

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS  
AGENDA ITEM SUMMARY**

Meeting Date: January 12, 2010 [ ] Consent [X] Regular

Department: Housing and Community Development

Submitted By: Housing and Community Development

**I. EXECUTIVE BRIEF**

**Motion and Title:** Staff recommends motion to approve: Short Sale Policy Guidelines for the State Housing Initiatives Partnership (SHIP) and the federal HOME first-time home buyer assistance programs.

**Summary:** The State Housing Initiatives Partnership (SHIP) and the federal HOME first-time home buyer assistance programs provide second mortgage subsidy assistance to eligible households who are first-time homebuyers. The SHIP program provides up to \$150,000 in second mortgage subsidy assistance, while the HOME program provides up to \$85,000. All assisted SHIP and HOME properties are encumbered with a thirty (30) year lien which requires full repayment of the second mortgage subsidy if the assisted property is sold, transferred, or abandoned prior to the expiration of the County's thirty (30) year lien. Recently an increasing number of SHIP and HOME assisted home owners are seeking to sell their properties through a "Short Sale" process. These homeowners are in dire financial straits and are seriously at risk of losing their homes to foreclosure. Staff is recommending these Short Sale Policy Guidelines which require the first mortgage lender to repay the County \$3,000.00 or eight percent (8%) of the remaining balance owed on the County's second mortgage, whichever is less. Alternatively, the County's encumbrance, can be carried to a subsequent property or subsequent eligible purchaser. Countywide (TKF)

**Background and Justification:** The State Housing Initiatives Partnership (SHIP) and the federal HOME programs provide financial assistance to eligible first-time home buyers through second mortgages subsidies. The Board of County Commission approved state SHIP and federal HOME program regulations require The Department of Housing and Community Development to encumber by way of a thirty (30) year mortgage, all single-family residential property financially assisted with SHIP and HOME funding. However, due to the current nation-wide economic crisis, many SHIP and HOME assisted home owners are seeking to sell/transfer title of their home by way of a "short sale process". Short sales occur when current residential property owners can no longer afford their mortgage payments. They seek the mortgage holders' permission to sell the property for less than what is owed on the mortgages. Normally the "short sale sales price" will not fully reimburse all of the mortgages and liens. The state Department of Community Affairs (SHIP) and the federal Department of Housing and Urban Development (HOME) allows local jurisdictions to "forgive" the financial assistance provided to first-time home buyers in appropriate situations. This proposed short sale policy is congruent and conforms with the lending industry's current short sale reimbursement proposals received by Housing and Community Development. The United States Treasury Department has released guidelines for the new Home Affordable Foreclosure Alternatives Program (HAFA). HAFA provides incentives to subordinate and primary lien holders in connection with a short sale which is used to avoid foreclosure. HAFA is also designed to simplify and streamline the short sale process. Also, staff met with local residential lenders and local realtor organizations on Monday November 23, 2009 to develop these proposed short sale policy guidelines. Without the County having an approved Short Sale Policy, distressed SHIP and HOME assisted properties are likely to go into foreclosure. Once these properties are foreclosed upon by the first mortgage lender, the County risks losing all of the second mortgage subsidy assistance provided.

**Attachments:**

- A. Short Sale Policy Guidelines

Recommended by:

Department Director

Date

Approved By:

Assistant County Administrator

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2009	2010	2011	2012	2013
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT		* See below			

# ADDITIONAL FTE POSITIONS (Cumulative)					
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Is Item Included In Current Budget?      Yes \_\_\_\_      No \_\_\_\_  
Budget Account No.:

Fund \_\_\_\_ Unit \_\_\_\_ Org \_\_\_\_ Object \_\_\_\_ Program Code/Period BG \_\_\_\_-GY

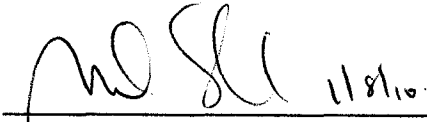
B. Recommended Sources of Funds/Summary of Fiscal Impact:

\* No fiscal impact

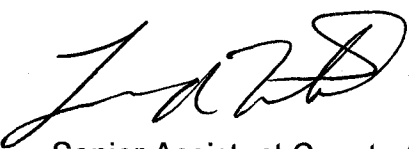
C. Departmental Fiscal Review:  1-26-10  
Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

 1/8/10  
OEMB  
1/7/10  
1-7-10

 1/8/10  
Contract Development and Control

B. Legal Sufficiency:  1/11/10  
Senior Assistant County Attorney

This item complies with current County policies.

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.

SHORT SALE POLICY GUIDELINES

Palm Beach County provides second mortgage subsidy assistance to first-time home buyers through its state SHIP and federal HOME housing assistance programs. The Board of County Commission approved state SHIP and federal HOME program regulations require the Department of Housing Community Development to encumber by way of a thirty (30) year mortgage, all single-family residential property financially assisted with SHIP and HOME funding. If the SHIP or HOME assisted homeowner sells the assisted property or transfers title in any way, the entire amount of the second mortgage subsidy becomes due and payable to Palm Beach County.

When SHIP or HOME assisted property owners become financially distressed and can no longer afford to pay their first mortgage; or when the property owner must relocate out of Palm Beach County, a Short Sale will be authorized based upon the following criteria:

1. The first mortgage lender must reimburse to Palm Beach County \$3,000.00 or eight percent (8%) of the remaining balance owed on the County's Second Mortgage, whichever is less.
2. The buyer of the SHIP or HOME assisted property cannot be a relative of the seller.
3. The seller of the SHIP or HOME assisted property shall not receive any money from the Short Sale transaction.
4. Housing and Community Development must review and approve the HUD Settlement Statement prior to the Short Sale closing.
5. Upon receipt of the Short Sale reimbursement, the County shall waive all rights to file future judgements for deficiency against the SHIP or HOME homeowner.
6. Upon receipt of the Short Sale reimbursement, the Department of Housing and Community Development shall satisfy the second mortgage subsidy.
7. Palm Beach County may permit the seller of the SHIP or HOME assisted property to transfer such property to another SHIP or HOME income eligible home buyer in lieu of foreclosure or short sale. This new home buyer must then utilize the property as their principal place of residence for the balance of the original encumbrance period.
8. Palm Beach County may also permit the seller of the SHIP or HOME assisted property to transfer the County's encumbrance to another property which will be encumbered for the balance of the original encumbrance period.

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