



COMMUNITY DEVELOPMENT ADVISORY BOARD
MONDAY, September 18, 2017, 4:00 P.M.
COMMISSION ROOM, CITY HALL
LEAVENWORTH, KANSAS

Chairman Mike Seufert called the meeting to order at 4:00 pm. Board members present Sister Paula Rose Jauernig, Bobbie Snyder, Kathryn Schiller, Stephen Kempf, and Margaret McKane. Charles Davis was absent. Staff members present were Community Development Coordinator Mary Dwyer and Administrative Assistant Michelle Baragary.

Chairman Seufert called for the first item on the agenda; approval of the minutes from March 13, 2017. Ms. Snyder moved to accept the minutes as presented, seconded by Mr. Kempf and approved by a vote of 6-0.

Chairman Seufert called for the next item on the agenda: Election of board chairman and vice-chairman. Chairman Seufert called for motions to elect a chairman and vice-chairman to serve on the board. Mr. Kempf moved that Mr. Seufert be nominated to continue to serve as chairman. Motion carried 5-0. Mr. Seufert moved that Mr. Kempf be nominated to continue to serve as vice-chairman. Motion carried 5-0.

Chairman Seufert called for the next item on the agenda: to hold Public Hearing #3 2016-17 CAPER and opened the public hearing.

Chairman Seufert called for comment from staff.

Community Development Coordinator Ms. Dwyer gave a synopsis for the past year. The Home Ownership Assistance Program assisted with 12 home purchases. The Home Repair Program repaired 19 homes. Seven residential structures and 2 apartment buildings were removed that were considered dangerous by the City Commission. Lastly, provided funding for 6 public service agencies to serve low/moderate income needs, of which they served 6,774 individuals. The lower count of those served by public service agencies is due to a correction in documenting unduplicated clients and a reduction in resources.

Ms. Dwyer stated there is a glitch in the numbers for the Racial and Ethnic Composition of Families Assisted that she is currently working to get corrected.

Chairman Seufert asked for any comments or questions.

With no further discussion from the board and no public comment, Chairman Seufert closed the public hearing and called for a motion. Mr. Kempf moved to approve the 2016-17 CAPER Report. The motion was seconded by Sr. Paula Rose and approved by a unanimous vote 6-0.

Chairman Seufert called for the next item on the agenda: Programmatic changes – Home Ownership Program Processing/Underwriting Guidelines for Lenders.

Ms. Dwyer stated there are some secondary market mortgage companies that charge substantially more fees than conventional banks, as much as six times the amount. Ms. Dwyer consulted with the Kansas Housing Resource Corporation (KHRC), which does housing for the state. In an effort to create uniformity for buyers and to contain costs, Ms. Dwyer used KHRC's guidelines to establish the following Home Ownership Program processing and underwriting regulations.

A. Processing

1. Loan Types

- i. 30 year term fully amortizing, no balloon loans allowed
- ii. Interest rate must not exceed Freddie Mac's Primary Mortgage Market Survey Rate by more than ½% (<http://www.freddiemac.com>)
- iii. Adjustable rate mortgages are not allowed
- iv. Interest only loans are not allowed
- v. All loans must be FHA, VA, USDA Rural Development or conventional loans
- vi. Buyers may not utilize purchase money Home Equity Lines of Credit (HELOC) until after the 5 year period of the loan

2. Subsidy amount

- i. The grant amount will not exceed 5% of the Contract purchase price for buyers qualifying as moderate income and 8% of the contract purchase price for buyers qualifying as low income. Additionally, no grant amount will exceed \$5,000 for buyers qualifying under income guidelines of moderate income and \$8,000 for buyers qualifying under income guidelines of low income
- ii. No monthly payments are required on this loan

3. Buyer's Participation

- i. The buyer must invest at least 2% and no more than 10% of the sale price from their own funds. These funds may not be a gift
- ii. Gifts can be received and will not reduce the HOME investment
- iii. Applicants with non-retirement type assets in the amount of \$10,000 or greater, will be subject to a spend down requirement

4. Allowable closing costs

- i. Lender origination fees, not to exceed 1% of loan amount
- ii. Title insurance
- iii. Credit report recording fees
- iv. Appraisal fees
- v. Flood letter
- vi. Survey
- vii. Tax service fee
- viii. Doc prep fee (not to exceed \$250)

5. Fees not allowed

- i. Underwriting fees unless paid to a 3rd party investor at closing. Maximum charge of \$200. Any charge above the maximum must be paid by the lender
- ii. Commitment fees are not allowable when an origination fee is also charges
- iii. Settlement or closing fees unless paid to a 3rd party; the maximum allowable loan closing fee to either the borrower or a seller is \$200
- iv. Discount points are allowable only if they are disclosed, and agreed upon by the buyer/seller who is paying the fee. In the case of a seller, the seller must agree to pay a discount fee in the sales contract
- v. Real estate sales commissions may not be paid by the buyer
- vi. E-mail fees may not be charged to the buyer or the seller

NOTE: The City of Leavenworth will review the HUD statement for unreasonable charges

6. Co-signors

- i. Co-signors are not allowed under the City of Leavenworth program

7. Non-U.S. citizens

- i. All applicants must be U.S. citizens or lawful permanent resident aliens to be eligible for City of Leavenworth financing. The subject property must be the borrower's principal resident. The borrower must have their own valid social security number. The Program may not be utilized if purchaser uses a Tax Identification Number (TIN) in lieu of a Social Security Number. IT IS THE LENDERS RESPONSIBILITY TO ENSURE THAT THE SOCIAL SECURITY NUMBER IS VALID.

8. Homeowners insurance
 - i. The City of Leavenworth requires that we be named as an additional insured on the homeowner's policy and that we be furnished with a copy of the homeowner's policy. The policy must be in an amount at least equal to the total of the first and second mortgages. A homeowners' insurance binder must be included with the closing submission package.
9. Commitment letters may NOT be subject to further credit investigation or additional documents needed to verify employment. Lenders may wish to state that the Commitment letter is based on information relied upon from the application and that any changes in employment could or would void this commitment.
10. Expirations
 - i. Confirmed reservations are valid for 60 days

B. Real Estate Contracts

Sales contracts must be valid, they must be fully executed by all parties who will be conveying title to the borrower(s), and must allow time for loan closing when submitted to the City of Leavenworth. The City of Leavenworth requires a copy of the completed sales contract with all addendums. Each buyer executing the Real Estate Purchase Contract must also execute the Disclosure of Information on Lead-Based Paint & Lead-Based Paint Hazards, when applicable. All sellers executing the Real Estate Purchase Contract must also execute the Affidavit of Home Seller and Seller's Inspection Guidelines.

1. Uniform Relocation Act (URA)

Uniform Relocation Assistance & Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) and 49 CFR part 24, requires the City of Leavenworth to ensure that steps have been taken to minimize the displacement of persons, families or individuals, as a result of a residence being purchased with HOME funds.

Therefore, The City of Leavenworth's URA policy is that the property being purchased cannot have been a rental property in the last three months unless the renter, at application, is the first time homebuyer, and there was no other renter in the property during the previous three months. No waiver or exceptions may be granted to this policy.

2. Powers of Attorney

The seller's affidavit, when executed by an Attorney-in-fact, must adhere to all requirements that would apply if the seller themselves were signing. It is the Lenders responsibility to ensure that good title passes to the buyer when a power of attorney is used. In all cases, a power of attorney may only be used if the same power of attorney was utilized to execute the real estate contract.

Use of a power of attorney for a buyer is acceptable under two circumstances:

- a. Active duty military personnel stationed outside of the Continental United States. In this case, a Power of Attorney issued by the Judge Advocate General's office will be acceptable
 - b. Buyer is a temporarily or permanently disable person
3. Waiver of marital rights

A waiver of marital rights will not be acceptable for execution of documents for the Second Promissory Note and Second Mortgage under this program. Each spouse must sign the mortgage loan application papers and all application and closing papers for the Second Promissory Note and Second Mortgage. All persons signing the City of Leavenworth documents must occupy the property.

You must calculate the income of both spouses when determining eligibility under the maximum income guidelines, even if a spouse is waiving his/her marital rights for the first mortgage loan. The lender must receive a completed application from the spouse waiving his/her marital rights for the first mortgage. All household income must be considered when determining eligibility for the City of Leavenworth purposes.

Ms. McKane asked if this guideline is provided to people as they drop off their applications. Ms. Dwyer stated she will send the guidelines to the lenders.

Ms. Schiller asked if the substantially higher loans were the only loans these applicants could get. Ms. Dwyer stated that more than likely these were the only loans the applicants could qualify for because when you go to a secondary market you can't always qualify at a regular bank.

Ms. Schiller asked if the lenders were local banks. Ms. Dwyer stated they were not banks but they were local. They were local mortgage brokers.

Ms. Schiller asked if these particular mortgage brokers are hiking the prices up because the applicants are disadvantaged. Ms. Dwyer stated she cannot speculate on that. She further stated these kinds of details are not what most applicants ask about when they get a loan. Most applicants ask what the overall interest rate will be but they do not ask about closing costs and fees. The guidelines should help the applicants not being taken advantage of.

Sr. Paula Rose stated she spoke with someone last week about a property for sale as-is. She stated this person was not allowed to go into the house to look around until he was approved for a loan. Sr. Paula Rose asked if this is true. Ms. Dwyer stated that most real estate professionals want to work with you after you have received a pre-approval letter. This allows the real estate professionals to know what the perimeters are and that the individual is actually qualified for the house they are looking at.

Ms. McKane asked about #3 Buyer's Participation. It states under a) these funds may not be a gift but then it states under b) gifts can be received. Ms. Dwyer stated the funds to meet the 2% investment cannot be a gift; it must be the applicant's own money. But gifts can be received *in addition* to the 2%.

Ms. Dwyer further elaborated on part c of the Buyer's Participation by stating any money above \$10,000 would need to go toward the purchase of the house.

Ms. Dwyer stated a lot of the change for some mortgage lenders will be in sections 4 and 5 of the guidelines; Allowable Closing Costs and Fees Not Allowed.

Ms. Schiller asked for clarification on section 12, Expirations. Ms. Dwyer stated that once the applicant has been approved he/she has 60 days to get a property under contract; otherwise the applicant can reapply after six months.

Regarding section 7 "the subject property must be the borrower's principal residence", Ms. McKane asked what happens if six months later they are renting the property. Ms. Dwyer stated that at that point, the applicant's loan when become due. If the applicant does not make the five year commitment to have the property as their residence, the entire loan becomes due; it is not prorated.

Ms. Dwyer proposes to move forward with the changes and looks to the board for a decision.

Chairman Seufert called for a consensus vote on the proposed guidelines. Passed 6-0.

Sr. Paula Rose asked if the people who are applying now have to wait since CDBG has not received their funds from the federal government yet. Ms. Dwyer stated the funding in jeopardy is to the public service agencies and then to the home repair and home ownership programs. Currently the home ownership and home repair programs are being funded from last year's reserve.

Ms. Kempf asked how the recent hurricanes will affect our funding. Ms. Dwyer stated because the government has already allocated funds for each State and to each entitlement within those States we have already been designated those funds for this year. However, next year it may change because of the huge deficit caused by the hurricanes.

Ms. Dwyer informed the board she has started a housing coalition in the City of Leavenworth. There are approximately 15-18 participants who will meet quarterly to discuss housing and housing issues.

With no further business, Chairman Seufert called for a motion to adjourn. Mr. Kempf moved to adjourn, seconded by Sr. Paula Rose and passed by a unanimous vote 6-0.

The meeting adjourned at 4: 42 p.m.

MD:mb