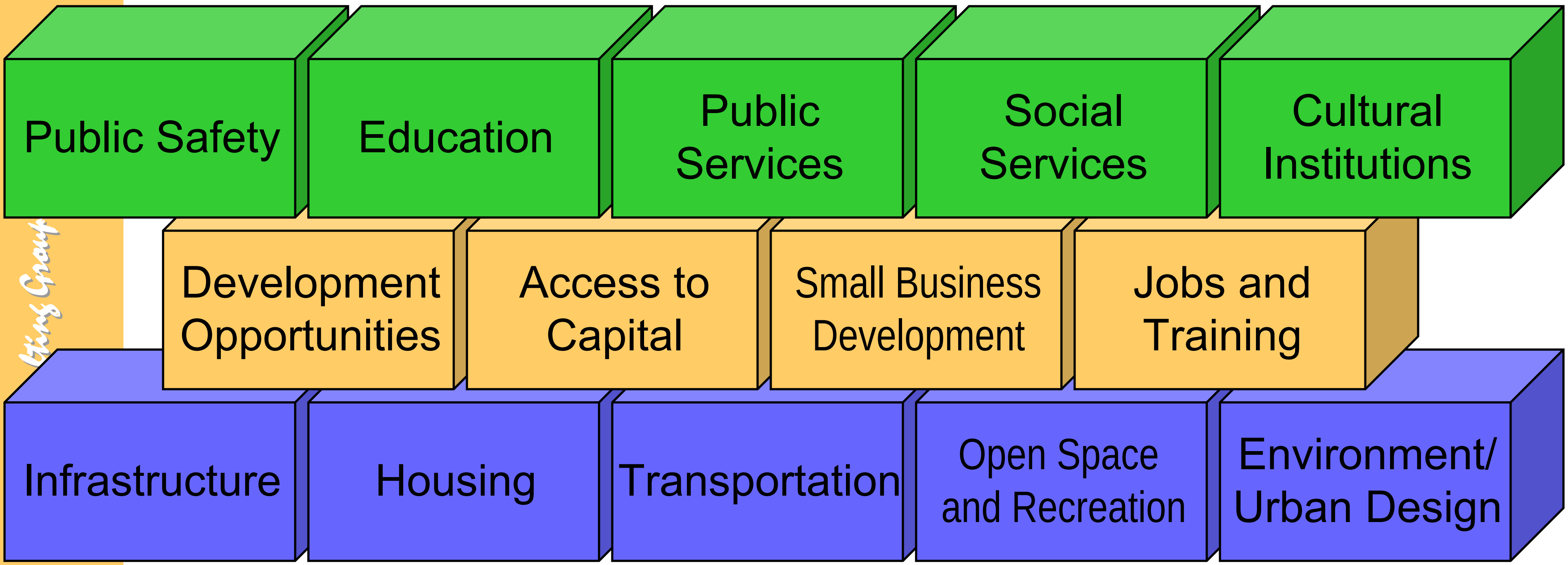
Homeownership & Communities

- Focus on what works on using homeownership as a tool for urban revitalization
- Homeownership is an essential component: important factor to re-knit the fabric of urban neighborhoods
- BUT homeownership alone cannot sustain or revitalize communities

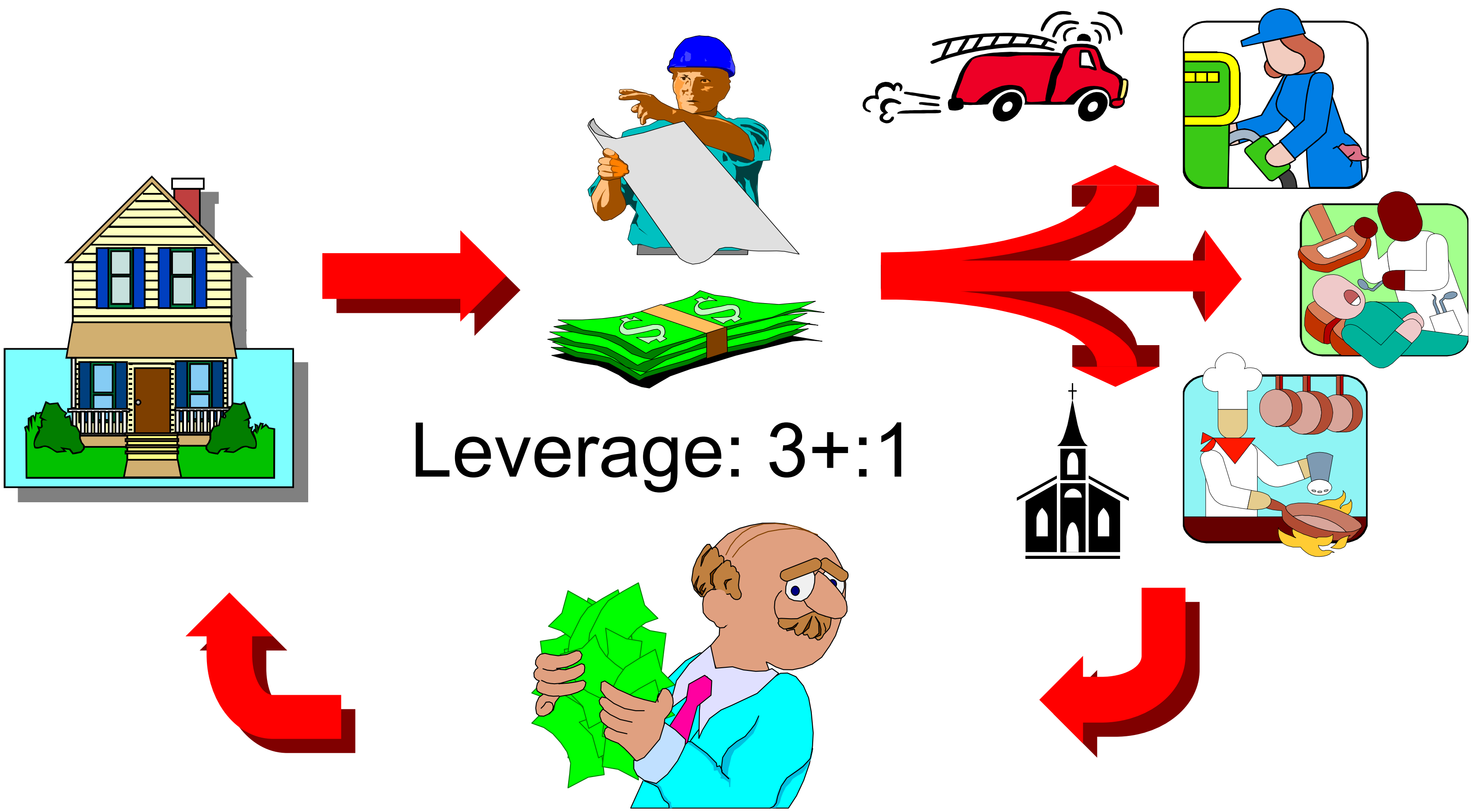
What Makes a Community Viable?



Community Building Blocks



Economic Leverage: Follow the $



Managing the Process

5 Key Process Elements

- Targeting/priorities
- Core policies: to ensure fair treatment
- Outreach & intake
- The role of counseling & training
- Pipeline management

Targeting & Priorities

- Target areas or priority households?
- Income levels
  - Low-income (80%) or lower if HOME/ADDI
- Demographic characteristics
- 1st-time buyer status
  - Required for ADDI

Core policies

- Goal is fair treatment & avoidance of discrimination
- Primary policies:
  - Written selection process
  - Written construction/rehab & property standards
  - Written procurement & conflict of interest policies
  - Written buyer agreement

Outreach

- Advertising
- Affirmative marketing
  - Required for HOME 5+ units
  - Identify “least likely to apply”
  - Develop alternative outreach strategies
  - Implement & keep records

Intake

- Goals in managing the application process
  - Management of the volume
  - Fair access
  - “Ordering” the applicants
- Steps in the process
  - Distribution of applications: briefings, etc.
  - Intake
  - Eligibility screening (v. financing qualification)
  - Waiting lists
  - “Outplacing” those who don’t succeed

Counseling/Training

- Freddie Mac study: counseling reduced 90-day delinquency rate by:
  - 34% for one-on-one counseling
  - 26% for classroom education
  - 21% for home study
- Information needed at several stages:
  - Pre-screening education (credit awareness/repair)
  - Home search/home buyer training
    - Search process, mortgage shopping, closing
  - Post-purchase counseling
    - Home maintenance, credit management, intervention

Rehab/Construction

- Inspection standards & process
  - Property standards, rehab work specs, env. checklists
  - LBP: do you need a visual or risk assessment?
- Procurement: make owner the "procurer"
  - PJ/Subrecipient can help and not be the procurer. It can:
    - Provide work scope, bidders list, RFP, other services to owner
    - Analyze and recommend lowest responsible bidder (LRB)
    - Limit assistance to LRB amount, but cannot limit choice to LRB
  - Remember Section 3 & economic impact

Financing

Financing Topics

- Creating development budgets
  - Sales proceeds & phased development
- Maximizing primary lending
  - Increase buyer understanding of credit qualification
  - Expand access to prime market (esp minority & immigrant HHs) by helping families to overcome credit obstacles
- Increasing buyer/owner awareness of predatory lending
- Structuring the buyer subsidy

The Development Budget

- For homebuyer development project, two phase budgets:
  - Development phase: construction loans used to buy & build/rehab properties
    - Does not include sales costs, full developer fees, & other costs deferred to time of sale
  - Sales phase: sales proceeds pay for sales/closing costs and pay off construction loans
    - Projecting timing of completion/sale
    - Repayment of public development loans
    - Excess proceeds

Homebuyer Development Budgets

<u>Development Phase:</u>

Sources:

Equity
Construction Loan
Development Subsidies______

Uses

Acquisition/site
Construction
Soft Costs ______

<u>Sales Phase:</u>

Sales Proceeds

- Sales Costs
- (Developer fee) ______

Net Proceeds

- Constr. loan payoff
- Public subsidy payoff ______

Dev Fee & Profit

Phased Development Budgets

- Matrix budget: costs distributed by phase (columns)
  – Construction costs based on number of units in phase
  – Some soft costs front-loaded: e.g., acquisition, infrastructure, design costs, approvals, construction financing costs
- Net sales proceeds rolled into next phase
  – Sales costs & perhaps partial fees paid
  – Constr. line of credit may be temp paid down between phases
- Construction line of credit = Ph. 1 budget <u>plus</u>
  + Overlaps (next phase uses prior to sales proceeds)
  + Shortfalls in net proceeds (phase to phase dev subsidy)

	Phase 1	Phase 2	Phase 3
Sources			
Uses			
Sales Proceeds			

Public Subsidy: Development Phase

1. Construction loan
   - Public loans: usually repayable or converted in buyer subsidy
2. Permanent "development subsidies"
   - Written off after sale
   - Permitted by HOME rules
3. Indirect subsidies: credit enhancements
   - Loan guarantees & insurance

Development Subsidy

- HOME definition: development costs in excess of property value
- May be forgiven (or mortgaged to buyer)
- Policy issue:
  - Is this a home buyer subsidy or a public investment in the neighborhood?
  - Should this be mortgaged or recaptured from homebuyer?
  - Windfall profits?

Development Subsidy Example

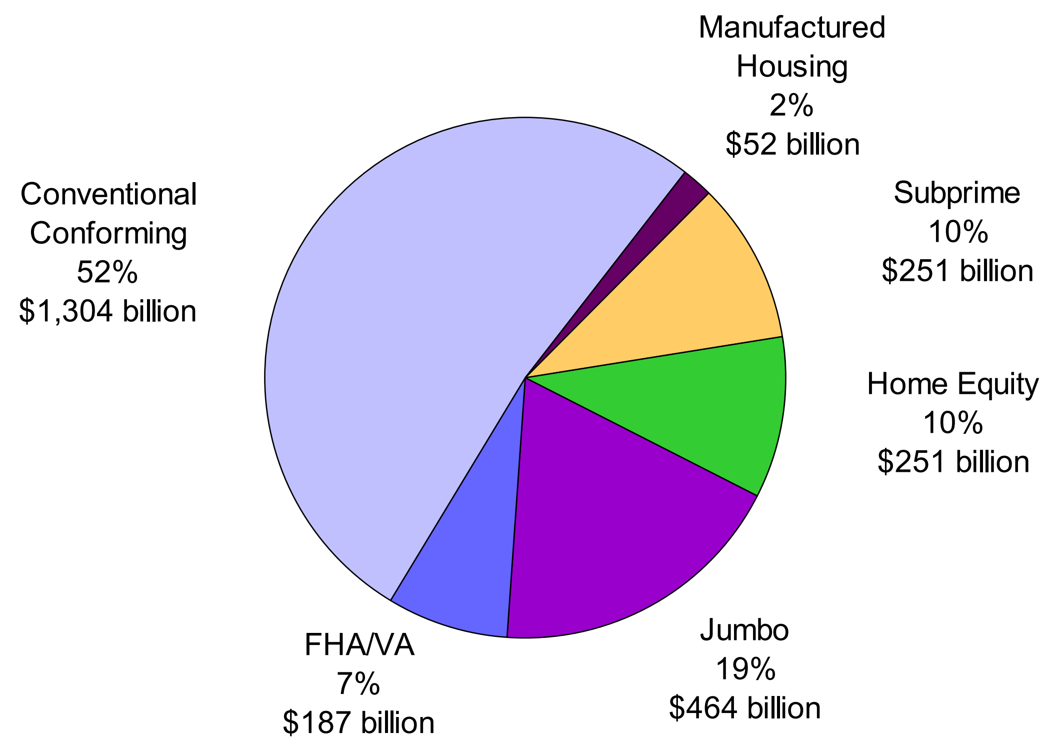
Total Development Cost/Unit	$100,000
- Fair Market Value	- 80,000
Development Subsidy	$ 20,000

Understanding Lending Markets & Working w/ Lenders

Lending Market Overview

- $2+ Trillion annual marketplace
- Conventional market: mostly regulated, standardized, and available to borrowers with reasonable credit
  - Highly automated
- Supplemented by:
  - Gov't insured market
  - Subprime market

Single-Family Originations in 2002



Total equals $2.507 trillion

Source: Freddie Mac analysis and HUD estimates of total originations

Mortgage Market

- Conventional market: mortgages not insured by gov't
  - Conforming: loans at or below the Freddie Mac and Fannie Mae statutory loan limit of $333,700 for 2004
  - Jumbo: loans above our statutory loan limit
- Government-insured or guaranteed
  - FHA, VA, FmHA
  - GNMA: government agency that guarantees securities backed by government-insured mortgages

Conventional Underwriting Metrics

- Capacity: income to obligations
  - Front-end ratio: housing cost as % of income; typically 28 – 33%; not used by all lenders
  - Back-end ratio: housing cost + other debt as % of income; varies 33% - 48%; more likely constraint on consumer borrowing
- Cash
  - Sufficient cash for downpayment & closing costs
- Collateral
  - Adequate security; LTV ratio (mort insurance if LTV > 80%)
- Credit history
  - Likelihood of repayment; Credit scores

Credit: The Major Issue

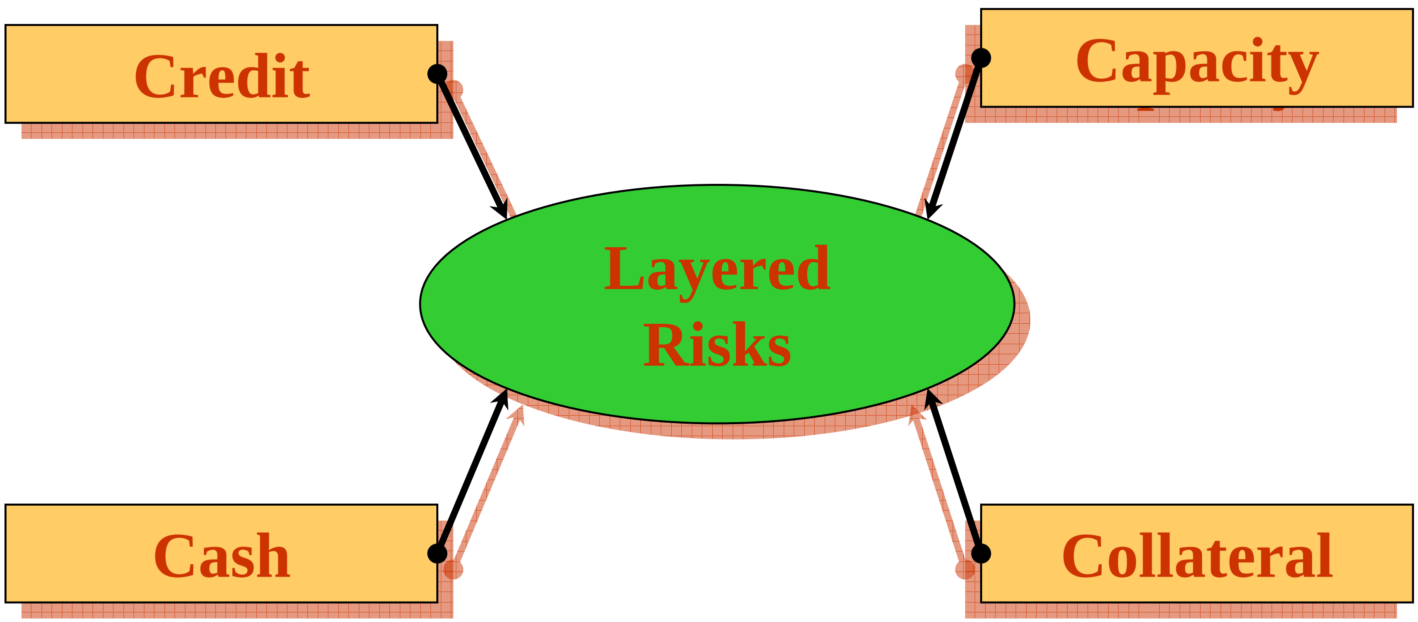
- Poor credit is the leading factor in the rejection of mortgage applications
- Affects all income and racial groups BUT
- Minority borrowers are more likely than white borrowers to experience credit problems

Automated v. Manual Underwriting

- Automated now dominates conforming & online lending
- Freddie Mac study of automated und. (1995-2000):
  - Accurate:
    - Automated “yes”: 1/5 the national average default rate
    - Automated “no”: 4 time the default rate
  - Better predictor than manual underwriting:
    - Automated “yes”; manual “no”: 1/5 the default rate
    - Automated “no”, manual “yes”: 1.75 times the default rate
  - Automated approves more affordable loans than manual:
    - 36% higher approval among low-income applicants
    - 29% higher approval among minority applicants
- Automated “rejects” can still be manually underwritten
  - Also for non-traditional credit

The Underwriting Decision

- Understanding the “layering of risks” is key to making a quality decision



Credit Scores

- Statistical way of predicting the likelihood a borrower will repay a loan
  - Only one of several pieces of information lenders use
- Most common are FICO scores
  - Equifax BEACON
  - Trans Union EMPIRICA
  - Experian/Fair Isaac Risk Model
- myFICO.com website provides consumer information
  - Information on credit scores
  - Ability to obtain credit scores with credit report

Categories Evaluated

- Experian credit scores based on (in order of importance):
  - Payment history (timeliness, delinquencies, bankruptcies)
  - Amount of outstanding debt
  - Length of credit history
  - New application for credit (inquiries)
  - Types of credit in use

Payment History

- **What is applicant's track record?**
  - Approximately 35% of score
  - Payment information on many types of accounts
    - Credit cards, retail accounts, installment loans, finance company accounts and mortgage loans
    - Late payments not an automatic "score-killer"
  - Public records & collections: bankruptcy, judgments, suits, liens, wage attachments and collections
    - Very important: more recent events have more impact

Amount of Credit

- **How much is too much?**
  - Approximately 30% of score
  - Owing money not necessarily a high risk
    - But size & number of accounts may indicate overextended & more likely to make payments late
  - Having a small balance and paying on time may be be better than having no balance
  - Closing unused credit accounts with no balance & in good standing will not necessarily improve score

Length of Credit History

- **How established is credit?**
  - Approximately 15% of score
  - Generally, a longer credit history will increase score
  - However, people with shorter credit history will get high scores if other factors look good

New Credit

- **Is applicant taking on more debt?**
  - Approximately 10% of score
  - People have more credit
    - shop for credit frequently & more unsolicited offers
  - Opening several accounts in short period represents high risk (esp. if no long-established credit history)
  - Doesn't count customer or marketing requests
  - Treats rate shopping inquiries as one

Types of Credit in Use

- **Is it a healthy mix of credit?**
  - Approximately 10% of score
  - Considers mix of credit cards, retail accounts, installment loans, finance accounts & mortgages
  - Not necessary to have one of each
  - How many is too many? Varies based on overall credit profile
  - Bottom line: don't open accounts you won't used

Interpreting Credit Scores

- FICO scores range 300-900, but really 400-850
  - Quintiles: <620, 620-690, 690-745,745-780,780-850
- Lending rule of thumb:
  - Over 660 is an acceptable credit risk
  - From 620 to 660 is a marginal credit risk
  - Below 620 is a high credit risk

Improving Credit Scores

- Reason codes are delivered with scores
  - Identifies categories in which score may have been reduced
- Advice:
  - Make sure the information in credit reports is correct
  - Don’t try to quickly maneuver credit scores; it won’t help to:
    - Suddenly close several or all credit card accounts OR
    - Spread a large balance from one card across multiple cards
  - Pay bills on time
  - Keep credit card balances low
  - Apply for & open new credit accounts only as needed
  - Rate shop within a focused period of time

Non-Traditional Credit

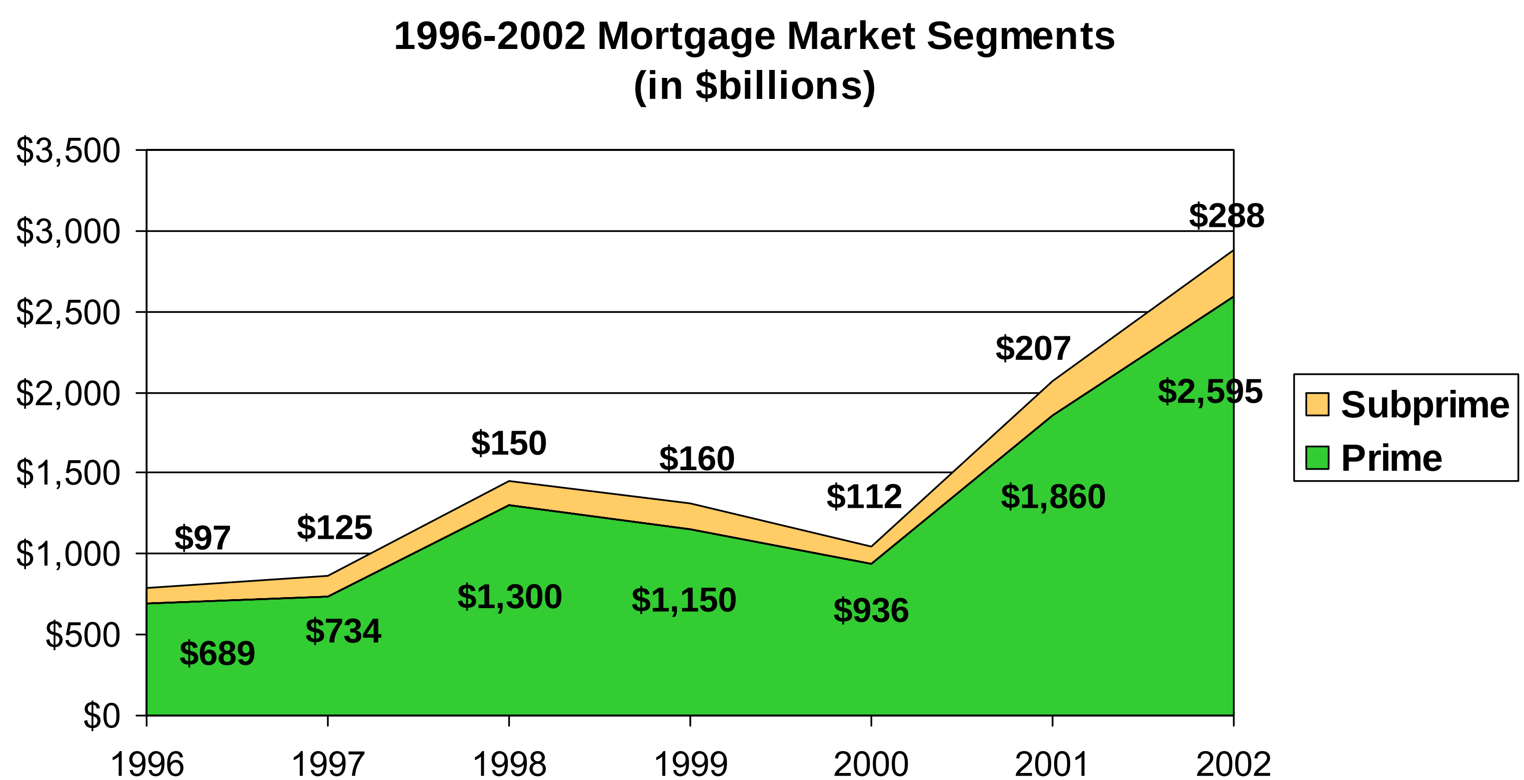
- Low-income & minority households may not have enough traditional credit; can't establish credit score
- Non-traditional references include
  - Rent history
  - Utilities
  - Insurance
  - Personal property taxes
- Some lending programs permit non-traditional if:
  - Four tradelines and/or non-credit references
  - Non-credit reference must have existed for at least 12 months

Subprime Markets & Predatory Lending

Prime v. Subprime Lending

- Prime lending market
  - Borrowers with good credit
  - Standardized terms
  - Stable, efficient, regulated market
- Sub-prime lending market: 10+% of loans
  - Borrowers with blemished credit
  - Higher cost & less favorable terms
  - Historical lending focus: refinances (80%) & 2nd mortgages
    - 45% debt consol; 30% other costs; 25% home improvements

Prime vs. Subprime Originations



Note: Based on Freddie Mac Estimates

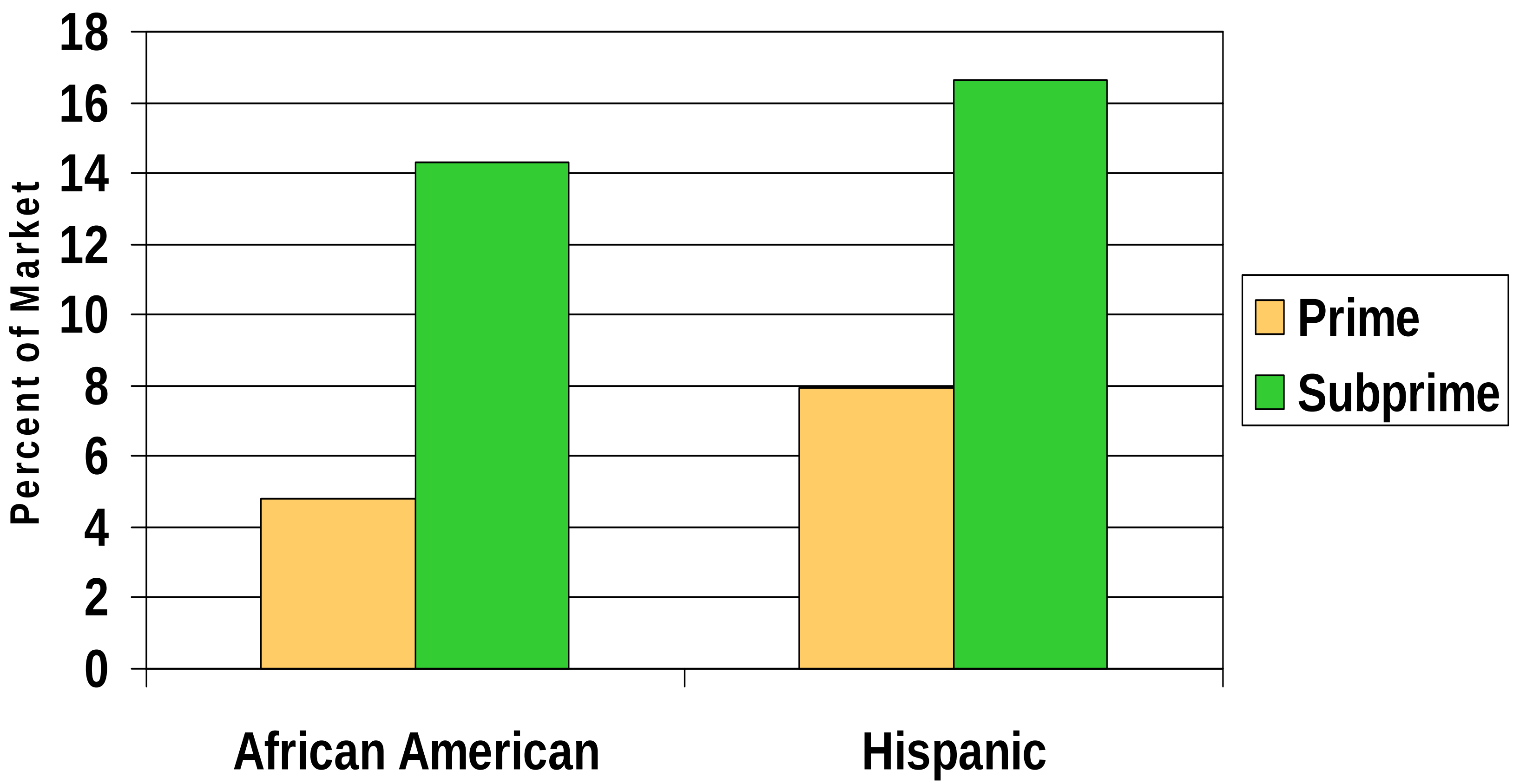
Why Be Concerned?

- Subprime market is necessary
  - Benefits borrowers without access to prime market
  - Many reputable lenders have subprime lending units
- But largely unregulated & non-standardized
  - Borrowers may end up paying more than necessary (given risk factors)
  - Borrowers can get “tracked” into subprime market by location, income & race
  - Predatory lending primarily a problem of the sub-prime market – more on that later

Subprime Borrowers: Minorities & LI

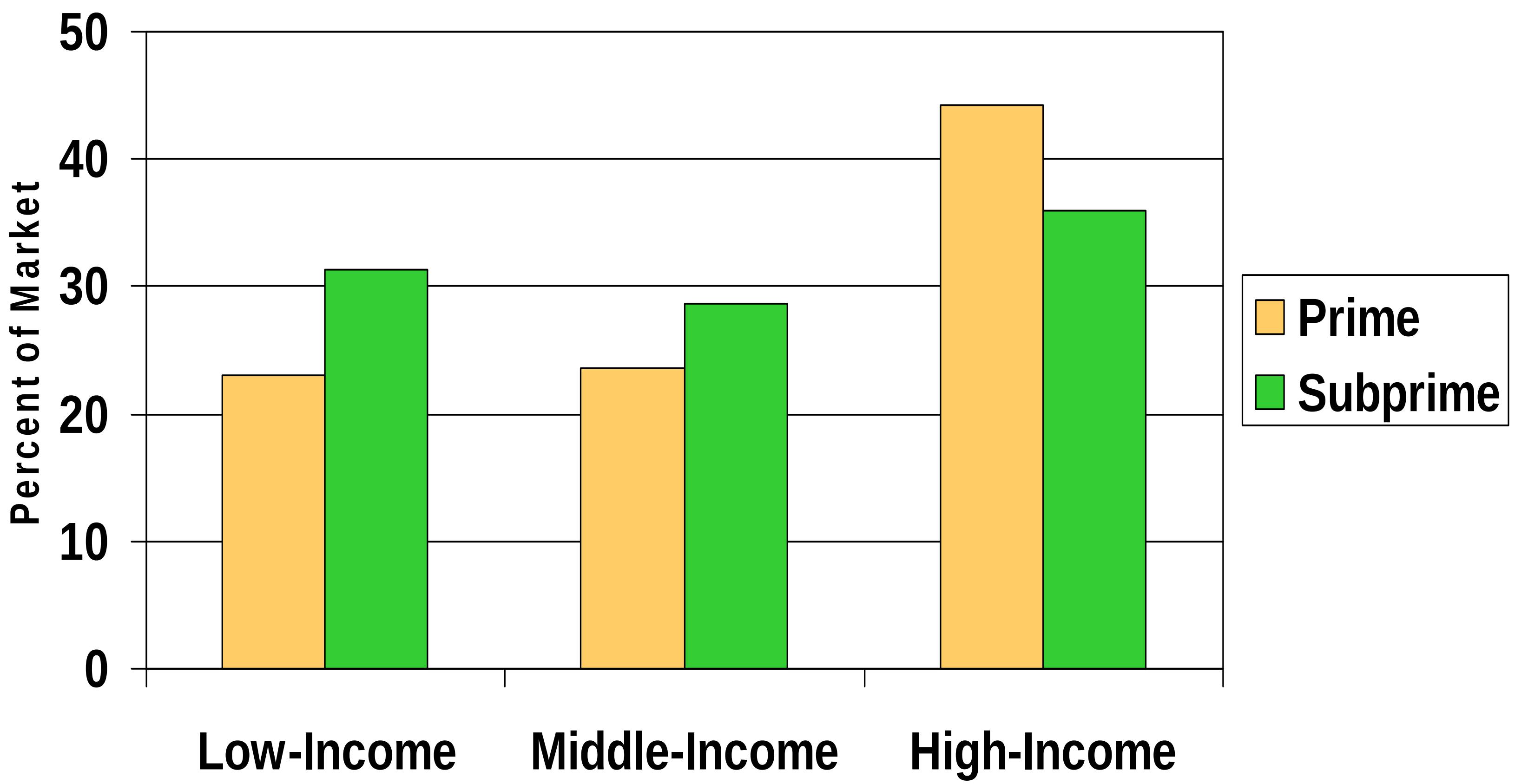
- Subprime lending more likely in low-income and minority areas
- HUD study of subprime lending: subprime loan (v. prime loan):
  - 3 times more likely in low-income area
  - 5 times more likely in Black area
  - 2 times more likely for upper-income Blacks than upper-income whites

Minority Borrowers



Source: 2002 Home Mortgage Disclosure Act; uses HUD/Federal list of subprime mortgage lenders

Low-/Moderate-Income Borrowers



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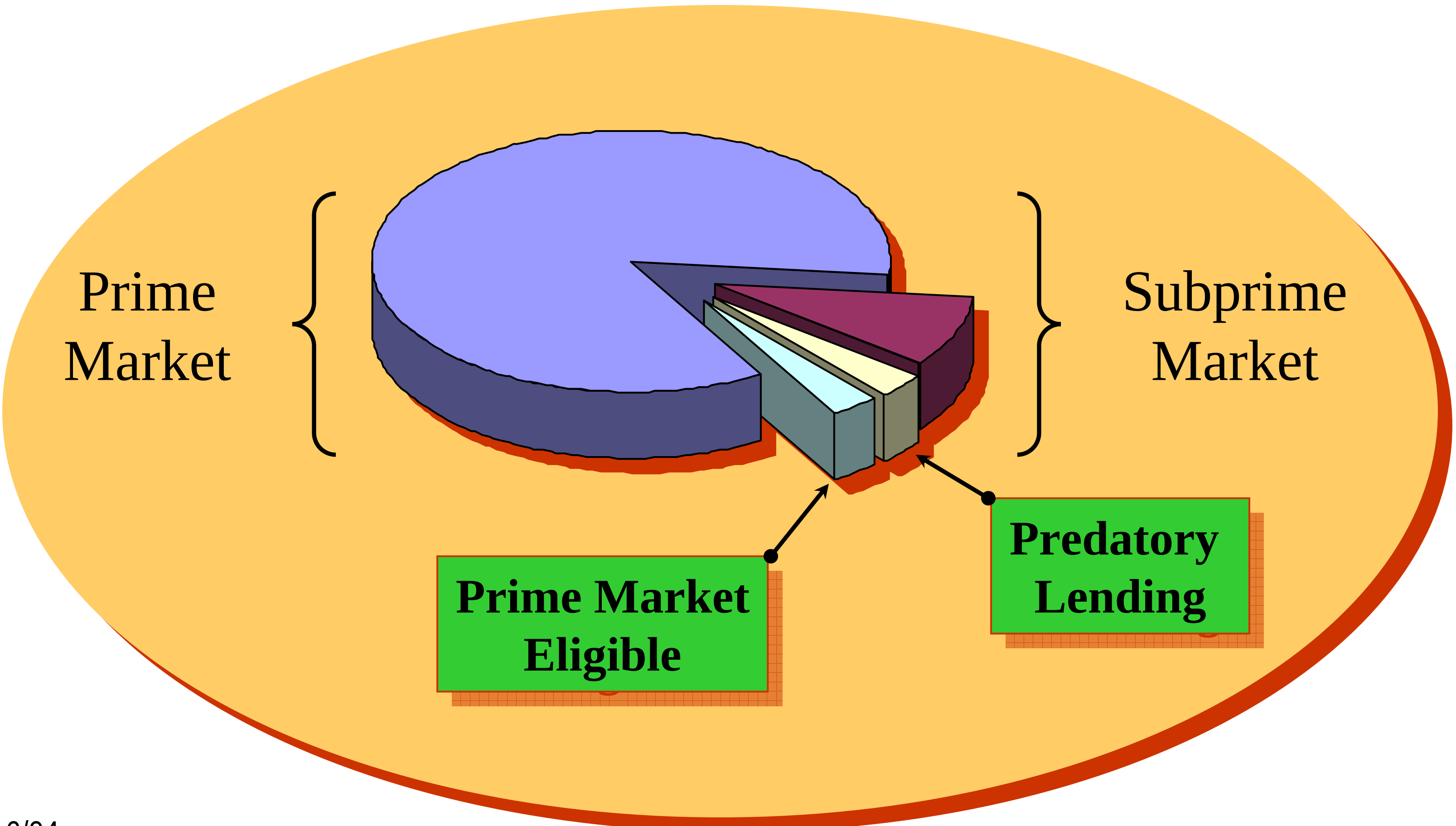
Prime & Subprime Lending Markets



What is Predatory Lending?

- Intentional, systematic selling of over-priced loans without full information to borrowers
  - High interest rates (HOEPA = 8/10 points over T-bill)
    - Yield spread premiums
  - High fees (HOEPA = 8 points, including opt. debt protection)
  - Traps—terms that force refinance or foreclosure
  - Linking of unnecessary products/fees to loan
    - Single premium credit life insurance
  - High pressure sales tactics and obscured information
- No good estimates of the size of problem

Predatory Practices

- Targeting of vulnerable populations
  - Limited borrowing experience and access
  - Central city, minority, low-income and elderly populations
- Obscured information provided to borrowers
  - Lack of knowledge about
    - Choices and competing lenders
    - Consumer rights of disclosure
    - Freedom to reject and/or cancel the loan
    - Pre-closing disclosures of rates and costs

More…

Predatory Lending Traps

- "Flipping" (unnecessary refinancing)
- Prepayment penalties
  - 70% of subprime loans have penalty
- Refinance traps
  - Balloons = 10% of subprime loans
- Negative amortization or high LTVs
- Single premium credit life insurance
- Yield spread premiums
- Not reporting payments to credit bureaus
  - Prevents building of credit record

Regulatory Response

- Truth in Lending (TIL) Act and RESPA
  - Basic lending disclosure and rights to cancel
- Home Ownership and Equity Protection Act (HOEPA)
  - http://www.ftc.gov/bcp/conline/pubs/homes/32mortgs.htm
  - Affects refinance and home equity installments
    - Not purchase money, reverse mortgages or home equity letters of credit
  - Fed Reserve (12/01) lowered rate/fee thresholds 1st mortgages
  - Statute amendments under consideration
    - Lowering HOEPA triggers
    - Expand to refinance
    - Yield spread premiums

What Can You Do?

- Educate homebuyers and <u>homeowners</u>
  - Public awareness campaigns
  - Counseling
- Monitor business practices of lenders
  - Seek prime and legitimate subprime lenders
- Report loan performance to credit bureaus
- Don’t subordinate or re-subordinate to
  - High rate, high fee loans
  - Loans with single-premium credit insurance

Public Education & Awareness

- Campaigns to educate homeowners & homebuyers about abusive lending practices
  - Freddie Mac's "Don't Borrow Trouble" Campaign
- Outreach initiatives must be designed to:
  - Educate consumers on the wise use of credit
  - Make them aware of their financial options
  - Help them avoid borrowing pitfalls
  - Focus on existing owners & first time buyers

Subordination Policies

- Don't subordinate to
  - High rate/high fee loans
  - Loans with single premium credit life
  - High LTV loans
  - Lenders identified as predatory
- Limit re-subordination to
  - Home improvements
  - Legitimate rate reductions (consider APR)
  - Other hardship cases?
- Consider prepayment limits and counseling

DHCR/HTFC Subordination Policy

- Permitted (if in good standing) to improve affordability
- No cash out
- HOME loan payoff permitted
- Notice to DHCR

Working with the Lending Industry

1. Prepare buyers:
   - Pre-qualification training, debt counseling & debt reduction
   - Credit screening tied in to eligibility
   - Stress **back-end** ratios & reducing other debt
   - Help buyers document alternative & foreign credit
2. Maximize the 1st mortgage:
   - Shopping for best terms
   - Facilitating lender-buyer negotiations
3. Negotiate for alternative products & terms
   - Portfolio loans & CRA
   - FNMA/FHLMC alternative products: A- loans; affordable loans, purchase-rehab, lease-purchase, Section 8
4. Steer buyers away from predatory lenders

Structuring the Buyer Subsidy

Structuring Buyer Financing

- Low income buyer issues
  - Housing costs/prices too high relative to incomes
  - Lack of downpayment & cash for closing
  - Poor or no credit
- Public subsidies:
  - Can only address prices & upfront cash issues
  - Must be structured around private lending (1^{st} mortgages) → the “gap”

Subsidy Issues

- Amount of gap
- Source of gap money & related rules
- Relationship to primary lender
- Resale/recapture
- Protection against loss in foreclosure

Amount of the Gap

- The basis: dev cost or fair market value (FMV)
  - Recommend FMV; HOME policy
  - "Excess" public investment may be treated as "development subsidies" not mortgaged to buyer OR basis for equity sharing
- "Gap" = FMV – buyer funds (mortgage + DP)
  - Key is to determine/qualify for maximum mortgage
- Supplemental assistance: DPA + CCA

Source of the Buyer Subsidy

- HOME/ADDI the most likely source
- Consider impacts of regs:
  - Income or 1st time buyer requirements
  - Property type or value limits
  - Property standards
  - Compliance periods; recapture
- Local limits: variable v. fixed assistance
  - Fairness of “subsidizing” other debts

Assume The (2^{nd}) Position

- Public loans subordinate to 1^{st} mortgage
  - Enforcement subject to approval of 1st mortgagee
  - Use restrictions may terminate upon foreclosure/DILOF
- May be other limits on 2^{nd} mortgage:
  - TLTV limits (E.g., Freddie Mac 105% or 120% for certain purchase-rehab)
  - Balloons

Using HOME & ADDI for Homebuyers

ADDI

- $162M for 2003/2004
- States (40.7%) & local PJs with min 150k or $50,000 by formula
- Rule published 3/30: http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/addi.pdf

ADDI Rules

- Generally HOME rules, except:
  - Eligible activities:
    - DPA
    - DPA + repairs for 2004 (rehab <20%)
  - $ Limit: greater of $10k or 6%
  - 1st time buyer (ConPlan definition)
  - No admin funds
  - No match: 2004+
  - URA is not applicable

ADDI Administration

- Operated as part of HOME
- ConPlan: ADDI narratives for 2004
  - Proposed use of ADDI funds
  - Outreach to manufactured housing & PHA families
  - Ensure “suitability” for homeownership
- IDIS modified to include/report ADDI
  - If 1st time buyers checked, counts toward ADDI

HOME Activities and Assistance

Eligible activities

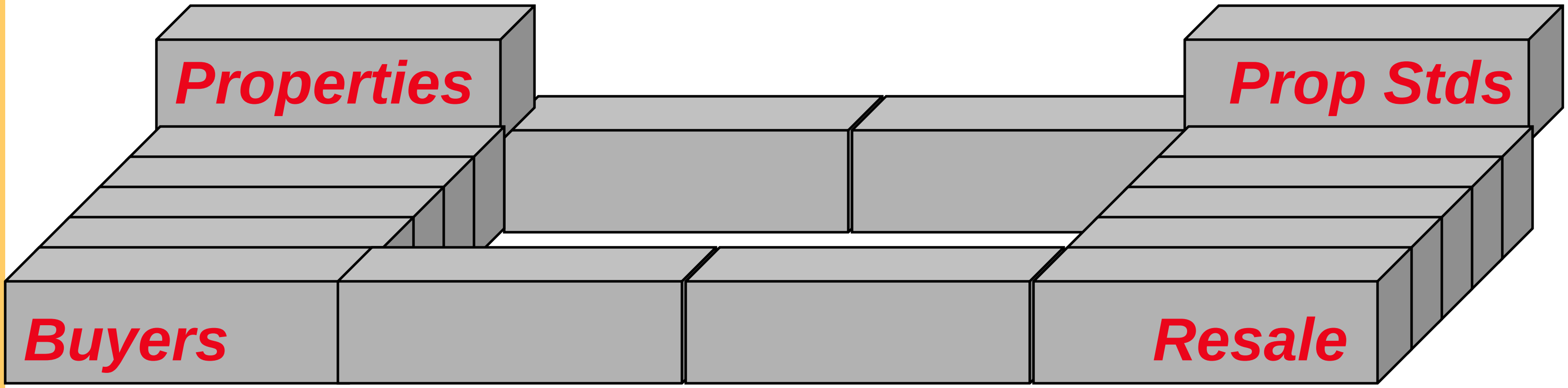
- Acquisition Assistance
  - not CHDO eligible
- Acquisition & rehab
- New construction

Forms of assistance

- Development subsidies
- Grants, Loans
- DPA/CCA
- Loan guarantees & other approved by HUD

Statutory Cornerstones

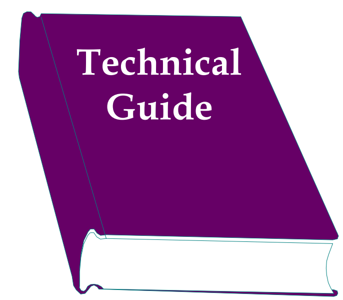
- Four "cornerstone" compliance issues:



HOMEbuyer Rules

1. Eligible properties:
   - single/family, 2 - 4 unit, coop, condo
   - value less than FHA 203(b) limit *
   - Lease-purchase: complete w/in 3 yrs.

2. Eligible buyers: less than 80% AMI
   - 3 methods of calculating income
   - Source documentation required



HOMEbuyer Rules, cont.

3. Property Standards:

- No health/safety violations on occupancy
- Home must pass codes/HQS w/in 2 yrs*
- LBP:
  - Acquisition only: visual assessment/paint stabilization
  - Rehab: risk assessment/interim controls/clearance over $5000

4. Resale/recapture requirements:

- Compliance period: minimum 5 - 15 years
- principal residency
- resale to low income or recapture $
  - amortization optional
- <u>no</u> ongoing HQS or income certification; record retention 5 yrs

Resale/Recapture Options

1. Resale to Low Income Buyer
2. Full recapture
3. Declining Balance Recapture
4. Equity Sharing
5. Return of Equity First

HTFC Resale/Recapture Policy

- HOME Program Notice 03-02
  - Buyer subsidy subject to declining balance recapture & shared net proceeds
  - If development subsidy, resale to another low income buyer requirement
- HTFC has issued standard loan documents
  - Contact Regional Office if questions

The Federal Overlay: Other Regs

- Environmental Review
  - Homebuyer assistance only: no NEPA or Other Statutes
  - NEPA applies:
    - multi-family (5+) new construction, major rehab (> 75% repl cost), density increase (>20%), conversion
    - Single-family (1 -4) density >4; changed footprint in floodplain, change in land use
  - Other single family (1-4 un) actions: categorically excluded, but Other Statutes Compliance Determination required
- Relocation: URA & HCDA 1974 S. 104(d)
  - Relocation notices required
  - Benefits to physically/economically displaced
  - (Does not apply to ADDI)

Other Regulations, cont.

- Davis Bacon: if 12+ HAUs in construction contract
- Equal Opportunity/Fair Housing
  - EEO, M/WBE, Section 3 apply to any bidding/employment
- Procurement & Conflict of Interest:
  - PJ determines procurement standards for developers
  - Conflict of interest rules: 92.356
  - HUD considering expanding CHDO C of I rules

Recaptured Funds

- Homebuyer recapture subject to recapture rule (92.503(c); CPD-97-09 p. 13)
- 92.504(c)(1)(viii) - disburse first
  - "For additional HOME projects"
  - HUD doesn't permit new admin charge
- Tracking/reporting:
  - IDIS entry & reporting
  - Revolving loan fund "workaround"

Repayment Policy

- If foreclosure or deed in lieu of foreclosure:
  - Funds need to be repaid (whether recovered or not)
  - Until completion of min affordability period
  - Except homebuyer projects with recapture notes "out of net proceeds"
- HTFC policy
  - Repayment due to HTFC

Top 10 Suggestions

1. Understand the changing local conditions & buyers
2. Link homeownership to community revitalization strategies
3. Understand trends in mortgage credit (e.g., credit scores)
4. Focus on credit as primary barrier to homeownership
5. Provide homebuyer education and counseling
6. Make lenders compete; shop for affordable products
7. Manage the pipeline
8. Try to move borrowers toward prime market
9. Implement post-purchase counseling & predatory lending watch
10. Implement subordination/resubordination policies

Wrap Up

- Please complete the evaluation
- Future seminars:
  - July: Property Management
  - August: Designing Energy Efficient Housing Projects?
  - September: Acquisition, Rehab, Resale for CHDOs

Safe travels. See you next month!