

COUNTY COUNCIL OF PRINCE GEORGE'S COUNTY, MARYLAND**1997 Legislative Session**Resolution No. CR-37-1997Proposed by Chairman (by request - County Executive)Introduced by Council Members Del Giudice, Bailey, Russell, and Wilson

Co-Sponsors

Date of Introduction June 3, 1997**RESOLUTION**

A RESOLUTION concerning

The Housing Authority of Prince George's County

1997 Single Family Mortgage Purchase Program

For the purpose of expressing the County Council's approval of the Housing Authority of Prince George's County 1997 Single Family Mortgage Purchase Program and authorizing the issuance of bonds in an aggregate principal amount not to exceed \$20,000,000.

WHEREAS, Sections 4-101 and 4-102 of Article 44A of the Annotated Code of Maryland (as amended from time to time) permit the Housing Authority of Prince George's County to exercise certain powers to issue bonds, notes, interim certificates, debentures or other obligations, from time to time, in its discretion, for housing loans and other corporate purposes; and

WHEREAS, pursuant to Resolution No. LHA-1000 a copy of which is attached as Attachment A, the Housing Authority of Prince George's County has expressed its present intent to issue and sell bonds in an aggregate principal amount not to exceed \$20,000,000, the proceeds of which will be used to finance the Housing Authority's 1997 Single Family Mortgage Purchase Program for the purpose of assuring the availability of mortgage credit to qualified persons of low, moderate and middle income households; and

WHEREAS, the County Executive has approved the issuance and sale of said bonds; and

WHEREAS, the County Council has been advised that the Housing Authority has revised its plan and intends to issue only \$20,000,000 in bonds for this purpose.

NOW, THEREFORE, BE IT RESOLVED by the County Council of Prince George's

County, Maryland, that the County Council hereby approves the issuance and sale of bonds in an aggregate principal amount not to exceed \$26,000,000 for the purpose of financing the Housing Authority of Prince George's County (Maryland) 1997 Single Family Mortgage Purchase Program. The program will make mortgage credit available to qualified persons, subject to conditions made a part hereof in Attachment B, which may be modified as market conditions change, and any other conditions or requirements imposed by the County Executive for the satisfaction of any reasonable requirements the County Executive may deem appropriate or necessary.

BE IT FURTHER RESOLVED that the County Council approves the qualifying income and purchase price limits as recommended by the Housing Authority of Prince George's County.

BE IT FURTHER RESOLVED that the County Executive is requested to disseminate information concerning this program to County Employees.

Adopted this 22nd day of July, 1997.

COUNTY COUNCIL OF PRINCE
GEORGE'S COUNTY, MARYLAND

BY:

Dorothy F. Bailey
Chair

ATTEST:

Joyce T. Sweeney
Clerk of the Council

Attachment A

HOUSING AUTHORITY OF PRINCE GEORGE'S COUNTY

RESOLUTION NO. LHA-1,000

1997 SINGLE FAMILY PROGRAM

WHEREAS, the Housing Authority of Prince George's County (the "Authority") acting by and through its Board, is a housing authority created by the laws of the State of Maryland, and has as one of its primary functions to assist housing development in Prince George's County, Maryland (the "County"); and

WHEREAS, Sections 4-101 and 4-102 of Article 44A of the Annotated Code of Maryland (as amended from time to time) permit the Authority to exercise certain powers to issue bonds, notes, interim certificates, debentures or other obligations from time to time in its discretion for any of its corporate purposes; and

WHEREAS, pursuant to the Housing Authorities Law, it is hereby found and declared that there exists within the County a shortage of decent, safe and adequate housing, which shortage has been caused, in substantial part, by private sector mortgage market conditions, including unstable interest rates and restricted credit, severely limiting the availability of home mortgage financing to persons of low, moderate and middle income; and

WHEREAS, the Secretary of the Maryland Department of Housing and Community Development, pursuant to Section 13-802 of the Financial Institutions Article of the Annotated Code of Maryland acting through the Director of the Community Development

Administration (CDA) has allocated to the Authority approximately \$13,000,000 in housing bonds authorized to be issued by December 1997 for a single family program pursuant to Section 146 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Authority will use its 1997 housing bond allocation of approximately \$13,000,000 in combination with its 1996 carryover of \$13,000,000 to complete the issuance, which will not exceed \$26,000,000 of mortgage revenue bonds to fund a mortgage purchase program; and

WHEREAS, the Authority believes it is in the best interest of the County to issue its mortgage revenue bonds in an aggregate principal not to exceed \$26,000,000 and to use the proceeds of the sale thereof to finance Mortgage Loans made to eligible purchasers of Single Family Residences in order thereby to make available mortgage credit for persons with eligible incomes who are unable to afford the purchase of decent, safe and adequate housing at the current market rate of interest or who are unable to obtain mortgage credit because the mortgage credit market is severely restricted.

NOW, THEREFORE, BE IT RESOLVED by the Authority that:

1. In carrying out its function of housing development, the Authority hereby expresses its present intent to issue and sell bonds of the Housing Authority of Prince George's County (the "Bonds"), in an aggregate principal amount of approximately \$26,000,000 for the purpose of providing mortgages to persons of low, moderate and middle income households.

2. The Authority shall request the approval by the County Council of its intention to issue the Bonds.

3. Upon approval of the County Council, the Authority authorizes the Executive Director or his designated representative to enter into any agreement or contract including a

private placement or sale of the Bonds, that in his judgement is necessary and required as the Executive Director deems appropriate to aid the issuance and sale of the Bonds authorized herein.

4. This Resolution shall be effective from the date of its adoption.

Adopted this 24th day of March 1997.

(SEAL)
ATTEST:

HOUSING AUTHORITY OF
PRINCE GEORGE'S COUNTY

By: Michael A. Doaks
Secretary

By: William M. Shipp, Esq.
Chairman

Approved for Legal Sufficiency

By: Frederick Stichnoth
Meyers, Billingsley,
Rodbell & Rosenbaum, P.A.
Bond Counsel

(SIGNATURE PAGE TO RESOLUTION NO. LHA-1,000)

Attachment B

\$20,000,000*
Prince George's County, Maryland
1997 Single Family Housing Bond Program

I. Program Overview

After a review of bond structuring alternatives, the Housing Authority is recommending that the County's 1997 Single Family Bond Program retain several of the features of the 1995 program but also introduce some significant program changes. While some characteristics such as mortgage set-asides for target areas, elimination of first-time homebuyer requirements and raising the bar on eligible family income and home values will remain, others will change.

The goal is to reach both middle income as well as the traditional low and moderate income families typically served by this program. The program allows mortgages that qualify under various programs including FHA, Fannie Mae, Freddie Mac and Ginnie Mae

The 1997 Single Family Bond Program will benefit from some hard won achievements in the 1995 Series A program including:

- (1) Expansion of the ACED areas where high income loans and home values can be achieved;
- (2) Elimination of the first-time homebuyer requirement in ACED areas;
- (3) An overall increase in the eligible incomes and home value limits for all areas of the County;
- (4) Utilization of the HUD 203K program that allows the purchase and rehabilitation of a home in one mortgage.

The Housing Authority would again enhance its marketing effort through a major lender to promote the use of home rehabilitation loans utilizing the HUD 203K program and permanent financing. A new feature under the 1997 program will be to identify communities where developers are building good quality market rate housing and open discussions with

builders about reserving a portion of the new mortgage money to promote the increased sales of higher priced homes. A series of open houses and community meetings are planned.

We are presently awaiting the release of the new safe harbor family income and home purchase price ceilings from the federal government which would introduce even higher income and mortgage limits than the already elevated limits obtained in 1995. This year's market rate mortgage program will offer rates that are less than one that will maintain a full percentage point below market rates.

II. Program Attributes

- (1) To be eligible, lenders must be FHA, FNMA, FHLMC, or GNMA qualified mortgage originators. Each lender must now be doing business in Prince George's County and be accessible to residents of the County through a local office or through other reasonable arrangements approved by the Housing Authority.
- (2) The mortgage funds available for lending are expected to be allocated to no more than lenders who qualify under the program. The program consists of approximately \$20 million in bonds all of which will be available for mortgage loans.
- (3) The bonds will be issued as fixed rate bonds. There will be an extraordinary redemption to call in the bonds if the loans become unattractive in the market place as a result of a decline in mortgage rates. This will allow the Authority to more easily refund and re-offer the program at a more attractive rate.
- (4) The program will include the HUD 203K program and again focus on the ACED areas and additional geographic areas inside the beltway.
- (5) The goal of the program is to reach a variety of mixed income households and a special effort will be made to encourage Public Housing and Section 8 tenants to become homeowners.
- (6) Federal funds allocated to the County's Home Investment Partnership Program (HOME) will be used to provide up to \$10,000 in downpayment and closing cost assistance to homebuyers whose income is below 80% of median income (certain restrictions apply).
- (7) A concentrated housing rehabilitation program will be launched for the Kentland and Palmer Park Communities to promote neighborhood stability and encourage increased homeownership in these communities using the 203K program.
- (8) The United States Internal Revenue Service is expected to significantly increase the

eligible family income limits. This will make Prince George's County's 1997 program highly attractive to a wider range of income groups in the County as well as in the Washington Metropolitan Statistical Area (WMSA).

The Issuance

The County would issue approximately \$20 million in single family bonds to families with a variety of income levels. Approximately 150 homeownership opportunities would be generated by the issue.

{Pending Safe Harbor Program Limits for 1997}

Targeted Areas*

Maximum Income Limits

1-2 Persons	\$84,360
3+ Persons	\$98,420

Maximum Selling Price

New Homes	\$222,817
Existing Homes	\$220,987

*Existing Income Limits are \$75,240 (2 person family) and \$87,780 (3 or more persons).

Non-Targeted Areas**

Maximum Income Limits

1-2 Persons	\$70,300
3+ Persons	\$80,845

Maximum Selling Price

New Homes	\$182,305
Existing Homes	\$180,807

Purpose of the Issuance

To increase homeownership opportunities in distressed and transitional neighborhoods;

To rehabilitate and sell existing residential property in these areas;

To increase the County's overall homeownership rate;

To assist low, moderate and middle income families in attaining homeownership;

To import higher income families into inner beltway areas currently dominated by low and moderate income families;

To facilitate community revitalization.

Special Features

Not to be restricted to current Prince George's County residents due to the higher incomes and purchase prices being targeted.

A special HUD program (203K), will allow families to purchase and rehabilitate older homes with one loan.

- 203K allows low down payment (2-4%)
- No first-time homebuyer requirement
- Condominiums and Co-ops are not eligible
- Property must be at least 20 years old
- No home value limit
- No income limit
- A minimum of \$5,000 in rehab work is required
- Rehab work is not amenable to change orders
- House must appraise for 100% or more of the loan value
- Designated lenders (to be determined)
- Use a non-profit to generate more 203K loans

ACED Areas

- Increases income levels for families and home values
- Eliminates first-time homebuyer requirement
- \$500,000 in downpayment and closing cost assistance from HOME funds

administered by HAPGC

- \$500,000 reserved from bond proceeds for 203K housing acquisition/rehabilitation loans in Palmer Park/Kentland

Available Loan Programs

- FHA/VA
- Freddie Mac Gold
- Freddie Mac
- Fannie Mae 97
- Fannie Mae

See handbooks that apply to various programs

Special Options

-Program to reach Public Housing and Section 8 groups (to include intensive homeowner counseling)

-Downpayment and Closing Cost Assistance - HOME funds

Funds to be limited to \$10,000 in downpayment and closing cost assistance to homebuyers whose income is below HUD's established 80% of median income (certain HOME restrictions apply)

Marketing Plan

Special marketing methods will be implemented to reach a mixed income population

Homebuyer's Fair

DHCD's Homepage

Chamber of Commerce

Prince George's Community Television

SHOP (Section 8 Home Ownership Program) participants will be targeted

Bankers and Realtors will provide information to their customers

Prequalified buyers on PGCDHCD's CHOICE I & II lists will be targeted

Homebuilders will maintain program information in their sales office

Make referrals to existing private, nonprofit and lender operated Homeowner Counseling programs with PMI companies

Utilize participating lenders' Community Reinvestment Act Programs

Flyers will be placed in apartment buildings

A series of "Open Houses" with builders and realtors

Bond Structure

\$20 million in Fixed-Rate Bonds with an extraordinary call feature to retire bonds if the

interest rate spread between the Authority's loan program and the general market becomes unfavorable. Provided below is the estimated current interest rate spread that could be available if the bond issue closed on the day that this analysis was done.

Current 30 year Mortgage Rate 7.75%; 1.83 points (FHA market)

County's bond Mortgage Rate to homebuyer 6.50%; 1 3/4 points (estimated)

No loan rate buy-down

Expected 24-month origination maximum term

Each lender will be charged a 3/4 point lender origination fee to participate in the program

The borrower will be charged 1 3/4 points

A Master Loan Servicer acceptable to Freddie Mac, GNMA, Fannie Mae and FHA will be engaged to administer the loan portfolio (Servicer bids due June 20)

First Union Bank will serve as trustee bank

Bond fund investments will be bid in accordance with S&P "AAA" rating requirements

The lenders will make 1% profit when selling the loan to the Master Servicer and recap the 1/2 point participation fee

Authority will fund targeted area allocations fees

Lender can charge up to 1.5% to seller for closing costs (not for mortgage rate buy-down)

Originator
Program Checklist/Timetable

ALLOCATION

Originators submit to Authority Request for Allocation by June 27, 1997

Authority will notify Originator of Allocation by June 30, 1997

Originator shall deliver Program Participation Fee (estimated 0.75%) to Authority by July 7

Originator shall deliver executed Loan Origination Agreement, legal opinion and Certificate by July 14

Anticipated bond closing and commencement of loan origination on July 17

ORIGINATION PROCESS

1. Settle Loan with Borrower
2. Within three business days of settlement Originator shall provide original of complete Compliance Package and Mortgage Loan Information Form to HAPGC
3. HAPGC will return to Originator an approved or disapproved Schedule M within 3 business days of receipt of Compliance Package and Mortgage Loan Information Form
4. Originator shall promptly forward mortgage file to Servicer (only upon receipt of approved Schedule M)
5. Not later than 15 business days after receipt of mortgage file, Servicer shall purchase and fund the Mortgage Loan
6. Originator shall submit to Servicer original recorded mortgage and assignment to Servicer within 60 days following Mortgage Loan Purchase

OTHER

MONTHLY - Submit monthly report to HAPGC on applications, approvals, settled loans, loans forwarded to Servicer

On June 1, 1998 or sooner, please contact HAPGC if you need more allocation

On July 1, 1998 HAPGC shall (at its discretion) reassign allocations if less than 50% of allocation has been originated

On July 1, 1998 HAPG shall reallocate to Originators any unoriginated allocation from targeted area allocation

On June 30, 1999 program expires