



AGENDA
ROCK COUNTY HOUSING AUTHORITY

OCTOBER 15, 2018
8:30 A.M

ROCK COUNTY COURTHOUSE
PLANNING & DEVELOPMENT CONFERENCE ROOM
2ND FLOOR EAST – ROOM 266
51 S. MAIN STREET JANESVILLE, WI 53545

1. Call to Order
2. Adoption of Agenda
3. Minutes of Meeting on July 9, 2018
4. Citizen Participation, Communications and Announcements
5. **Action Item:**
 - Review and Approval of Amendments to the Rock County Community Development Policies and Procedures Manual
6. Information Item:
 - Analysis of Impediments to Fair Housing for the Rock County Home Consortium Project
7. Adjournment

The County of Rock will provide reasonable accommodations to people with disabilities. Please contact us at 608-757-5510 or e-mail countyadmin@co.rock.wi.us at least 48 hours prior to a public meeting to discuss any accommodations that may be necessary.

SECTION IV: HOMEBUYER PROGRAM

A. Program Description

HOME funds may be used to provide downpayment and closing cost assistance to low income households wishing to purchase a home. The program can offer *up to \$5,000* to potential homebuyers.²⁵ The assistance is offered in the form of a zero-percent deferred loan, meaning that no payments are made on a monthly basis, but repayment of the entire amount is due upon sale or property transfer or if the property ceases to be the primary residence. Homes that are purchased must meet physical property standards. Homebuyers must contribute at least \$1,000 of their own funds and they must attend HUD-Approved home buyer education classes in order to qualify for the loan.

B. Program Administration

Application

Households interested in purchasing a home will contact the Program Administrator. Households will be asked to submit an application to determine if they qualify for the program. The homeowner must have an accepted offer to purchase before the Program Administrator can determine whether they qualify for the program. Applicants will be given information on approved homebuyer counseling options, and informed that education is a requirement for receipt of a downpayment assistance loan. In addition to the application, households must submit their application for mortgage financing, which states the amount of loan available for purchase of the home, and identified the characteristics of the loan being offered to finance the purchase of the property.

Determination of Homebuyer Initial Eligibility

Once an application has been submitted, the Program Administrator will process the application. The household must have income less than 80 percent of the area median income. Rock County uses Part 5 Income Calculation to determine program eligibility for both this program.

A review of income documentation is used to estimate "anticipated income" and includes income, assets and other required income sources. Section V.C of this manual includes a detailed description for income verification.

If this review of household income determines that the applicant does not meet the criteria listed above they are informed that they do not qualify. A phone call and a letter will inform the applicant that they are not eligible.

If the household is determined to be eligible, the household can then identify a home, if one has not yet been identified. The income verification is good for 6 months. If closing on the home does not occur within 6 months, income eligibility must be re-determined.

²⁵ The actual amount of the assistance is determined by underwriting completed by the Program Administrator that demonstrates the need for assistance.

Determination of Property Eligibility

If the potential homebuyer qualifies, information will be collected on the property to determine whether the home to be purchased qualifies for the program. This requires:

- The home must have a value less than the HUD maximum purchase price allowed under the program. The Program Administrator will verify home value using either copy of the accepted offer or the Good Faith Estimate from the Lender.
- The Program Administrator will arrange for an inspection of the home. This inspection is completed to verify that the home meets Housing Quality Standards, the current criteria for determining that a home is decent, safe and sanitary. For homes built before 1978, the home inspector will inspect the property to determine whether any lead hazards are present. If HQS deficiencies or lead hazards are identified, they must be corrected prior to closing. Loan funds do not cover the cost of such correction.
- Determination of Appropriate Financing. The HOME program requires that financing for the property be examined to ensure that the loan product that is used is not "predatory". Loans will be reviewed to verify that the interest rates and the terms of the loan are reasonable. Generally, loans are not allowed where the interest rates is more than 21.5 % over the average prime rate offer (www.fdic.gov), ~~percent over the average community rate.~~ Generally fixed rate mortgages are preferred; and adjustable rate mortgages must have a loan term of at least 5 years. ~~and interest-only mortgages, loans with balloon payments and negative amortization loans are not allowed.~~

Calculate Amount of Assistance

The Program Administrator will underwrite the project to determine the amount of the loan in order to determine the amount of assistance to be provided. The Rock County program provides a maximum of \$5,000 for down payment assistance but the actual amount is determined based on underwriting for each individual applicant.

The loan is underwritten to ensure that the home buyer is not overly subsidized, but also to ensure that home ownership is sustainable for the households. The following measures are used for underwriting.

<u>Housing debt (monthly housing expenses/monthly income)</u>	<u>Minimum is 20%</u> <u>Maximum depends on total debt ratio</u>
<u>Total Debt (monthly payments on all loans, including housing loans/monthly income)</u>	<u>Minimum is 20%</u> <u>Maximum is 45%</u>
<u>Cash Reserves (amount left in savings, not including retirement after down payment is provided at closing)</u>	<u>Minimum: One month of total housing expenses in savings.</u> <u>Maximum: Cash reserves after closing must not exceed 6 months of mortgage payments</u>
<u>Homeowner contribution</u>	<u>Homeowner must contribute at least \$1,000 toward purchase of the home; however this may be adjusted if the minimum cash reserve requirement cannot be met if achieved.</u>
<u>Down payment assistance provided</u>	<u>Minimum=\$1,000</u> <u>Maximum=\$5,000</u>

Monthly income is defined as the Part 5 income calculation/12. Note that this may differ from the income noted on the loan application.

This step is taken to ensure that the household needs the downpayment assistance loan in order to purchase the home. Underwriting is done to determine the "front-end" ratio (the housing debt ratio, which compares the monthly payment for the primary mortgage to monthly income). The housing ratio must at least 20 percent for a household to qualify for a loan from the HOME program. The "back-end ratio" (the total debt ratio, which compares all household debt to household income) must not exceed 45 percent. The household may obtain down payment assistance of no more than \$5,000 but will be given an amount that will ensure that these underwriting ratios are achieved. Project underwriting will be done using the calculation table shown at the end of this section.

There are other underwriting considerations to be considered when low income households are purchasing a home. We want to ensure that they can afford housing expenses, all other debt, but also have enough left over for any other recurring expense or draws on income. As a result, for households with Part 5 income less than 60 percent of the area median income, we will examine any recurrent expense and ensure that the back end ratio for these households does not exceed 60%.

Prepare Closing Documents

The loan is secured by placing a mortgage on the property. Documents that must be prepared for closing include:

- A truth in lending statement
- A loan agreement
- A mortgage for the amount of the loan

These documents are prepared and should be reviewed with the applicant household prior to closing. Loan terms should be clearly explained.

Closing

At closing documents should be signed by the homeowner, and the mortgage will be recorded in a subordinate position to the primary mortgage.²⁶

Loan Servicing: Subordination

Homeowners who want to refinance their first mortgage loan during the period of affordability must submit in writing the following information:

- The reason for the subordination request;
- The names, address, and contact person(s) at the cooperating financial institution offering the refinancing;
- The new mortgage amount that would take precedence over the Grantee's mortgage and the terms of the new loan;

²⁶ Generally we expect that the HOME loan mortgage will be in second position behind the first mortgage, but it can be subordinate to other mortgages that provide additional assistance to the home buyer.

- Copies of estimates for any rehab/construction work being completed; and
- The current established fee to cover costs associated with the loan subordination.

Rock County will, on a case-by-case basis, consider subordination requests for owners wishing to refinance their loans. Staff may approve requests when an owner wishes to:

- Refinance an existing mortgage to obtain a reduced interest rate;
 - Refinance an existing mortgage to obtain a comparable interest rate and extended payment terms so long as the loan to value ratio of the resulting first and second mortgages does not exceed 80 percent; and
 - Refinance an existing mortgage as necessary to halt foreclosure proceedings by a bank or to halt tax deed proceedings by the county.
- In all cases, staff will evaluate the terms of the new loan to ensure that it meets the criteria identified above (no interest only loans, no balloon payments, etc.)

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Staff will submit a request to the Housing Authority (HOME loans) or the Planning and Development Committee (CDBG loans) in the case where:

- The owner wished to refinance an existing mortgage to obtain comparable interest rate and extended payment terms if the loan to value ratio including the first and second mortgages exceeds 80 percent.

Typically, the Rock County staff will NOT consider requests for subordinations for ANY of the following:

- Any new loan that would increase the amount of debt mortgaged against the property (unless the additional amount will be used to rehabilitate the property).
- For consolidation of consumer debt, such as credit cards, automobiles or other "cash to homeowner" transactions, or for any home equity loans other than for the sole purpose of rehabilitating one's primary residence.
- For any other type of subordination that will put the Grantee's security interest in jeopardy, unless required to halt foreclosure or tax deed proceedings.
- For any subordination where the interest rate on the new loan is 2 percent above the average local lending rate for similar type loans.
- As with all other features of the program, denial of a subordination request may be appealed to Rock County staff and to the Rock County Planning and Development Committee.

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Loan Monitoring and Servicing

1. Each year, the Program Administrator must verify that the assisted household continues to live in the home and that the home serves as the primary residence. This monitoring is

completed by sending a postcard or letter to the homeowner to verify continued occupancy of the home as primary residence.

2. If a sale of the property occurs, the Program Administrator must determine the repayment amount, which is based upon the loan value, taking into account the net proceeds from the sale of the property (if loan proceeds do not cover the amount of the loan, recovery is limited to the net proceeds).
3. The Program Administrator must also respond to requests related to subordination of the loan in the case of refinancing of the first mortgage. Staff may approve the subordination in cases where the primary mortgage is refinanced to get a lower interest rate or reduced monthly payments, but any subordination to a loan where additional debt is taken must be reviewed by the Rock County Housing Authority.
4. In the case of foreclosure, the mortgage will be released.

ROCK COUNTY HOMEBUYER PROGRAM: HOMEBUYER
UNDERWRITING PROCESS

SUBSIDY LAYERING WORKSHEET

ENTER BORROWER NAME HERE		
		Source of Information
BORROWER'S MONTHLY INCOME		Part 5 Calculation of Income
Interest Rate		GFE
Term of the mortgage (years)		GFE
LENDER APPROVED MORTGAGE AMOUNT		GFE/MA
Monthly P&I		
Monthly Mortgage Insurance		GFE/MA
Monthly Taxes		GFE/MA
Monthly Insurance		GFE/MA
Monthly Other financing charge		GFE/MA
Total Monthly Housing Cost		
Front-end (Housing Debt) Ratio		MINIMUM OF 20%
Other Monthly Debt Payments		MA
Back-End (Total Debt) Ratio		MAXIMUM OF 45%
Purchase Price		GFE/MA
Closing Costs		GFE
Total Funds Needed to Close		
SOURCES OF FUNDS FOR CLOSING:		
First Mortgage (from above)		
Homebuyer's Contribution		
Seller Credits		
Remaining GAP (Rock County DPA funds)		If gap exceeds \$5,000, need lender to explain where additional funding will come from.
<i>IF NO GAP EXISTS, HOME BUYER IS INELIGIBLE FOR HOME DPA FUNDS.</i>		

RESOLUTION NO. 18-10A-098

AGENDA NO. 12.B.4.(1)

RESOLUTION
ROCK COUNTY BOARD OF SUPERVISORS

Colin Byrnes -- Director Rock Co.
Planning & Development Agency
INITIATED BY



Colin Byrnes -- Director Rock
Co. Planning & Development
Agency
DRAFTED BY

Planning & Development Committee
SUBMITTED BY

October 2, 2018
DATE DRAFTED

**AUTHORIZING AN INTERGOVERNMENTAL AGREEMENT FOR
CONDUCTING AN ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING**

- 1 WHEREAS, the federal government has appropriated funds on a national level under the HOME
- 2 Investment Partnership Act, which is Title II of the Cranston-Gonzalez National Affordable Housing Act
- 3 of 1990 (hereinafter "NAHA"), as amended (42 U.S. C. 12701); and
- 4
- 5 WHEREAS, NAHA allows units of local government to form a "HOME Consortium" to obtain Federal
- 6 funds as a participating jurisdiction under the HOME Program; and
- 7
- 8 WHEREAS, Rock County with the Cities and Villages of Rock County formed a HOME Consortium to
- 9 receive direct entitlement funding from the U.S. Department of Housing and Urban Development via Rock
- 10 County Board Resolution 16-6B-055; and
- 11
- 12 WHEREAS, Municipalities in Wisconsin pursuant to § 66.0301, Wis. Stats., and counties in Wisconsin
- 13 pursuant to § 59.01, Wis. Stats. have the necessary authority to enter into intergovernmental agreements
- 14 of the type herein contemplated; and
- 15
- 16 WHEREAS, the City of Beloit, the City of Janesville, and Rock County seek to provide safe and healthy
- 17 communities by promoting affordable housing; and
- 18
- 19 WHEREAS, an Analysis of Impediments (AI) to Fair Housing will identify impediments to fair housing
- 20 choices for each jurisdiction; identify and evaluate actions that have been undertaken to address
- 21 impediments; and identify objectives and actions that can be taken to address barriers to fair housing in
- 22 compliance with the requirements of the HOME Program and the Fair Housing Act; and
- 23
- 24 WHEREAS, a Request for Proposal for the development of the AI was issued and representatives from the City
- 25 of Beloit, City of Janesville, and Rock County considered submittals, and selected the Milwaukee Metropolitan
- 26 Fair Housing Council as the preferred contracted service provider to assist with the AI; and
- 27
- 28 WHEREAS, funding for these contracted services is available through HOME Program administration funds
- 29 (each participants share will be in approximate proportion to its HOME funding allocation); and
- 30
- 31 WHEREAS, the City of Janesville will provide overall HOME administrative duties for the entire AI, and the
- 32 Cities of Beloit and Janesville will assist in the development of the AI for their respective communities, and
- 33 Rock County will assist in the development of the AI for the Cities of Edgerton, Evansville, Milton; the
- 34 Villages of Clinton, Footville, Orfordville, and the remaining Political Subdivisions throughout the
- 35 County; and
- 36
- 37 NOW, THEREFORE, BE IT RESOLVED, that the Rock County Board of Supervisors duly assembled
- 38 this _____ day of _____, 2018 hereby authorizes and directs the Chairman of the Rock
- 39 County Board of Supervisors and the Rock County Clerk to enter into and execute an Intergovernmental
- 40 Cooperation Agreement with the City of Beloit and City of Janesville, and to provide funding within the
- 41 intent of this resolution.

18-10A-098

Respectfully submitted,

PLANNING & DEVELOPMENT COMMITTEE

Alan Sweeney, Chair

Mary Mawhinney, Vice Chair

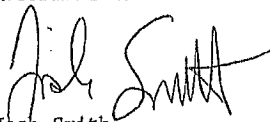
Wes Davis

Wayne Gustina

Phil Owens

ADMINISTRATIVE NOTE:

Recommended.



Josh Smith
County Administrator

FISCAL NOTE:

Minimal fiscal impact to Rock County.



Sherry Oja
Finance Director

LEGAL NOTE:

EXECUTIVE SUMMARY

Rock County, along with the Cities of Beloit and Janesville, is a member of the Rock County HOME Consortium for the receipt of HOME Investment Partnership Act funds. Rock County also has agreements with the remaining cities and villages throughout Rock County to administer HOME programs on their behalf. These agreements were first executed for Federal fiscal years 2002-2004 and have been automatically renewed for subsequent three-year periods under the automatic renewal provisions of these agreements.

HOME funding allows the Consortium to support affordable housing in our communities via programs involving housing rehabilitation; affordable housing construction; down payment and closing cost assistance; and other authorized housing activities for those residents who are low-to-moderate income qualified.

As a recipient of federal grant funds the HOME Consortium is required to periodically complete an Analysis of Impediments to Fair Housing (AI). An AI will identify impediments to fair housing choice for each jurisdiction, identify and evaluate actions that have been undertaken to address impediments, and identify objectives and actions that can be taken to address barriers to fair housing.

The City of Janesville last completed an AI in 2014, which included an AI for Janesville and Rock County as a whole. The City of Beloit completed an AI in 2012. HUD encourages communities to explore fair housing on a regional basis, and it is recognized that there may be county-wide fair housing impediments and benefits to identifying county-wide actions or recommendations. It is also desired to undertake an updated AI before beginning the development of the next Consortium 5-Year Consolidated Plan, which will begin in 2019.

A Request for Proposal for the development of the AI was issued and representatives from Beloit, Janesville and Rock County selected the Milwaukee Metropolitan Fair Housing Council as the preferred contracted service provider to assist with the AI. Funding for the contracted service provider is available through HOME Program administration funds (i.e. each communities share will be in approximate proportion to its HOME allocation). The current proportional share for Rock County is \$10,400.