**AGENDA ITEM**
**BUDGET & ECONOMIC DEVELOPMENT COMMITTEE**
**MEETING OF May 24, 2011**

**To:** J. Russell Allen, City Manager

**From:** Michele Grant, Community Development Director

**SUBJECT:** CD Resources that Could Potentially Be Used to Address the Effects of the April 16 Tornado

**Date:** May 20, 2011

**BACKGROUND:**
City Council recently inquired about the possibility of using City funds to help homeowners make repairs to their homes damaged by the April 16, 2011 tornado. As there are significant federal and private resources already available to provide such assistance, it is assumed City assistance is being recommended to address any "gaps" that may exist in the existing array of non-City assistance.

As you know, the Community Development Department has programs to aid low- and moderate-income (LMI) residents with their housing needs. Housing bond funds are the most flexible, immediately-available funds we have in our budget, and they have none of the "federal strings" that could delay the implementation of project activities.

If the City Council decides to respond to housing damage with City resources, Community Development suggests that the following parameters should be used:

- Assistance to be made available under this initiative is only for tornado-damaged owner-occupied houses located within the City of Raleigh and the assistance will be available to all areas of the city;
- This assistance is limited to houses that were owned and occupied by the applicant prior to the tornado event and that will be maintained as owned and occupied by the borrower after repairs are completed;
- Assistance should only be made available to homeowners able to prove that: 1) they have exhausted all other resources already available to them, including homeowners insurance, FEMA, and the Small Business Administration (SBA); 2) the home for which assistance is sought was damaged by the April 16 tornado to the extent that the City declared their residence uninhabitable (the Inspections Department is making a list available to us);

- Assistance will be made available only to "low- and moderate-income" households as the City ordinarily defines that term (i.e., total household income does not exceed 80% of the median income of the household, adjusted for household size; see attached description.);
- City-funded repairs should be limited to repair of housing code violations;
- City assistance should be capped at $20,000 and be used only for reasonable, professionally-developed cost estimates;
- Assistance is subject to the homeowner being able to prove their ability to obtain a certificate of occupancy upon completion of the repairs;
- City assistance should be in the form of a deferred loan, secured by deed of trust, with repayment to the City to be made at the point that the house is sold or is no longer maintained as the borrower's principal residence;
- Property taxes must be current and a homeowner's insurance policy in place at closing;
- CD is proposing that some (but not all) of its normal rehab loan underwriting criteria (attached) can be waived for this initiative. CD proposes applying the following criteria to loans made under this initiative: 1) the value of the assisted property cannot exceed the FHA Single Family Mortgage 203b limit for the Raleigh – Cary MSA, which currently is $224,200; 2) a credit report will be obtained for each applicant to make sure their mortgage (if one exists) is current (i.e., no danger of imminent foreclosure);
- CD has limited staffing to carry out additional activities that may be required to carry out this program. To effectively serve the citizens that may apply for this program, CD will have to retain the services of a dedicated program coordinator.

CD can suspend processing bond-backed housing loan applications and make up to $400,000 in uncommitted housing bond resources available to this initiative. Diversion of these funds to this initiative will result in fewer Pilot rehab loans being made to other homeowners in the city.

**What is Requested:** Direction to staff regarding the programmatic guidelines to be proposed for a tornado damage repair program.

**ATTACHMENT (1)**
**Income Limits**

**Maximum Qualifying Income for City Housing Programs**

| Household Size | Maximum Income |
|---|---|
| 1 | $43,550 |
| 2 | $49,750 |
| 3 | $55,950 |
| 4 | $62,150 |
| 5 | $67,150 |
| 6 | $72,100 |
| 7 | $77,100 |
| 8 | $82,050 |

**ATTACHMENT (2)**
**Lending Standards Used In City of Raleigh Housing Loan Programs**

**Community Development Department Normal Underwriting Criteria for Housing Rehabilitation Loans**
**(Only #1 & 2 Proposed for Tornado Damage Repair Program)**

1. Property Value - The value of the assisted property cannot exceed the FHA Single Family Mortgage 203b limit for the Raleigh – Cary MSA, which currently is $224,200

2. Credit – A credit report is obtained for each applicant to judge the applicant's willingness to pay a loan. A satisfactory credit report will indicate that a client has handled past credit responsibly and has made payments according to the agree-upon repayment schedule. Preexisting mortgages must be current and in good standing.

3. Loan to Value Ratio – the ratio between the total indebtedness on a property and the fair market value of the property cannot exceed 100%, as evidenced by the tax value or appraised value of the property

4. Debt- to Income Ratio – the ratio between the homeowner's monthly housing expense plus monthly debt compared to the homeowner's total monthly income cannot exceed 43%

5. Housing Expense to Income Ratio – the ratio between the homeowner's monthly housing expense compared to the homeowner's total monthly income cannot exceed 31%