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OFFICE OF THE CITY CLERK  
OAKLAND

# CITY OF OAKLAND

## AGENDA REPORT

2010 JUN 10 PM 1:33

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Community and Economic Development Agency  
DATE: June 22, 2010

RE: **Resolution Appropriating \$122,000 in Revenue from Application Fees from Homebuyers Applying for Mortgage Assistance and Authorizing the Appropriation of Future Loan Fees for Program and Operational Expenses**

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### SUMMARY

A resolution has been prepared to appropriate funds received from application fees for the first-time homebuyer loan programs, and appropriate future application fees from loan applications for homeownership program and operating expenses.

### FISCAL IMPACT

Approximately \$122,000 has been paid by borrowers that applied for first-time homebuyer loans through the Mortgage Assistance Program (MAP), and Downpayment Assistance Program for Public Safety Employees and Oakland Unified School District Teachers and Oakland Police Communication Dispatchers (DAP). These funds have been deposited in Fund 2185 (Oakland Redevelopment Agency Grants), Organization 88989 (Housing Counseling), Project H72125 (FTHB Project Delivery). Appropriating these funds, and future fees, makes them available to provide loans to first-time homebuyers and fund program expenses. If approved, expenditure appropriations will be made in Fund 2185 (Oakland Redevelopment Agency Grants), Organization 88989, Project H72125 (FTHB Project Delivery).

### BACKGROUND

The Mortgage Assistance Program (MAP) for first-time homebuyers was established July 27, 1993 by Resolution No. 70274 C.M.S. to assist low and moderate income first-time homebuyers and to promote neighborhood stabilization and revitalization through homeownership opportunities. The Downpayment Assistance Program for Public Safety Employees was established October 26, 1999 by Resolution No. 75309 C.M.S. and amended July 25, 2000 by Resolution No. 75902 C.M.S. to include Oakland Unified School District teachers and Oakland Police Communication Dispatchers. Approximately \$122,000 has been collected from application fees and deposited into a revenue account since the programs began. Over 1,000 homebuyers have been assisted under the homebuyer loan programs.

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## **KEY ISSUES AND IMPACTS**

Under the current Master Fee Schedule, borrowers pay up to \$250 to apply to utilize the loan programs for first-time homebuyers. MAP program borrowers pay \$200 and DAP program borrowers pay \$100. No application fees are collected for purchasers obtaining their first mortgage loan through the Federal Housing Administration (FHA).

It is difficult for homebuyers in this income bracket to save a sufficient down payment and qualify for financing at current home prices. The gap between housing prices and incomes is large enough that a subsidy is needed to make homeownership feasible.

Home prices have declined and most homes are selling at prices considerably lower than they were two years ago. This opportune time to purchase property has increased the number of buyers that can afford to purchase now. Additionally, the Federal Government tax credit for first-time homebuyers stimulated buyers to purchase their first home. Those loans must close by June 30, 2010. Not including other loan programs, the Mortgage Assistance Program will close 75 loans this fiscal year. Increased home sales assist in removing foreclosed, vacant, abandoned and blighted properties from the market and stabilize neighborhoods.

The MAP program may exhaust all funds this fiscal year. The Program receives \$2.5 million each fiscal year from Low-Mod funds. The allocation was reduced by \$900,000 in FY 2009-10 and will be reduced \$1,000,000 in FY 2010-11 because the Redevelopment Agency is required to transfer revenue funds to SERAF (AB 26 4x, State legislation enacted this past session to shift \$2.05 billion from redevelopment agencies to county Supplemental Revenue Augmentation Funds (SERAF)). Additional funds are available for loans made in the Central City East and West Oakland Redevelopment Project Areas.

Adopting this resolution will move the loan fees to a spendable account for mortgage assistance and program expenses.

## **PROGRAM DESCRIPTION**

The Mortgage Assistance Program provides low-interest loans of up to \$75,000 to lower-income households (a maximum of 100% of the Area Median Income (AMI)). The City's loan is deferred for the life of the loan as long as eligibility requirements are maintained. As no payments are required on the City's loan, the program extends the borrower's ability to buy without increasing the monthly principal and interest payment. The Mortgage Assistance Program provides loans with the following terms and requirements:

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### ***Loan Description***

The City will lend qualifying homebuyers the amount needed (as determined by a participating lender) at 20% of the purchase price up to a maximum of \$75,000 to purchase a home.

- 3% simple interest.
- The total of the City loan, the first mortgage and all other loans cannot exceed **100%** of the purchase price or the appraised value of the property.
- Loan can be combined with other approved assistance programs.
- No monthly payments.
- Due in 30 years or when the borrower sells, transfers, refinances the property (under certain conditions), or the borrower no longer lives in the home.
- No prepayment penalty.
- Secured by a deed of trust.
- \$200 application fee.

### ***Loan Requirements***

- Must be a first-time homebuyer (can not have owned their principal residence in the last three years).  
Exceptions include:
  - Individuals who worked primarily in the home, owned a principal residence with a previous spouse, and are currently unemployed.
  - Single parents who owned a principal residence with a previous spouse.
  - Homebuyers who own or owned a mobile home or trailer, or house which requires repairs that exceed the cost of constructing a new home.
- Annual household income (income of all household members 18 and older) cannot exceed **100%** of the Area Median Income (listed on ***Attachment A***).
- Must contribute at least 3% of the purchase price from their own funds to pay down payment or closing costs.
- Maximum purchase price changes periodically.
- Property must be:
  - located in Oakland.
  - a single family dwelling, including condos, townhouses, live/work units, and manufactured housing.
  - used as primary residence.

The City's goal remains to assist buyers to obtain, maintain and retain their homes. All borrowers must attend an education class for first-time homebuyers. The City offers classes monthly and also accepts certificates of completion from HUD and NeighborWorks approved counseling agencies.

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Staff proposes to appropriate existing application fees, currently \$122,000, and future application fees under the first-time homebuyer loan programs for homeownership program and operational expenses.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** The City's homeownership programs provide opportunities for low- to moderate-income families to build equity.

**Environmental:** The program provides assistance to purchase existing homes. There are no direct environmental opportunities or consequences as a result of these proposed program changes. Homeownership improves the climate of the neighborhood by providing a sense of pride that may also result in fewer blighted properties.

**Social Equity:** The proposed changes will provide additional homeownership opportunities for low- to moderate-income families that can assist homeowners with building equity. Homeowners tend to participate in the community contributing to the stability and well-being of those neighborhoods.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

There is no direct impact on persons with disabilities or senior citizens since these programs are for first-time homebuyers. Persons with disabilities and senior citizens are eligible to apply for either of these programs. The City offers other programs that provide rehabilitation and modifications to make properties accessible.

### **RECOMMENDATION AND RATIONALE**

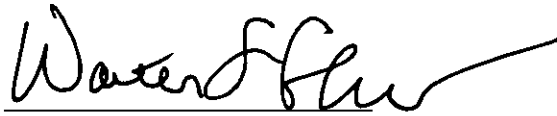
Staff recommends that the City Council approve the resolution appropriating funds that have been paid as application fees for the Mortgage Assistance and Downpayment Assistance programs, currently approximately \$122,000 to the Mortgage Assistance Program and authorizing the appropriation of future loan fees for homeownership programs and operational expenses.

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**ACTION REQUESTED OF THE CITY COUNCIL**

Staff request that the City Council approve the Resolution appropriating \$122,000 to the Mortgage Assistance Program and authorizing the reallocation and appropriation of future loan fees into spendable accounts for homeownership programs and operational expenses

Respectfully submitted,

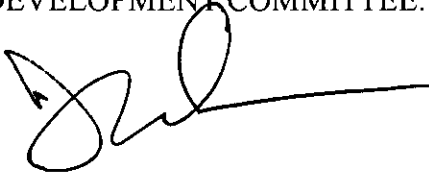


Walter S. Cohen, Director  
Community and Economic Development Agency

Reviewed by:  
Michele Byrd, Deputy Director  
Housing and Community Development

Prepared by:  
Jackie Campbell, Manager  
Homeownership Programs

APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE:




Office of the City Administrator

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# OAKLAND CITY COUNCIL

Approved as to Form and Legality

  
City Attorney

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RESOLUTION No. \_\_\_\_\_ C.M.S.

Introduced by Councilmember \_\_\_\_\_

**RESOLUTION APPROPRIATING \$122,000 IN REVENUE FROM APPLICATION FEES FROM HOMEBUYERS APPLYING FOR MORTGAGE ASSISTANCE AND AUTHORIZING THE APPROPRIATION OF FUTURE LOAN FEES FOR PROGRAM AND OPERATIONAL EXPENSES**

**WHEREAS**, the Mortgage Assistance Program was established July 27, 1993 by Resolution No. 70274 C.M.S. and the Downpayment Assistance Program was established October 26, 1999 by Resolution No. 75309 C.M.S. to assist first-time homebuyers and to promote neighborhood stabilization and revitalization through homeownership opportunities; and

**WHEREAS**, since 1994, application fees have been collected and deposited into a revenue account; and

**WHEREAS**, approximately \$122,000 is in Fund 2185, Organization 88939, Account 45419, Project H72125, FTHB Project Delivery; and

**WHEREAS**, the City desires to use these funds and future loan fees for program and operational expenses; now, therefore be it

**RESOLVED:** That the City hereby authorizes the appropriation of \$122,000 from loan application fees to **Fund 2185 (Oakland Redevelopment Agency Grants), Organization 88989, Project H72125 (FTHB Project Delivery)**; and be it

**FURTHER RESOLVED:** That any future funds received from application fees for the Mortgage Assistance Program (MAP), Downpayment Assistance Program for Sworn Public Safety Employees and Oakland Unified School District Teachers (DAP), and other loan programs for first-time homebuyers that are not otherwise restricted or encumbered shall be appropriated for program and operational expenses under the MAP program; and be it

**FURTHER RESOLVED:** That the City Council hereby appoints the City Administrator and his or her designee as agent of the City to take any actions necessary to execute documents, administer the homeownership programs, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2010

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND  
PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

\_\_\_\_\_  
LATONDA SIMMONS  
City Clerk and Clerk of the Council  
of the City of Oakland, California