

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

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Meeting Date: June 7, 2011 [X] Consent [] Regular

Department: Housing and Community Development

Submitted By: Housing and Community Development

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I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: Technical Revisions to the State Housing Initiatives Partnership (SHIP) Local Housing Assistance Plan's (LHAP) Foreclosure Prevention Strategy and submission to the Florida Housing Finance Corporation for notification.

Summary: These recommended Technical Revisions will allow an income eligible applicant to receive up to the maximum established award of \$10,000, but will eliminate the maximum number of months of delinquencies that can be addressed. The current Policy permits only up to six (6) months of delinquent payments. Additionally, a prerequisite has been added requiring applicants to provide documentation from their first mortgage lender stating the lender's willingness to cease foreclosure proceedings upon the applicant's approval for funding assistance through this strategy. These proposed revisions will reinstate loans and maintain affordable homeownership. The Commission on Affordable Housing Advisory Board (CAHAB) recommended these revisions to the Board of County Commissioners on April 28, 2011. These are State Funds which require no local match. (Mortgage and Housing Assistance) Countywide (TKF)

Background and Justification: On April 20, 2010, the Board of County Commissioners (BCC) approved the State Housing Initiatives Partnership (SHIP) Local Housing Assistance Plan (LHAP) for Palm Beach County. Currently, the goal of the Foreclosure Prevention strategy is to provide financial assistance to income eligible applicants to avoid foreclosure by paying up to six (6) months delinquent mortgage payments: principal, interest, taxes, and insurance (PITI), including late fees, attorney's fees, homeowners' association payments, special assessments, other foreclosure associated costs, property taxes, and homeowners insurance. The maximum amount of assistance will remain at \$10,000.

Attachments:

1. Revised Foreclosure Prevention Strategy

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Recommended By:	<u>Edward B. Lopez</u> Department Director	<u>5/19/2011</u> Date
Approved By:	<u>Sharon B. By</u> Assistant County Administrator	<u>5/31/2011</u> Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2011	2012	2013	2014	2015
Capital Expenditures					
Operating Costs	\$				
External Revenues	\$				
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT	4*				

# ADDITIONAL FTE POSITIONS (Cumulative)	0				
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Is Item Included In Current Budget? Yes ___ No X
 Budget Account No.:

Fund ___ Dept ___ Unit ___ Object ___ Program Code/Period

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

X NO FISCAL IMPACT

C. Departmental Fiscal Review: Shp 579-11
 Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

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

OFMB [Signature] 5/24/11
 Contract Development and Control [Signature] 5/25/11

B. Legal Sufficiency:

[Signature] 5/26/11
 Assistant County Attorney

C. Other Department Review:

 Department Director

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

Name of the Strategy: FORECLOSURE PREVENTION

- a. **Summary of the Strategy:** Funding will be provided to income eligible single family owner occupied households who are facing foreclosure, to preserve and maintain homeownership within the targeted income groups. The goal of this strategy is to avoid foreclosure by paying the maximum award amount to assist with ~~up to six (6) months~~ delinquent mortgage payments: principal, interest, taxes, and insurance (PITI), including late fees, attorney's fees, homeowners' association payments, special assessments, other foreclosure associated costs, property taxes and homeowners insurance.

Funding for property taxes and homeowners insurance will be provided only if they are currently escrowed or will become escrowed as a result of receiving assistance.

- b. **Fiscal Years Covered:** 2010/2011; 2011/2012; 2012/2013.
- c. **Income Categories to be served:** Very Low, Low and Moderate Income
- d. **Maximum Award:** is noted on the Housing Delivery Goals Charts. The maximum award is not automatically provided. The amount awarded is what is needed to reinstate loans and maintain affordable homeownership. ~~restore the mortgage to current status.~~

1. **Terms, Recapture and Default.** The County will develop a legally sufficient agreement maintaining affordability for a minimum period of 30 years; projects will utilize a 30 year deferred payment loan at zero-percent interest. Payment in full is due upon sale if sold within the 30 year term. If sold after the 30 year term, no repayment is required, as long as, the recipient continues to own the assisted property and live in the property as their principle residence during the term of the mortgage. Assistance will be included in a recorded mortgage and subject to the above recapture provisions.
2. Default of loan occurs if the Mortgagor no longer resides in the home as the principle residence, or if any part of the property or an interest in it is sold, transferred, gifted or otherwise conveyed, whether by voluntary act, involuntarily, by operation of law or otherwise, or if the Mortgagor is divested by the title by judicial sale, levy or other proceeding, or if foreclosure action is instituted against the property, or if the property is leased or rented.
3. A subordination of this deferred payment mortgage will only be approved under the guidelines of the Subordination Policy established by Palm Beach County's SHIP Program.
4. In the event of a sale, the County may exercise its right of first refusal to purchase the property at its current market value for continued occupancy by income eligible persons.
5. In the event of death of the borrower prior to the end of the term of the mortgage, the outstanding balance become immediately due and payable. If the property is inherited by an income eligible heir that meets the requirements of the program, repayment may be waived, if the new homeowner accepts the terms and conditions of the program, including, but not limited to the principal residence requirement. The new owner's eligibility must be requested by the new owner within ninety (90) days of the death of the original borrower. All applicable deed/affordability restrictions will be

transferred to the new owner.

6. Additionally, a deed restriction or other legally sufficient document may be recorded with the Clerk of the Circuit Court to ensure the resale of the unit to a low or moderate income homebuyer. Moderate income households are not eligible where HOME match financing was used.
7. In the event of default on the First Mortgage, the County may exercise its right of first refusal to purchase the property or if possible, coordinate the purchase of the property with an approved buyer. If unsuccessful, and a foreclosure or a deed in lieu of foreclosure of the first mortgage transpires, any collateral agreement by the County restricting the use of the property or restricting the owner's ability to sell the property shall have no further force or effect on subsequent owners of the property. Furthermore, if the first lender acquires title to the property pursuant to a deed in lieu of foreclosure, the County's lien shall automatically terminate upon the first lender's acquisition of title. Any person, including his successors and assigns (other than the Borrower or a related entity or person to the Borrower), receiving title to the property through a foreclosure or deed in lieu of foreclosure of the first mortgage shall receive title to the property free and clear of the County's restrictions.
8. A land use restriction agreement may be utilized to maintain affordability for a period of time.

f. **Recipient Selection Criteria:**

- Income eligible applicants will be selected on a first-come, first qualified, first served basis subject to funding availability.
- Applicants must be very low or low income homeowners and the property must be owner occupied.
- Applicants must verify the ability to avoid default by showing the that the 1st mortgage lender is willing to stop foreclosure upon assistance.
- The homeowner must demonstrate their ability to make future mortgage payments after assistance is received.
- The application process will include a review of the funding request and the cause of the delinquency. Applicant must prove that the delinquency is due to considerable loss of income, unexpected medical expenses, or unanticipated home repairs.
- Participants can apply only once.
- Fair Market value of the property may not exceed the established maximum sales price.

g. **Sponsor Selection Criteria:** N/A

h. **Additional Information:** SHIP funds may be leveraged with other private funding and local funding.