

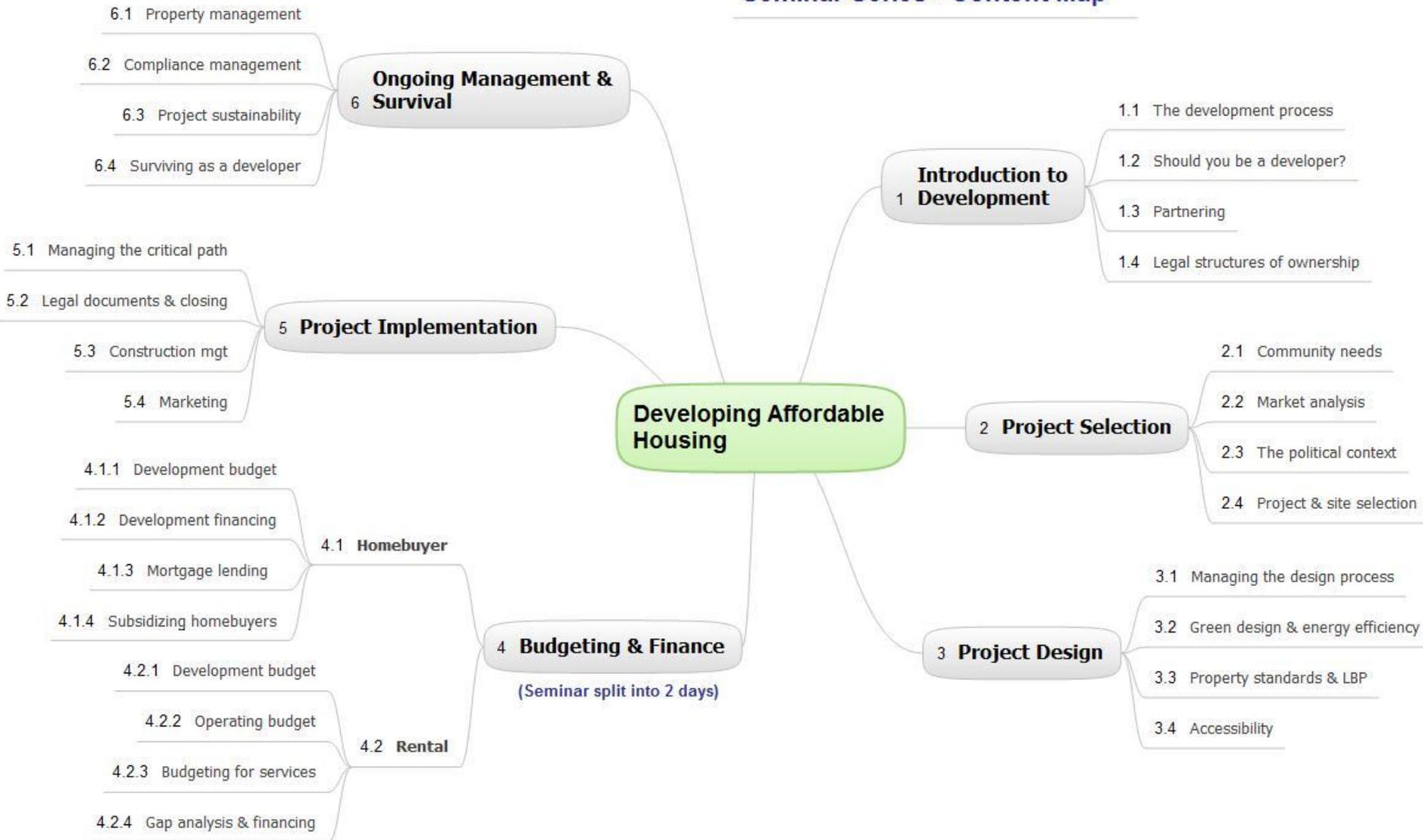
# Development Seminar Series Workshop 4: Homebuyer Budget & Finance

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Franke Consulting Group  
under contract to NY DHCR/HTFC

# Overview of the Seminar Series

- 6 workshops:
  - Introduction to Development – May
  - Project Selection – June
  - Project Design – July
  - **Project Finance**
  - Project Implementation – October
  - Ongoing Management & Org Survival - November

## Developing Affordable Housing Seminar Series - Content Map



# LPA Mini-Series

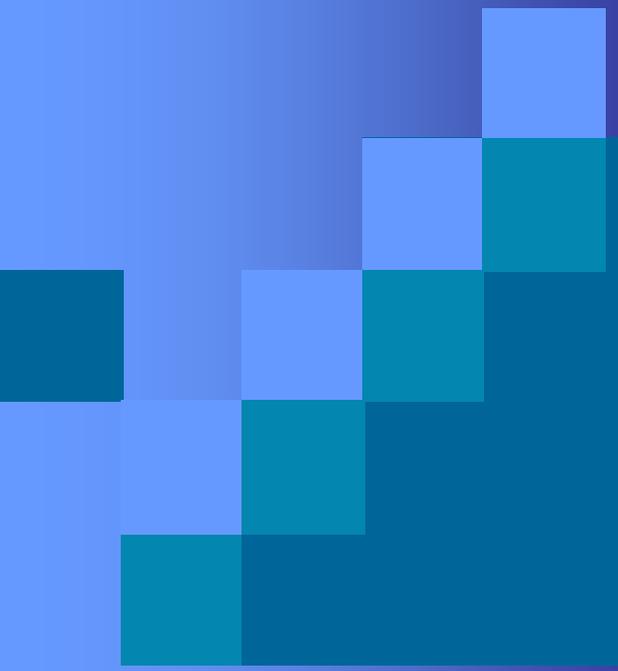
- Working with Homebuyers - June
- Lead Based Paint Overview – July/August
- Managing Housing Rehab Programs - October

# Materials

- Reference manual
  - Supplemental discussions of institute topics
  - For review outside of class
- Each seminar, add:
  - Overheads for note-taking
  - Tools for project planning

# Seminar 4 Topics

- Project budgeting
- Project financing
- Homebuyer financing
- Subsidizing the buyer



# Homebuyer Project Budgets

# The Development Budget

2 phases:

## ■ Part I: Development

- Construction loans used to build/rehab
- Costs deferred to sale: sales costs, dev fees, other

## ■ Part II: Sales

- Proceeds pay:
  - Sales/ closing costs
  - Private and public construction loans
  - Developer fee
- Excess proceeds: profit, subsidy repayment

# Homebuyer Dev. Budgets

## Development:

### Sources:

Equity

Construction loan

Public capital advances

### Uses:

Acquisition/site

Construction (hard costs)

Soft Costs

## Sales:

### Sources:

Buyer \$: DP+1<sup>st</sup> Mortgage

Minus: sales costs

Minus: constr. loan payoff

### Net Proceeds:

Developer fee

Public loan payoff \*

### Profit/Loss

# Development Budget Analysis

- Acquisition
- Construction/Rehab
- Soft costs
- Fees

# Cost Analysis Principles

## ■ Principles

- Eligible (allocable)
  - Necessary
  - Reasonable
  - Documentable
- 
- Pre-award costs: & would have been allowable if incurred after award (2 CFR 225 Att B; Item 31 – old OMB A-87)

# Acquisition Cost

- Acquisition cost  $\leq$  fair market value
- True acquisition cost: costs to make “shovel ready”
  - Price + infrastructure + site improvements + env remediation + demolition + relocation
- Location: if unsuitable for market housing...
  - Environmental & neighborhood conditions
  - inaccessibility to services and transportation
- Related party transactions – cost reasonableness

# Construction Costs

- Basis of bid/estimate, level of detail
- Reasonableness: critical if not competitively bid
- Regulatory compliance:
  - Program property standards: 504/FHAA; Davis-Bacon; LBP
- Adequacy of scope v. sustainability
  - Compliance period v. useful life of systems/structure
  - Cost of improvements v. energy/maintenance costs
  - Market competitiveness (level of finish)
- Contingency

# Soft Costs

## ■ Typical soft costs

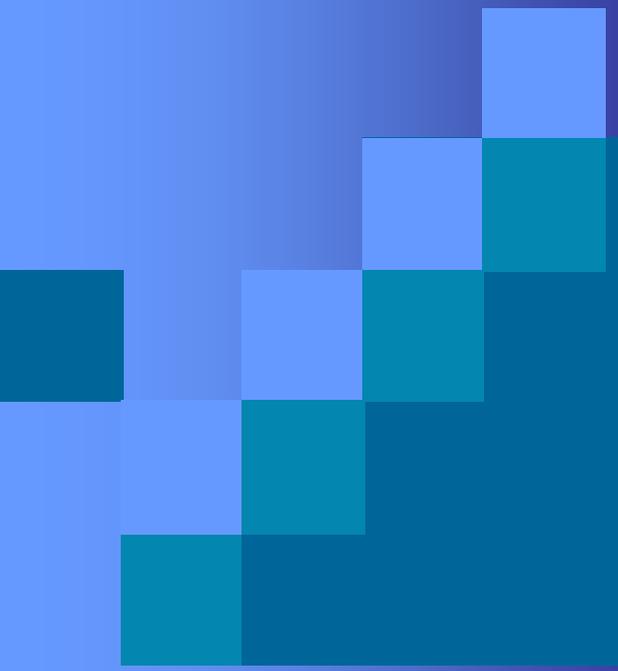
- Acquisition: transaction costs
- Financing costs
- Interim holding: insurance, taxes, security, mgt, etc.
- Buyer intake, counseling
- Marketing & sales

## ■ Analysis

- Completeness: all costs
- Reasonableness: typically 20 – 30 % of budget
- Timing of expenditures
  - Constr. financing or out of sales proceeds

# Fee Analysis

- What's a developer fee cover?
  - Inclusive of consultant fees
- Sliding scale of fees
  - Level of effort of developer
  - Economy of scale: level of effort is not proportionate
  - Smaller v. large projects; complex v. simpler projects
- Identity of interest: developer/builder/other
  - Builder OHPGR; other fees to developer/related parties
- Tie draws to milestones & accomplishments



# Project Finance

# Sources & Gap Issues

- Development financing:
  - Phasing of construction
  - Costs deferred to sales phase
  - Analysis of net proceeds
- Gap analysis – two parts:
  - Determining gap funds needed for development
  - Estimating buyer subsidy need

# Phased Development Budgets

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

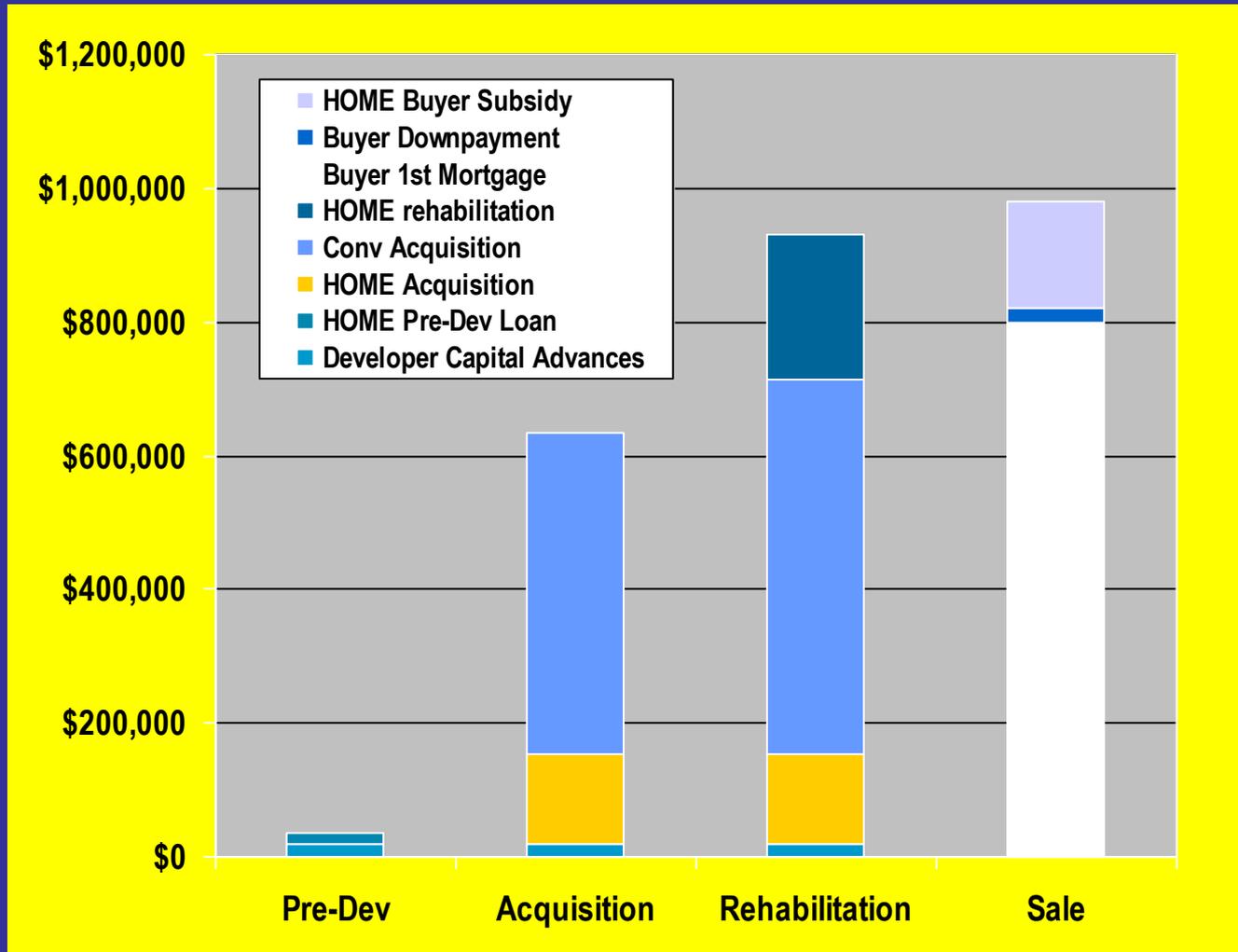
# Costs Deferred to Sales Phase?

- Some marketing costs
- Counseling costs
- Sales costs
- Closing costs
- Portion of developer fee

# Stages of Project Financing

- Pre-development financing
- Acquisition/construction financing
- Buyer financing – the sales phase
  - Gap analysis

# Homebuyer Project Example



# Pre-Development Funding

## Pre-development Uses

- Site control
- Prel design/engineering
- Environmental assessment
- Legal

## Pre-development Sources

- Equity/capital advances
- Pre-development loans

- Usually repayable (sometimes forgivable)
  - Rolled into construction loans
- May need environmental clearance

# Acquisition Loans

- Developers may self-fund or take interim loan
- Interim financing:
  - Conventional loans: usually not more than 50% LTV
  - May be rolled into construction loan (if acquisition coordinated with construction start)
- Public loans for acquisition:
  - CDBG
  - HOME - requires development plan (expected to begin construction within 12 mos.)
  - If Federal, contingent on environmental review \*

# Construction Financing

- Pays for construction costs till perm closing
- Often 80 - 90% of TDC (incl acquisition)
  - Some costs deferred to permanent closing: perm fin costs, partial dev fee & some working capital items
- May be a package deal
  - Construction to homebuyer loans
  - Or a buy-sell agreement between lenders

# Construction Financing

## Construction uses

- TDC minus:
  - Dev fee (portion)
  - Sales/closing/legal costs
  - Some marketing costs

## Construction sources

- Equity
- Construction loans
- Public gap sources?

# Construction Lenders

- Public agency construction-period lending
  - Requires underwriting & construction inspections
  - May opt for private lender to administer loan
  - May advance funds during construction as part of perm.
- Conventional lenders
  - Like to do constr lending: short-term, high interest rate
  - Underwriting & management structure in place
  - Risk mgt: bonding, insurance, letters of credit/ guarantees, structured draws & retainage, take-out loans

# Permanent Financing

- Buyer financing (1<sup>st</sup> mortgage) & downpayments
  - And rollover of HOME (and other subsidies into buyer subsidy mortgage – and HOME Development Subsidy if applicable)
- Takes out construction loans & pays for other development costs incurred at permanent closing

# Layering

- HOME + 1 public source: 92.250 (CPD-98-01):
  - PJ must adopt guidelines
- Elements of layering analysis for homebuyer
  - Cost analysis
  - Fee analysis (reasonable; identity of interest)
  - Source analysis (adequate, not excessive funding)
- Also final accounting of HOME funds





# Homebuyer Financing

# The End Borrowers

- Homebuyers are the ultimate borrowers
- Can't underwrite at project application stage:
  - If individual borrowers are not known
- Subsidy loans probably not be amortized
  - Don't need to underwrite for repayment
- However, still need to do analysis:
  - Ensure optimal 1<sup>st</sup> mortgage
  - Understand long-term affordability & default risk

# Credit: The Primary Issue!

- Poor credit is the leading factor in the rejection of mortgage applications
  - Affects all income and racial groups BUT
- Minority & immigrant borrowers are more likely than white borrowers to experience credit problems
  - But 2/3 of HH growth in the next decade
- Let's talk about the 4 C's in reference to buyers

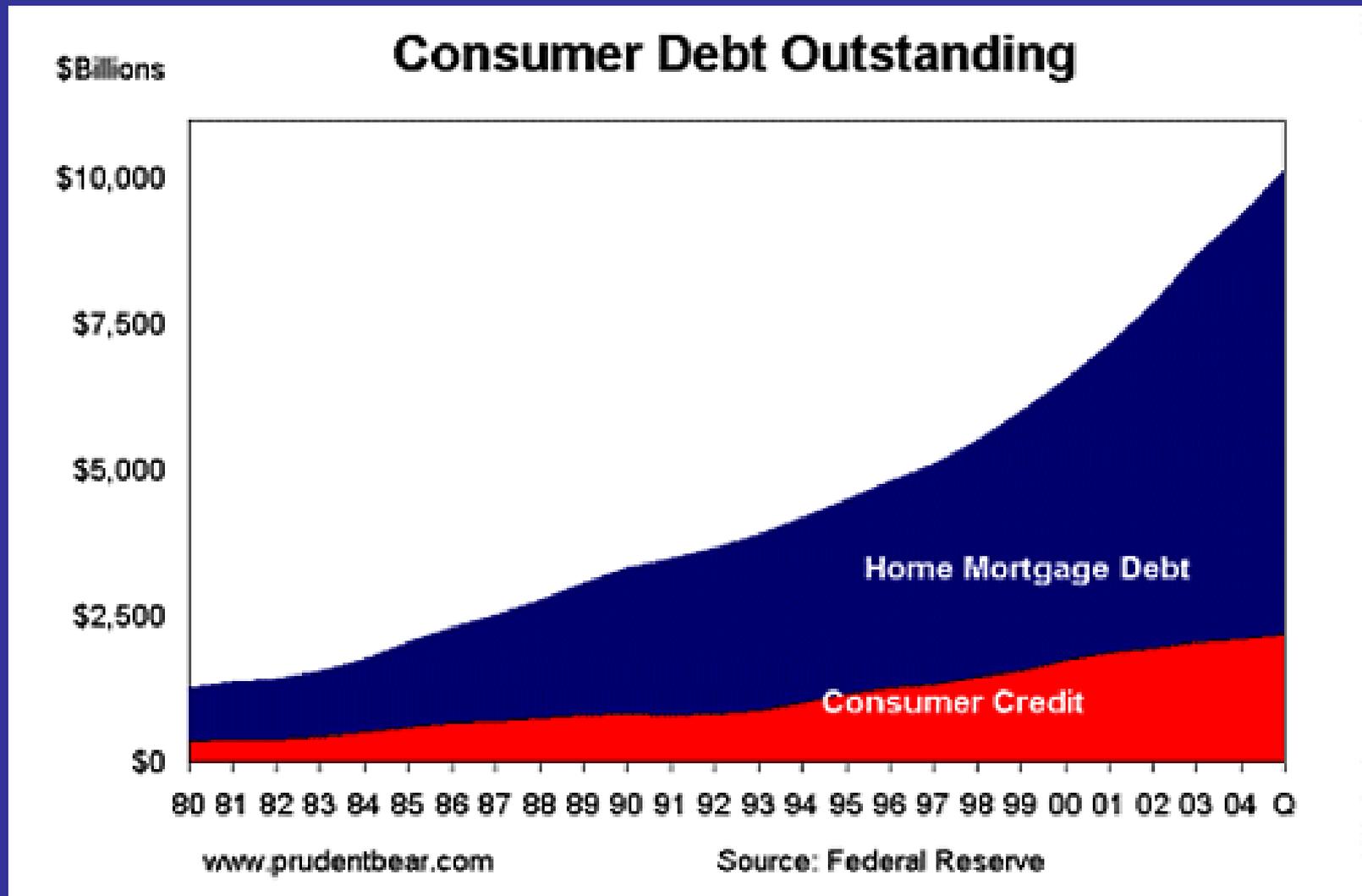
# Layering of Risk

- Why automated underwriting is better
  - Objectivity
  - Synergy of risk factors
- Layering: the interaction of many small risk factors
  - Multiple small problems tend to be deceptive (appear to be insignificant)
  - May overwhelm borrower
- Pay attention to market & borrower risks as well as project risks, and consider interaction of risk factors

# Capacity

- Can the homebuyer repay the debt?
- Ratio Analysis
  - Housing expense to income ratio – front ratio
  - Total debt to income ratio – back ratio
  - Back end more important: increasing debt load of HHs
    - Freddie Mac does not consider front ratio
- Ratio concerns:
  - High ratios, especially with adjustable mortgages

# Growth in Consumer Debt



# Cash (Capital)

- Does the homebuyer have sufficient cash for down payment and closing costs?
  - No longer the major barrier due to high LTV loans
  - But DP + Closing Costs can drain all cash
- Analyze:
  - Total buyer funds required for DP and closing costs
  - Standards for reserves/liquidity after closing
  - Level of improvements; likelihood of early capital needs

# Financing the Mortgage

Q

According to 2005 NAR survey, what percentage of the first-time buyers bought with no money down?

A

1) 72%

2) 56%

3) 42%

4) 27%



*25% of all buyers financed 100 percent of the purchase price*

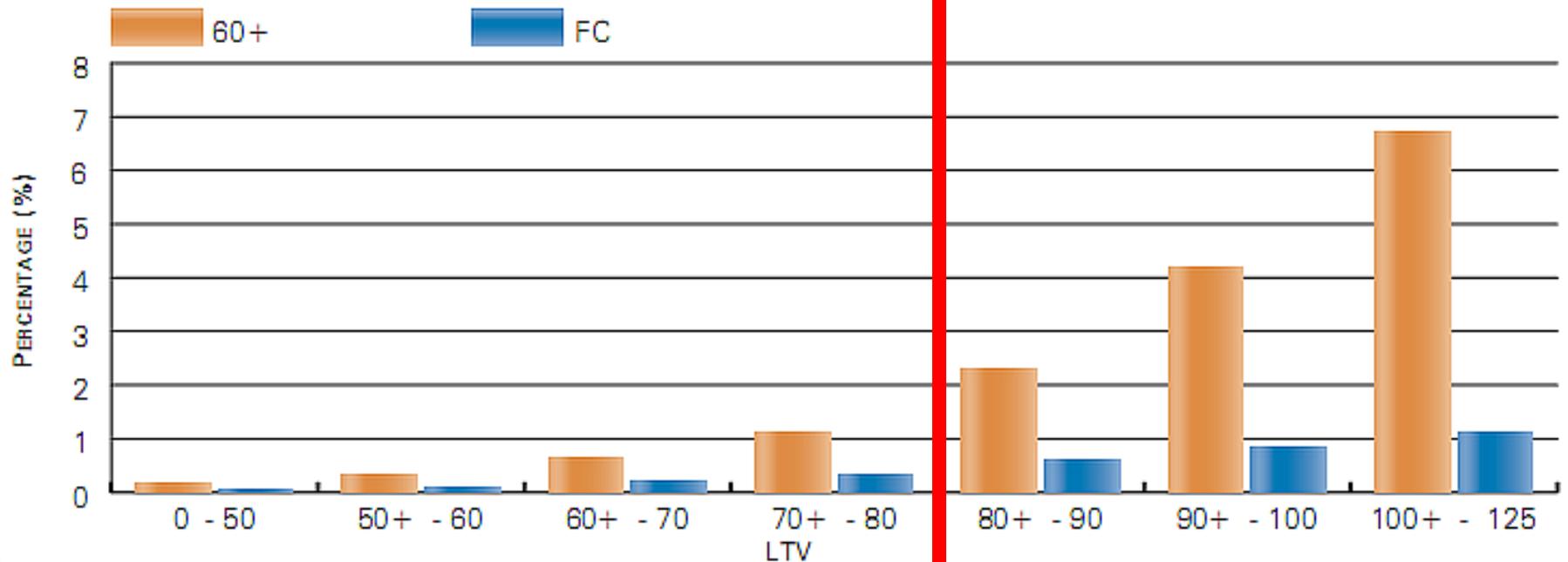
\*This Survey covered people who bought homes from August 2004 – July 2005.

# Collateral

- Will the lender(s) have adequate security?
  - Likelihood of recovery in event of foreclosure
  - Higher owner equity reduces risk of default
- Value v. cost
  - Look at appraisal (1<sup>st</sup> mortgage likely required)
  - TLTV: Risk increased if TLTV > 100%
  - Even if “Development Subsidy”
    - Loss of public funds & intended use
  - Mortgage insurance unlikely to protect subsidy liens

# Default Risk Highest at High LTV

**60+ DAYS DELINQUENCY AND FORECLOSURE BY LTV**

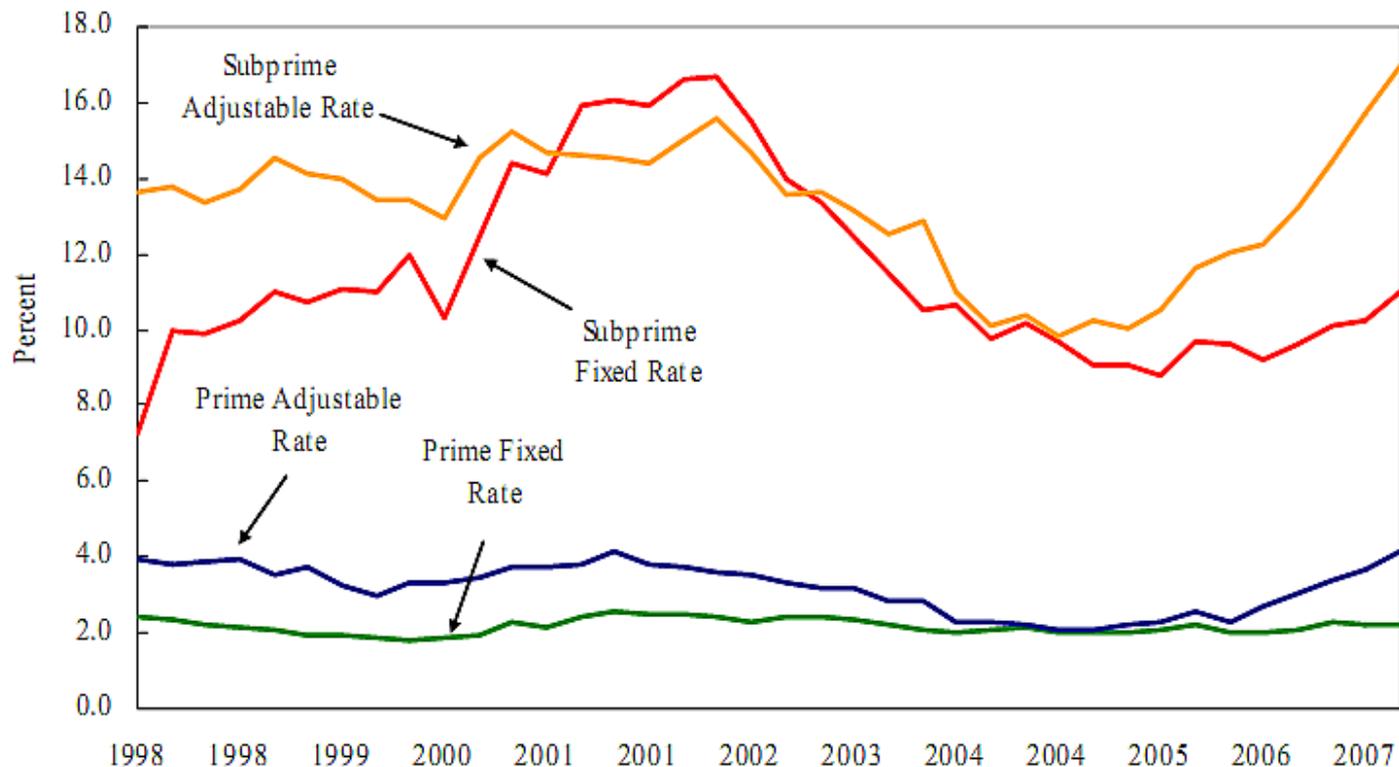


# Credit History

- Will the homebuyer repay the debt?
- Past performance is the best predictor
  - 1<sup>st</sup> time buyers don't have prior history
- Credit reports are major source of information
  - Enables automated approvals, but some LI buyers won't qualify
- Has the developer
  - Identified loan programs that will work with lower scores and non-traditional credit?
  - Provided adequate lead outreach, education, counseling?

# Delinquency Rates by Loan Type

**Figure 11: Comparison of Prime Versus Subprime Delinquency Rates, Total US 1998-2007**



Sources: Mortgage Bankers Association.

# Credit Scores

- Statistical method of predicting likelihood of repayment
  - Only one of several pieces of information lenders use
- FICO score v. new VantageScore
- Credit scores based on (in order of importance in FICO):
  - Late payments, delinquencies, bankruptcies (35%)
  - Outstanding debt (30%)
  - Length of credit history (15%)
  - New applications/inquiries for credit (15%)
  - Types of credit in use (10%)

# Review Your Borrower Standards

- Counseling requirements
- Downpayment
- Underwriting ratios/metrics
- Standards for 1st mortgages
- Sustainability
- Structuring the subsidy
- Resubordination policy
- Legal documents

# Underwriting Ratios & Metrics

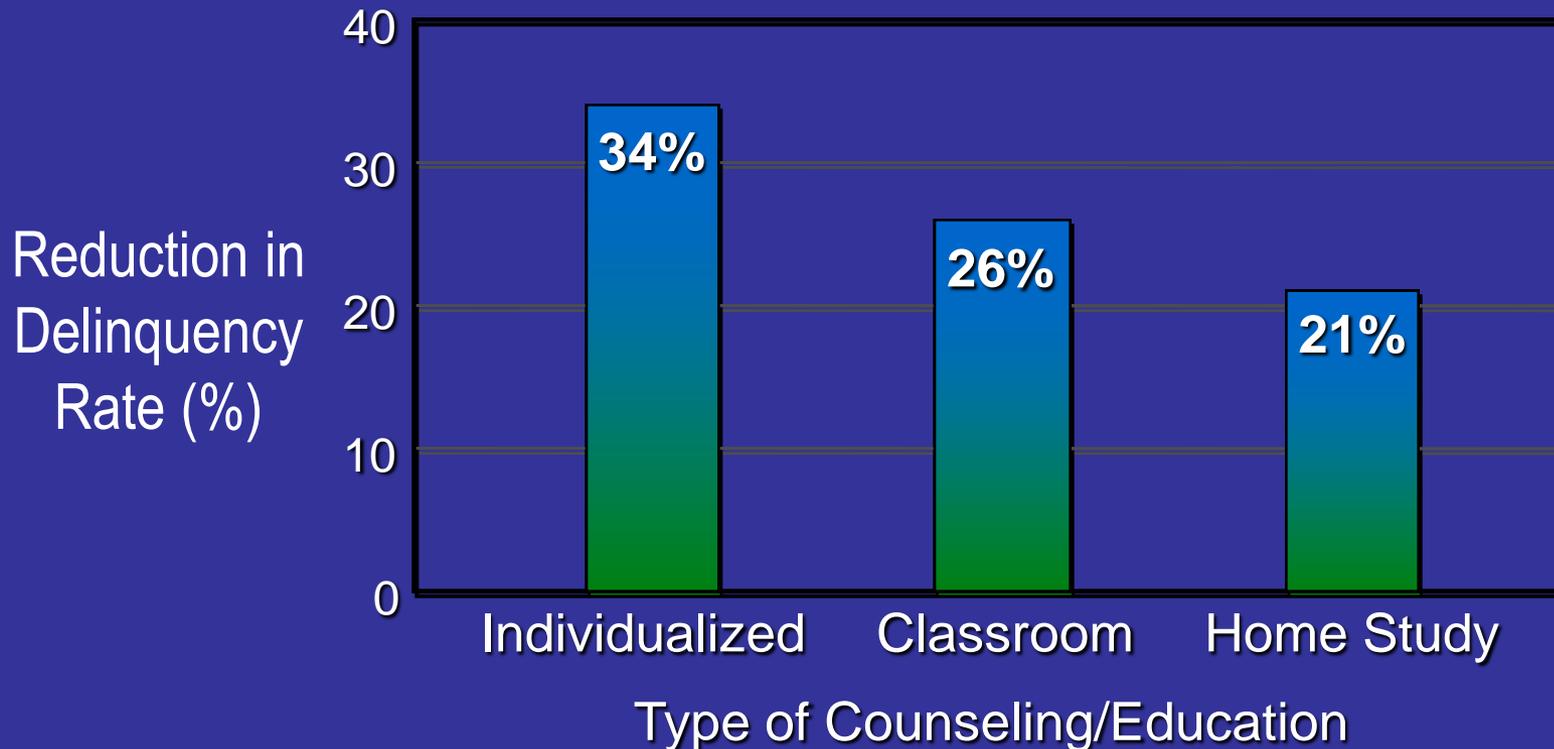
- Loan-to-Value (LTV)
  - 1<sup>st</sup> lender's LTV (affects PMI)
  - TLTV (affects your collateral risk)
- Front-end ratio (PITI):
  - Should you go above 25-28%?
  - And how about a minimum?
- Back-end ratio: probably the limiting factor
- Loan types: allow anything other than FRMs?

# Sustainability Risk

- Can homebuyers can sustain ownership over compliance period/loan term?
  - Ability to manage mortgage/financial obligations
  - Energy efficiency: control utility costs
  - Ability to maintain: quality/useful life of structure, systems & finishes
  - Market viability: ability to sell & recover funds

# The Effect of Counseling

The higher the "touch", the greater the impact.



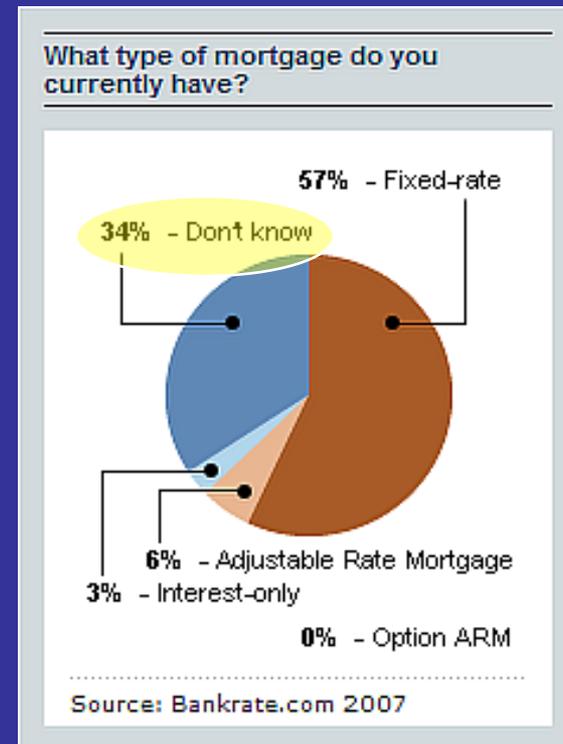
Source: *A Little Knowledge Is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling*, Freddie Mac, 2001.

# Awareness of mortgage type

Q

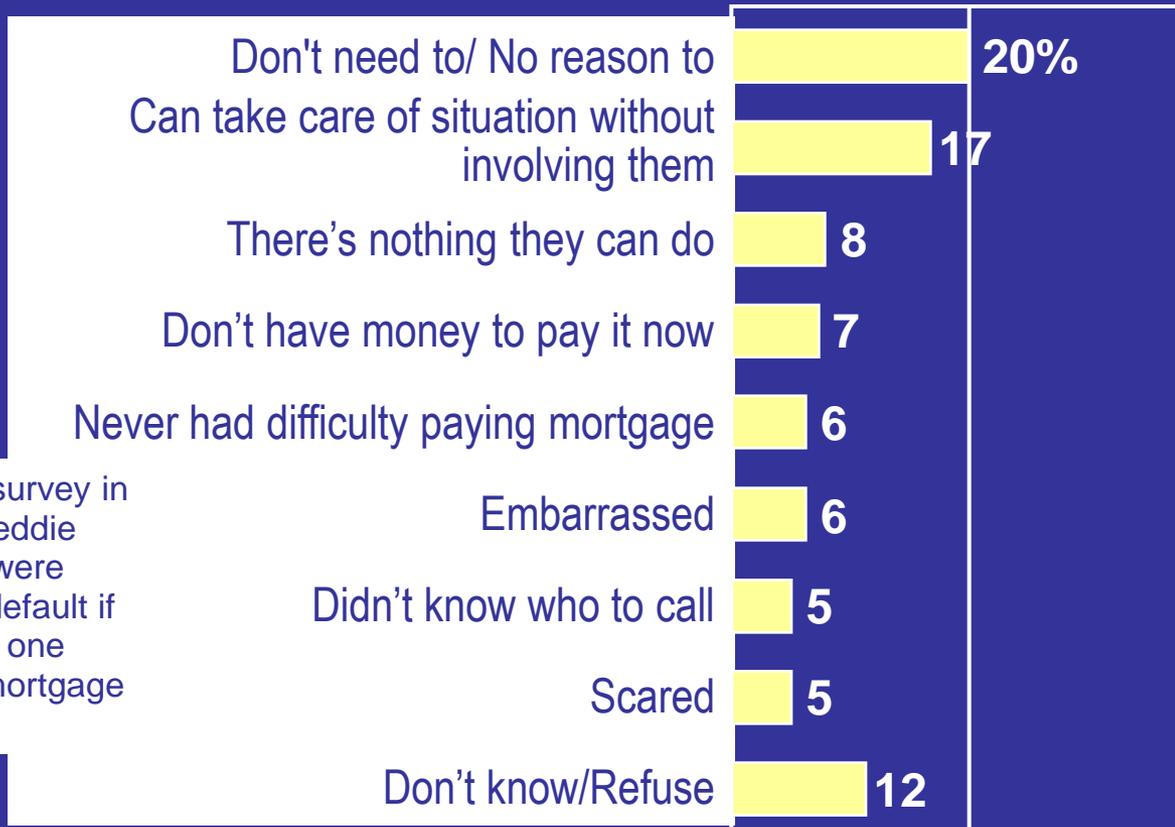
According to a 2007 Gfk Roper survey, what % of owners don't know what type of mortgage they have?

A



# Delinquent Owners Contact Lenders?

Delinquent owners: 25% claimed not contacted by lender; 31% never contacted lender; 11% claimed no problem



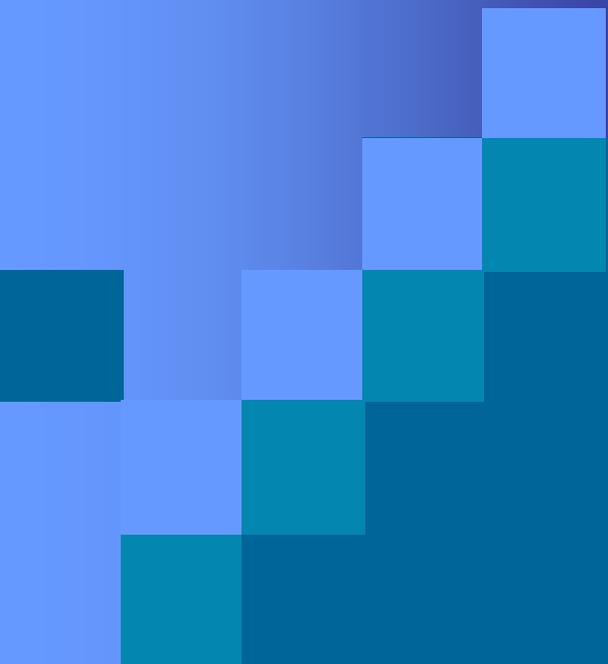
**Source:** Telephone survey in 8/05 by Roper for Freddie Mac. Respondents were considered to be in default if they were more than one month late on their mortgage payment.

# Awareness of Options

	% Aware (Aided)	% Likely to Use	Knowledge Gap				
Talking to a housing counseling agency	36	74				38	Low awareness; High interest
A forbearance agreement	36	70				34	
Adding missed payments to the existing loan balance	54	72				18	Moderate awareness; Moderate/high interest
Changing the interest rate on the mortgage loan	58	75				17	
Extending number of years you have to repay	53	66				13	
A repayment plan	60	67				7	High awareness; Moderate interest
Making an adjustable-rate mortgage into a fixed-rate	61	64				3	
Paying mortgage company lump sum you are behind	74	68			-6		
An assumption of the mortgage	43	26	-17				Low awareness; Low interest
A deed-in-lieu of foreclosure	41	23	-18				

# Summary: Borrower Financing

- Assess your program design for:
  - Marketing: lead time for buyers to improve credit & save for downpayment
  - Quality of counseling
  - Special lending programs & flexible lending criteria
  - Fixed rate loans & underwriting metrics
  - Level of improvements & long-term operating costs
  - Post-purchase assistance



# Subsidizing Buyers

# Extra Risks in the Current Market

- Home values extremely high...markets dropping
  - Many markets still considered over-valued; further declines?
- Demand down
  - Price : income imbalance -- affordability problem
  - Risky mortgage products that over-leveraged disappearing
  - Investors have pulled out
- Excessive supply
  - Building slowed, but inventory high (pipeline, investor dumping, foreclosures)

# Why?

- Strong national push into homeownership
  - Both as public policy and recognition of investment
- Labor & materials up – national, international
- But run-up not explained by the usual supply & demand factors:
  - Household growth? 2 M production v. 1.4 M HHs /yr
  - Housing shortage? Prices 51% up v rents 8% (2004)

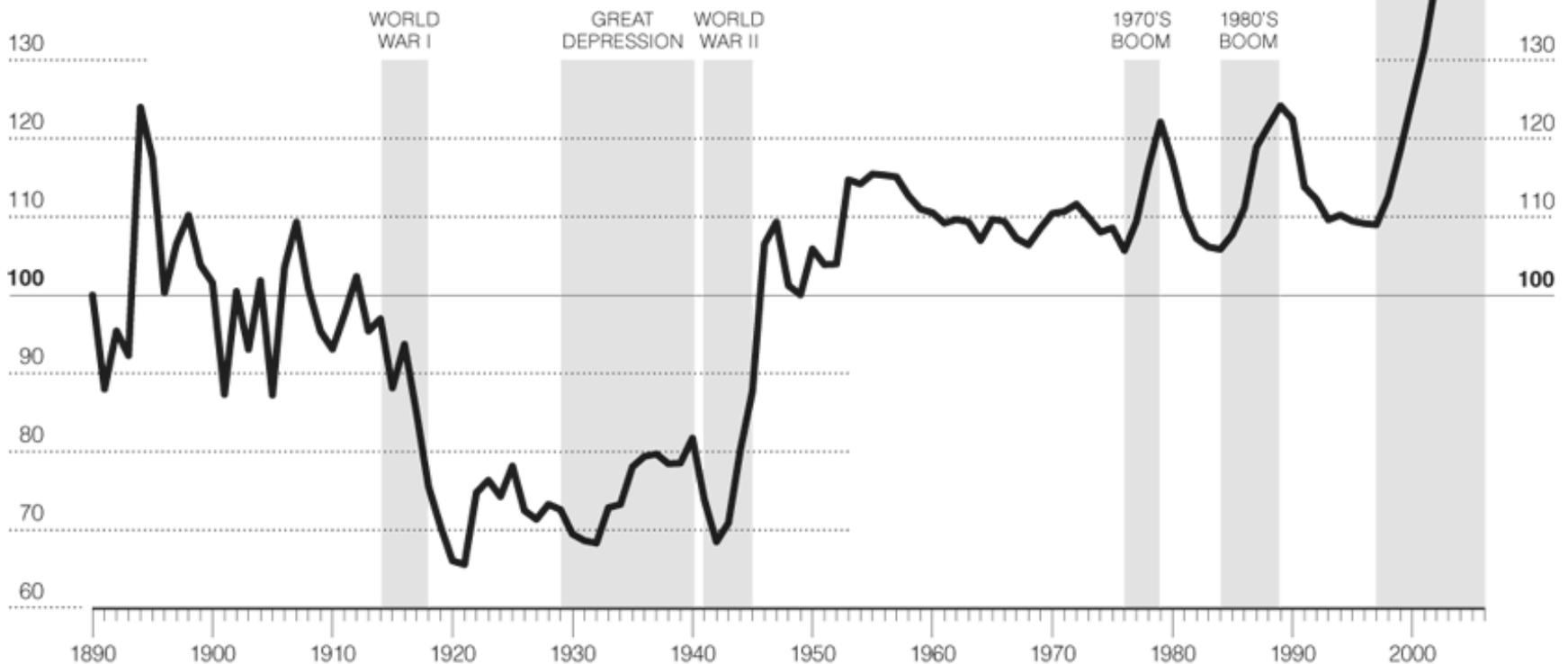
## A History of Home Values

The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

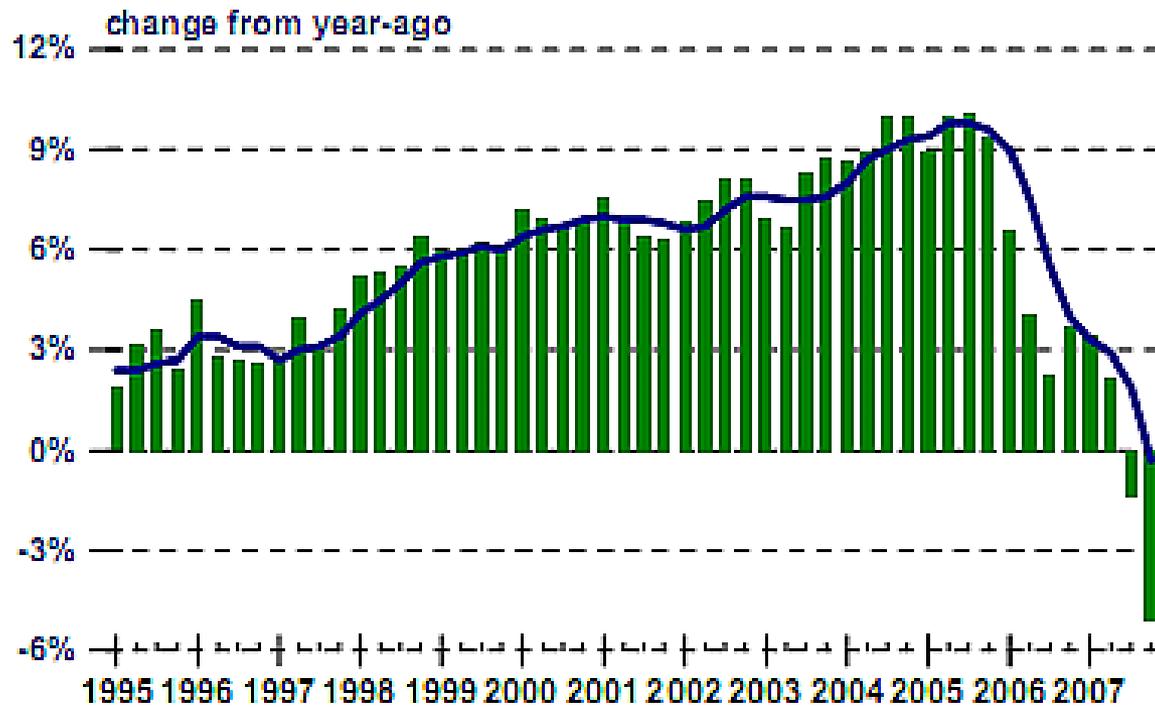
The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2006 (199 on the index scale, or 99 percent higher than 1890).

**DECLINE AND RUN-UP** Prices dropped as mass production techniques appeared early in the 20th century. Prices spiked with post-war housing demand.

**BOOM TIMES** Two gains in recent decades were followed by returns to levels consistent since the late 1950's. Since 1997, the index has risen about 83 percent.



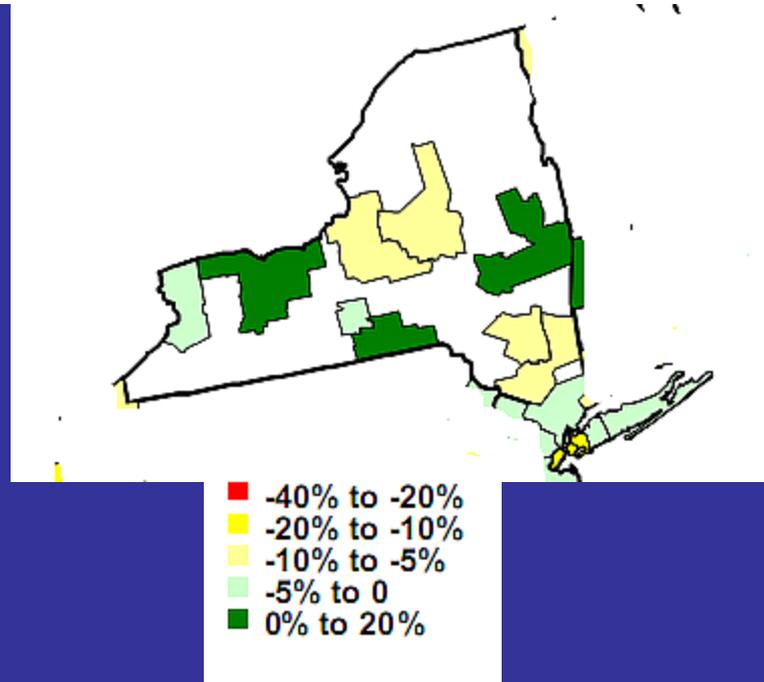
## House Prices



Source: OFHEO; quarterly changes shown at seasonally adjusted annual rates.

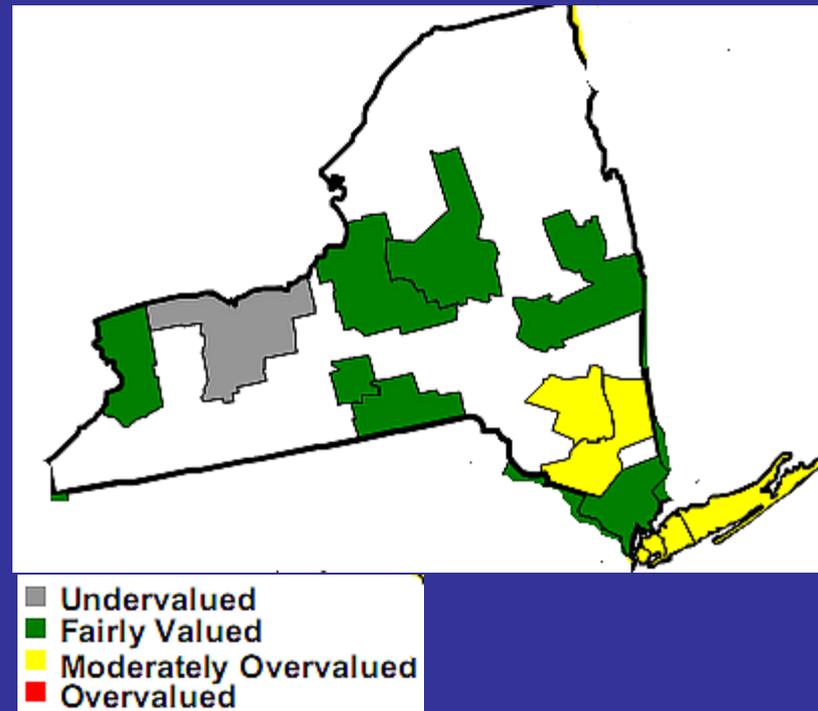
291 of 330 metro markets showed decline in 4<sup>th</sup> Quarter 2007

## House Price Appreciation: Fourth Quarter, 2007 (Seasonally Adjusted Annual Rate)



National City & Global Insight

# Over-Valued Housing Markets



National  
City &  
Global  
Insight,  
4<sup>th</sup> Qtr  
2007

# Affordability Improving...

## Housing Affordability – January 2008

By: Michael Hyman, NAR Research



### Monthly Data

	January	December	November	October	September	August
	130.3	123.0	120.1	119.4	115.8	106.3
Month-to-month % change	5.9%	0.6%	3.1%	8.9%	2.6%	-1.2%

### Trend

	January	% change from a month earlier	% change from a year earlier	3-month moving average	12-month moving average	Forecast*
	130.3	5.9%	12.3%	124.5	114.5	NA

\*No forecast for NAR® series.

NAR®

# But Still Not Affordable to 1<sup>st</sup> Timers

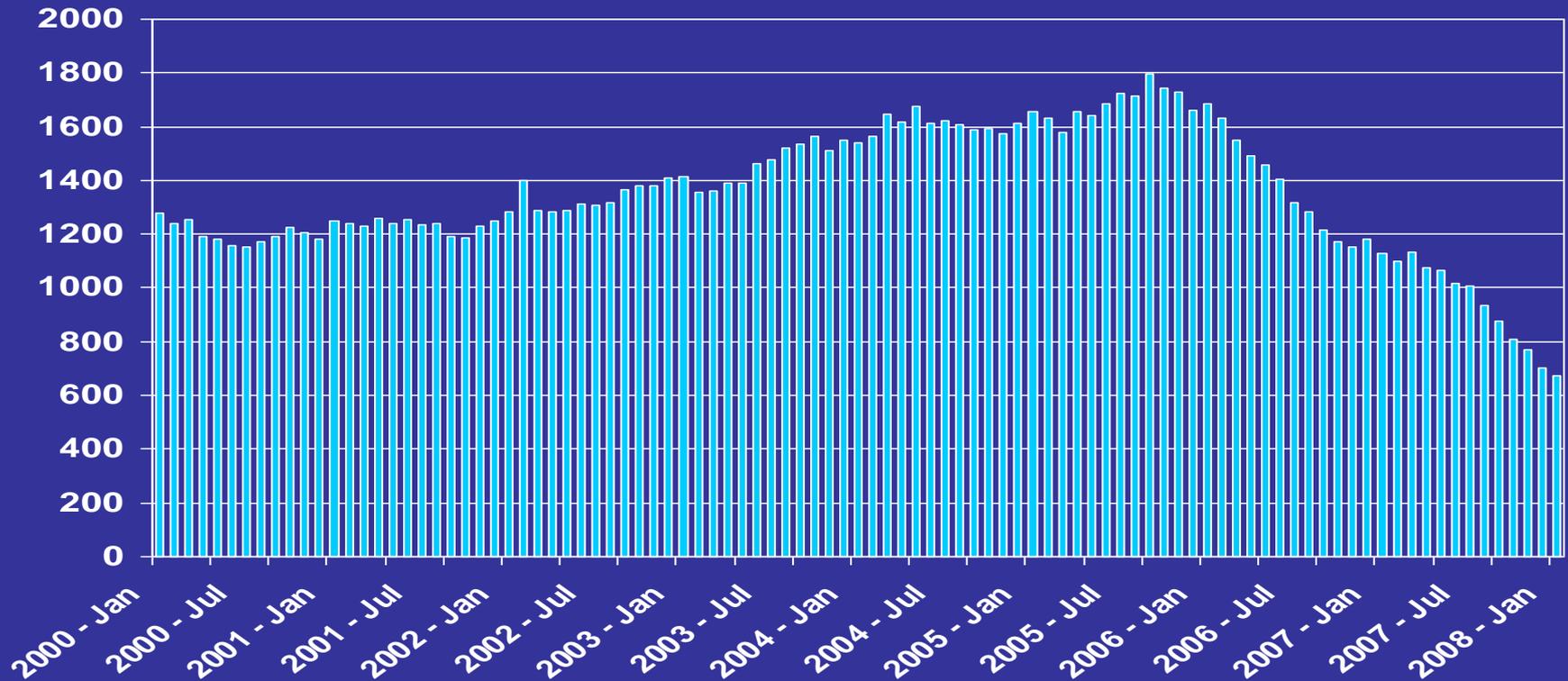
## NATIONAL ASSOCIATION OF REALTORS® First-Time Homebuyer Affordability

Year	Quarter	Starter Home Price	10% Down Payment	Loan Amount	Effective Interest Rate	Effective Int Rate Plus PMI	Monthly Payment	Prime First-Time Median Income	Qualifying Income	First-Time Buyer Index	Composite Index
2005		186,200	18,620	167,580	5.91	6.16	1,022	36,285	49,056	74.0	111.8
2006		188,600	18,860	169,740	6.58	6.83	1,110	37,448	53,280	70.3	106.1
2007 p		185,100	18,510	166,590	6.52	6.77	1,083	38,496	51,984	74.1	111.8
2006	IV	186,200	18,620	167,580	6.52	6.77	1,089	37,891	52,272	72.5	109.4
2007	I	180,700	18,070	162,630	6.42	6.67	1,046	38,100	50,208	75.9	114.6
	II	190,000	19,000	171,000	6.47	6.72	1,106	38,364	53,088	72.3	109.1
	III r	187,300	18,730	168,570	6.75	7.00	1,122	38,628	53,856	71.7	108.3
	IV p	175,300	17,530	157,770	6.43	6.68	1,016	38,891	48,768	79.7	120.4

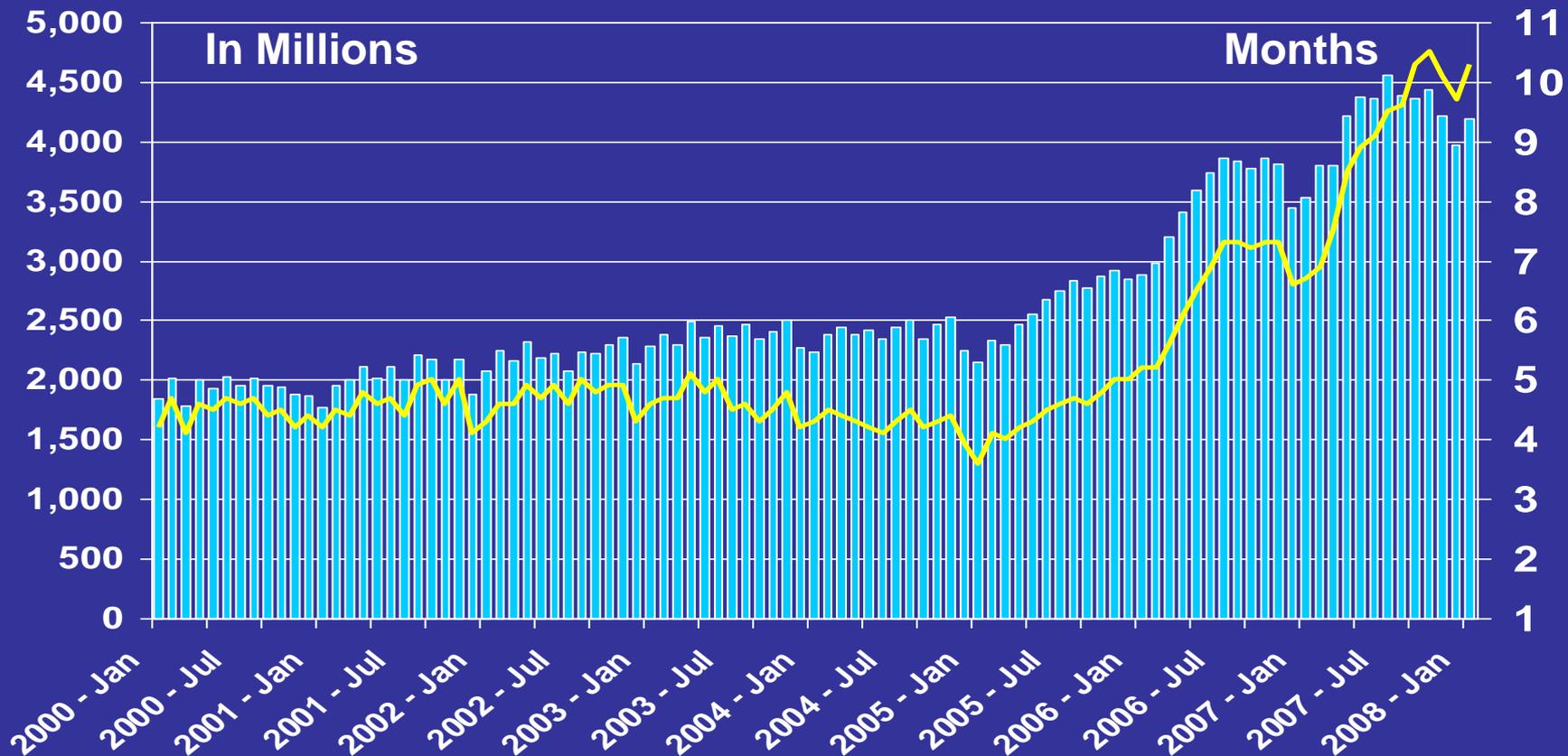
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# Housing Permits for Single-family Units

In thousands



# Existing Home Sales Inventory



- 10.3 months supply, 2<sup>nd</sup> highest since 1999.

# Implications

- Previously assisted buyers might be in troubled
  - Recent buyers might be over-leveraged & “upside down”
  - ARM & high LTV mortgagors extremely vulnerable
  - Lending products more limited & stricter
  - Bottom line: “Can’t Pay, Can’t Refi, Can’t Sell”
- New buyers might be buying in at the top
- Collateral damage: increasing foreclosures & job losses might hurt everyone
  - 0.9% decline in value for foreclosed home w/in 1/8<sup>th</sup> mile

# What's Going On In Your Market?

- Price trends?
- Supply:demand balance?
- Affordability?
- Foreclosures?
- What are the implications for your homebuyer programs/projects?
  - What happens if values decrease?
  - What happens to new owners: building wealth or taking hostages?
  - What are the risks of foreclosures & subsidy loss for existing owners?

# Implications for Homebuyer Projects

- Current market information is essential
  - Watch trends: inventory, listing times, sales/listing price ratios
- Declining prices & large public subsidies
  - What is the TLTV? If declines continue?
- Narrower affordable income band: smaller target pool
  - As mortgage products narrow and underwriting becomes more conservative, what is happening to buyer pipelines?
- Risk of buying in at top or on downward trend
  - How much equity do they have? How quickly might they be upside down?
  - What mortgage factors put them at risk?

# HOME Resale: 92.254(a)(5)(i)

- During min affordability period, resale at price:
  - Affordable to LI buyer
  - Giving reasonable return to seller
- New buyer must be LI
- Deed covenant/restriction running with land
- Required if no buyer subsidy over \$1,000

# HOME Recapture: 92.254(a)(5)(ii)

- Options:
  - Full recapture
  - Declining balance recapture
  - Shared net proceeds
  - Owner investment returned first
  - Other method approved by HUD
- Note & mortgage required
- Recaptured \$ repaid to City HOME account
- Resale/recapture option designed in ConPlan

# Trends in HOME Buyer Subsidies

- Recapture method preferred (exc high cost areas)
  - Move away from declining balance toward full recapture
  - Equity sharing in up markets (instead of resale method)
  - Owner's equity returned 1<sup>st</sup> in flat markets
- Shift toward emphasis of program income
  - More extended local use periods (loan terms)
  - After min compliance period, no repayment or recaptured funds, it's all Program Income

# Development v. Buyer Subsidy

- Development subsidy:
  - Development costs in excess of fair market value
  - Forgiven after sale
- Buyer subsidy:
  - Amount that enabled homebuyer to buy the dwelling unit
  - DPA or 2<sup>nd</sup> mortgage/gap funds
  - HOME Mortgage = FMV – buyer funds (DP & 1<sup>st</sup>)
- Applies only to recapture method
  - Buyer subsidy must be secured by note/mortgage
  - If no buyer subsidy, resale method must be used

# Estimating Buyer Subsidy

- Review expected 1<sup>st</sup> mortgage loan terms:
  - Reasonable terms given expected closing date
  - Look at front-end/back-end ratios
  - Look for predatory terms
- Estimate the total gap amount:
  - High/low max mortgages (back-end ration)
  - Compute average debt load (average other debt)
  - Compute ave gap:  $FMV - \text{average debt} - \text{buyer DP}$
  - Average gap + 20% margin of error?

# Dev/Buyer Subsidy Example

- Acquisition + Rehab/soft costs = \$140,000
- HOME funds provided nonprofit = \$30,000
- Market value after rehab/sale = \$120,000
- Buyer funds = \$105,000 mortgage + \$5,000 DP
- Devel. subsidy = \$140,000 - \$120,000 = \$20,000
- Buyer Subsidy = \$120,000 - \$110,000 = \$10,000
- Buyer's HOME (2<sup>nd</sup>) note/mortgage = \$10,000

# Developer Funds + DPA

- Same project as before:
  - TDC = \$140,000
  - FMV = \$120,000
  - HOME \$ to nonprofit developer = \$30,000
- But HOME DPA of \$5,000 added:
  - Buyer funds = \$105,000 (DP + 1<sup>st</sup>)
  - HOME buyer subsidy = \$10,000 + \$5,000 = \$15,000
  - Can be covered by one or two HOME notes/mortgages

# No Buyer Subsidy

- Project facts:
  - TDC = \$140,000
  - FMV = \$110,000
  - HOME \$ to nonprofit developer = \$30,000
  - No DPA
- House sold with resale restrictive covenant
  - \$30,000 HOME note/mortgage for foreclosure/noncompliance

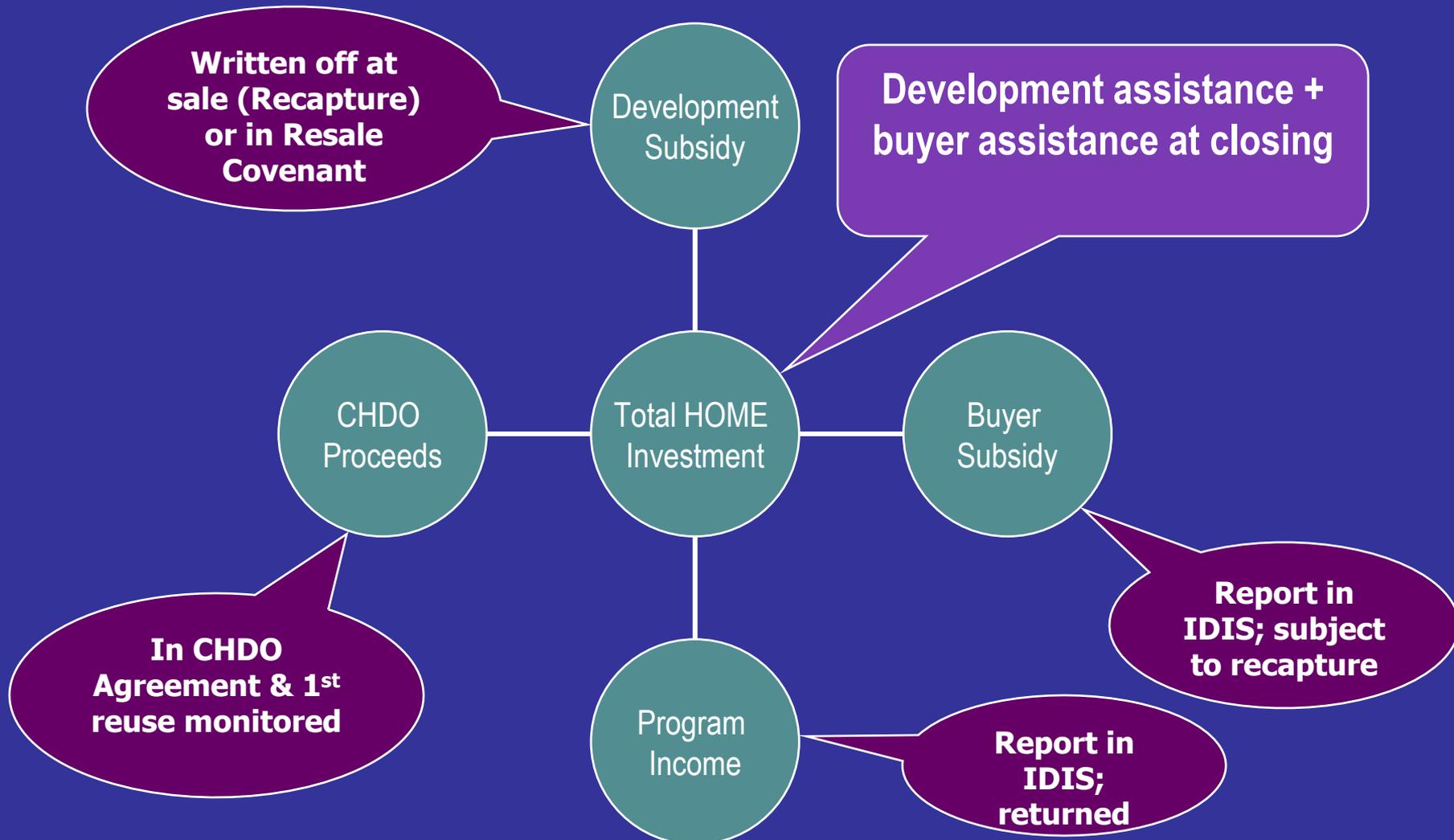
# Investment Terms

- Designation of assisted units
  - Fixed/floating; VLI/LI; unit mix; rents
- Amount & terms of investment
  - Grants (recoverable) v. loans
  - Beyond min compliance period
- Timing of HOME investment
  - Pre-development; development; permanent
- Repayment terms
  - Amortization, cash flow loans, loan reviews
  - Repayment in the event of default (foreclosure, non-compl)

# Legal Documents

- Commitment letter
  - Terms of commitment
  - & closing requirements/checklist
- Written agreement required for IDIS setup
  - Accepted commitment
- Legal documents:
  - Rental: covenants; note/mortgage
  - Homebuyer: resale covenants or recapture note/mortgage

# Accounting for HOME \$ @ Closing



# Resubordination Policy

## ■ Resubordination:

- Refi with no takeout?
- Equity takeout for:
  - Home improvements?
  - Economic emergency (e.g., job loss)
  - Medical emergencies?
  - Education?
  - Other debt?
  - Foreclosure prevention?

## ■ Prepayment policy:

- Will you prohibit?
- Will you require pre-prepayment counseling?
- Do you require full repayment if noncompliance

# Foreclosure Prevention & Intervention



# Foreclosure Trends

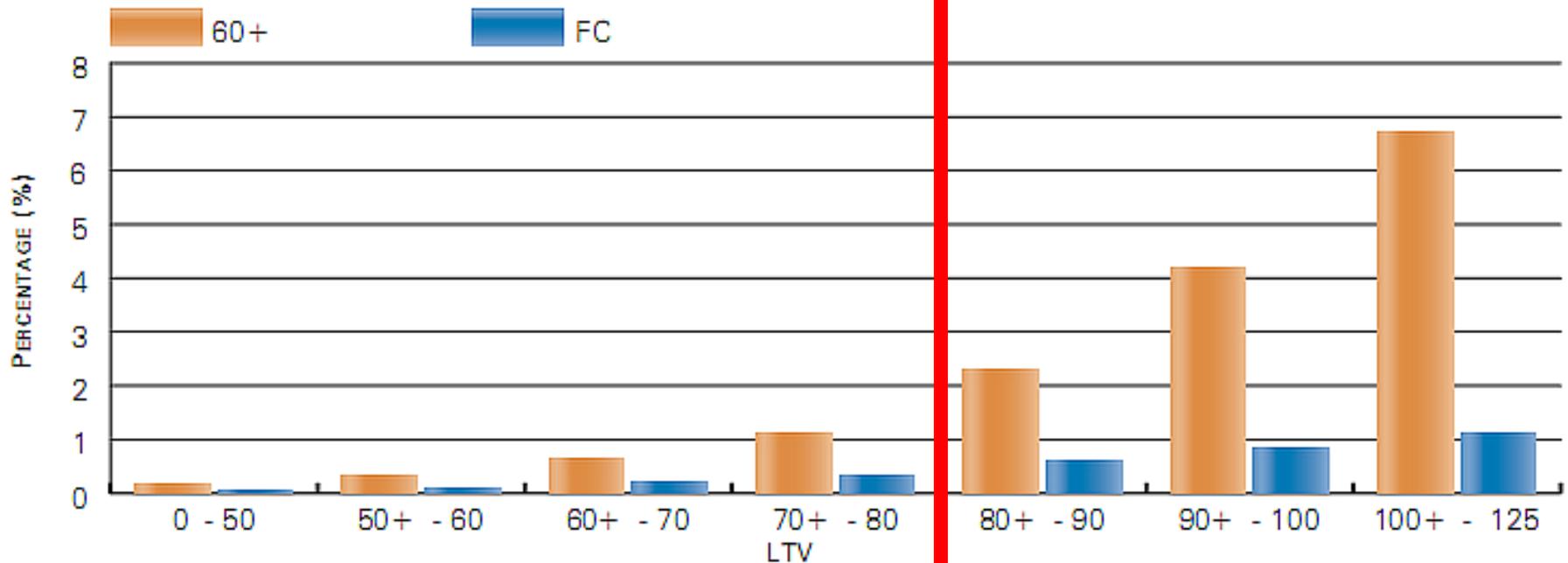
Regional Preforeclosures					
Region	Households	January	February	Totals	Per Household
Midwest	14,014,084	16,542	15,264	31,806	0.23 %
Southeast	19,120,027	47,364	48,960	96,324	0.50 %
Northeast	18,549,206	18,572	18,631	37,203	0.20 %
Southwest	26,756,664	70,344	66,362	136,706	0.51 %
Other States	2,414,832	1,753	2,013	3,766	0.16 %
<b>Nationwide</b>	<b>80,854,813</b>	<b>154,575</b>	<b>151,230</b>	<b>305,805</b>	<b>0.38 %</b>
New York	4,835,702	4,366	4,948	9,314	0.19 %

foreclosures.com – foreclosure filings

50,000 (1.05%) of NY homes entered foreclosure in 2007

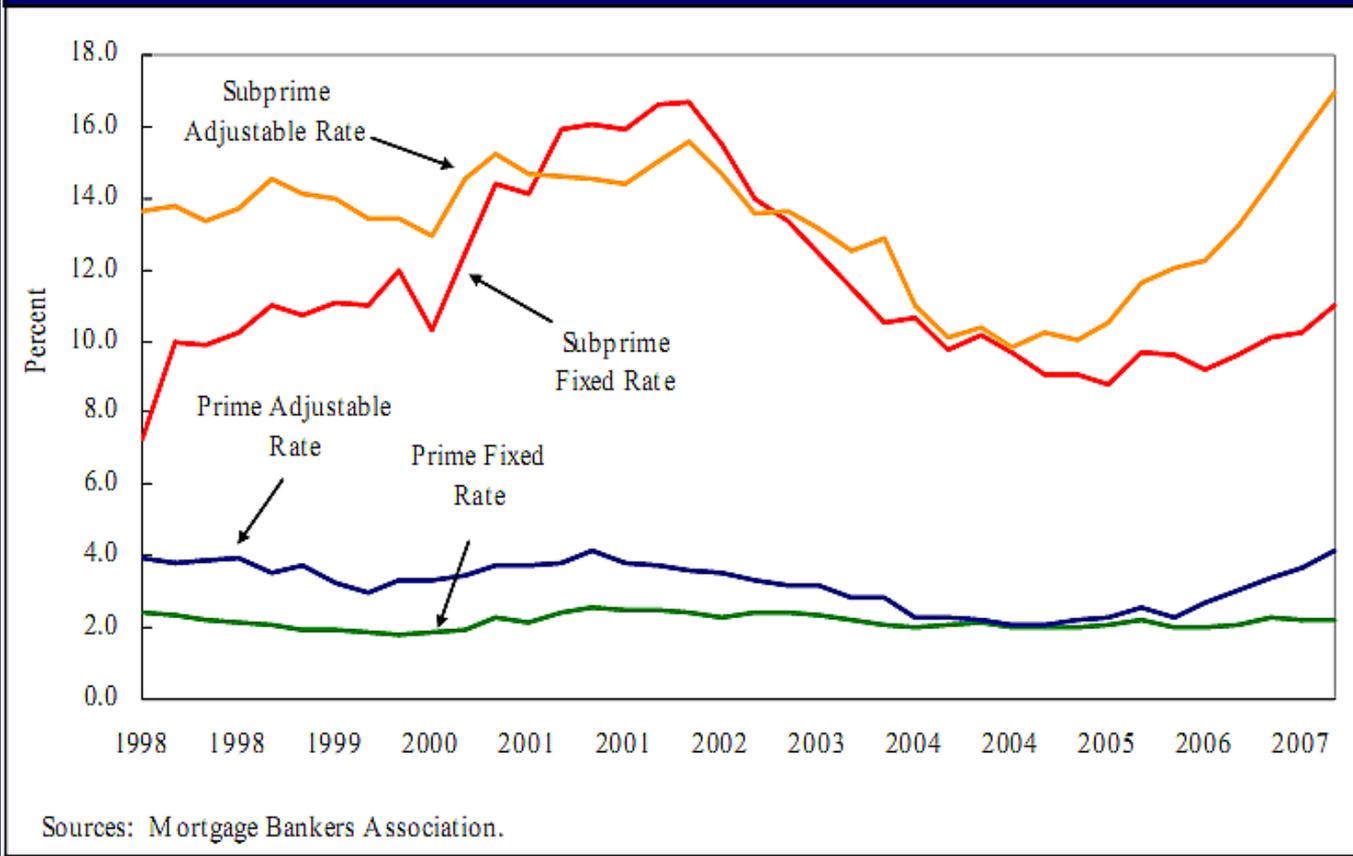
# Default Risk Highest at High LTV

**60+ DAYS DELINQUENCY AND FORECLOSURE BY LTV**



# Delinquency Rates by Loan Type

**Figure 11: Comparison of Prime Versus Subprime Delinquency Rates, Total US 1998-2007**



Joint Economic Committee

# Prevention v. Intervention

## ■ Prevention

- Helping existing owner avoid foreclosure
- Counselor involvement
- Restructure public loan terms?
- Other subsidies; resubordinate HOME?
- Additional HOME funds not eligible

## ■ Intervention

- Getting control of property or new buyer
- Repurchase rights
- Repurchase funds
- Entity to repurchase/convey
- Active buyer pool
- Additional HOME funds eligible (see next slide)

# Post-Purchase Counseling

- A relationship...not just an event
- Require it? Pay for it?
  - HOME \$ not eligible
- Cover:
  - Things they forget/didn't hear pre-purchase
  - Managing/maintaining your home
  - Avoiding predatory lending
  - Responsible refinancing & resubordination
  - Where to turn if you get into trouble

# HOME Foreclosure Intervention

## ■ 11/22/04 rule

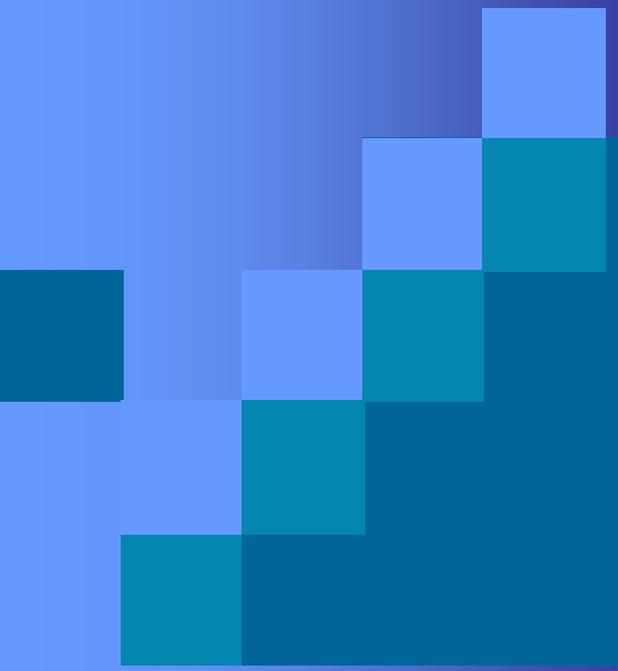
- Recapture/repayment capped: net proceeds
- Additional investment:
  - To acquire/repair/resell properties; not for prevention
  - Add project \$: subject to max subsidy limits (cum)
  - Admin funds may be borrowed (not subject to cap)

## ■ 4/4/7 rule

- Can use Admin \$ to preserve affordable units
  - But not assist existing owner
- Home \$ to buy foreclosures/assist new buyer
- Amendment to existing project, not new project

# Repayment

- Repayment: HOME \$ must be repaid that did not meet statute (incl. foreclosure, DILOF)
- Amount subject to repayment
  - If resale, all HOME \$ repaid
  - If recapture, only balance of note/mortgage due
- Foreclosure: Restrictions may terminate if foreclosure, transfer in lieu of foreclosure or FHA assignment



# Wrap Up & Evaluation

# Questions to Take Away

1. Do you recognize/track what is happening to your housing & mortgage markets & buyers?
2. Do you need to change underwriting and loan terms to better protect the public investment?
3. Do you need to increase your post-purchase monitoring and support?

- Final questions?
  - Evaluation
  - [MLFranke@aol.com](mailto:MLFranke@aol.com)
  - Tomorrow: Rental project budgets & finance
- Next development seminar:
    - 5. Project Implementation
      - Albany: 10/15
      - New York City: 10/16
      - Buffalo: 10/22
      - Syracuse: 10/23
  - Next in LPA series:
    - Managing Rehab Prgms
      - Saratoga 10/7
      - Rochester: 10/8
      - Poughkeepsie: 10/28