

Council Meeting Staff Report

April 7, 2020

Agenda No.: A.
Indexes (Council Goals):
Presenters: Paul Andrus
Legislative File: 12924-20

Title

Homebuyer Assistance Program Policies & Procedures Amendment

Recommended Action

I move that Council approve the proposed changes to the Homebuyer Assistance Program Policies and Procedures.

County Manager's Recommendation

The County Manager recommends that Council approve the proposed changes to the Homebuyer Assistance Program Policies and Procedures.

Body

The Homebuyer Assistance Program is authorized under County Municipal Code Chapter 14, Article VII, Division 3, which allows the County to fund and implement a Homebuyer Assistance Program for income-qualified homebuyers (households with incomes below 80% of the Los Alamos County Area Median Income). The program purpose is to assist income eligible households to purchase a home in Los Alamos County by providing non-amortizing deferred down payment loans. County Council approved the program policies and procedures at the September 5, 2017 Council meeting. Los Alamos Housing Partnership, Inc. (LAHP) is under contract to administer the program on behalf of the County.

The Homebuyer Assistance Program (HAP) Policies and Procedures were developed by LAHP and County staff which provide a framework for program activities and outline the various roles and responsibilities for County staff and any entities involved in implementing the program. It is acknowledged in the Policies and Procedures that periodic updates may be required as program, community, and lending sector conditions change or situations arise. In July of 2018, two amendments were made to the policies and procedures with Council approval, which were to: 1) Increase the permitted Cumulative Loan to Value (CLTV) to 105% (with value being determined by appraisal, not purchase price) from the previous program limit of 100% CLTV; and to 2) Allow for applicants to borrow under Adjustable Rate Mortgages (ARMs) with a 30-year amortization term and a fixed rate for a minimum period of 15 years after which time the interest rate can be adjusted only once with a maximum rate increase of 5%. The purpose of the changes were to allow qualifying households with limited savings to purchase a home by using the additional loan amount "ceiling" above 100% CLTV to help pay for closing costs; and to assist qualifying households purchase condos, including quads which in the past several years have seen fewer entities willing to lend on them and also which Fannie Mae considers to be non-conforming. Council determined that the two changes were in line with lending industry standards and would not create unmanageable risk for program participating households.

Del Norte and Zia Credit Unions no longer offer 15 year ARM's and instead now offer a 10 year ARM with a 30 year amortization. Under the terms, the rate is fixed for the first 10 years and over the next 20 years can be adjusted annually. Annual interest rate change will be limited to 2% and the total rate

change is capped at 6% over the life of the loan.

From a borrower perspective, monthly payments under these ARM loans are often lower than other products due because Private Mortgage Insurance (PMI) is not required by the lender and the interest rate is often lower. As such, the lower monthly payments allow a household to qualify for a mortgage loan who might not otherwise qualify.

For the purposes of the HAP program, staff is proposing that the program allow a 10 year ARM loan product with a 30 year amortization and a rate that cannot adjust more than 2% on an annual basis, with a total cap of 6% over the life of the loan. In addition, staff are recommending adjusting the minimum credit score for eligible applicants from the current 660 to 640 in order to be in alignment with the most stringent underwriting criteria of the community lenders (Zia and Del Norte Credit Unions) participating with the program.

A draft of the program policies and procedures has been provided with this staff report which highlights the proposed changes described herein.

..Alternatives

Council could choose not to approve these proposed changes to the Homebuyer Assistance Program Policies and Procedures.

Attachments

A - HAP Policies & Procedures