



PLANNING AND DEVELOPMENT

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Memorandum

To: Community Development Committee
From: Dawn Reinhart
Date: 2/1/2018
Re: Action on proposed changes to Replacement Housing Guidelines

Staff is proposing to change the terms to: Purchaser agrees to repay the full amount of the Deferred Payment Loan, plus interest at 3% annum, simple interest until maturity. Maturity is defined as the date real estate is sold, transferred or otherwise conveyed, voluntarily or involuntarily or ceases for any reason to be the Purchaser's principal place of residence, by default (as later defined) or on insert date twenty years from date of closing or the date the purchaser's 1st mortgage matures, whichever occurs first.

At Maturity, all amounts outstanding under this note will be due and payable in full. If any payment of principal or interest under this Note will be payable on a day other than a day on which the City is open for business, this payment will be extended to the next succeeding business day and interest will be payable at the rate specified above.

Currently the terms on the deferred 2nd mortgage are loan are: Purchaser agrees that if the real estate is sold, transferred or otherwise conveyed, voluntarily or involuntarily or ceases for any reason to be the Purchaser's principal place of residence, the Purchaser will repay the following: The full amount of the Deferred Payment Loan, plus interest at 3% annum, simple interest. In the event there is no default under the Agreement, interest will cease to accrue when it reaches half of the loan value.

Purpose: Requiring repayment of the loan will allow our program to become more sustainable. Upon the date of maturity, if the Purchaser is able to demonstrate that they are unable to repay the loan; the Committee may reserve the right to refinance the deferred 2nd mortgage.

Change to income requirements: Currently the program does not require that the applicant expends any of their assets in determining eligibility for the Deferred Payment Loan. Staff would like to modify the guidelines to require Purchasers with \$100,000 or more in assets to provide a down payment, equal to at least 5% of their total assets, before they can be eligible for a 2nd mortgage. Assets include any real property, personal property (such as vehicles), savings, checking, IRA & retirement accounts, stocks, bonds, certificate of deposits and money market accounts. The CDC would have the right to waive this requirement (ex. all assets are in a retirement vehicle and Purchaser is not eligible to withdraw funds without an IRS penalty)

Purpose: To ensure that the program is not over subsidizing a property and providing assistance where it may not be necessary.