

PORTLAND DEVELOPMENT COMMISSION
Portland, Oregon

RESOLUTION NO. 6529

**ADOPT NEIGHBORHOOD HOUSING PROGRAM HOME BUYING
FINANCIAL ASSISTANCE GUIDELINES**

WHEREAS, on April 11, 2007, through Resolution 6468, the PDC Board authorized Neighborhood Housing Program ("NHP") guidelines for loans and grants that are funded solely by PDC and additional guidelines that are partnerships with other public or private agencies and funded with federal or city funds;

WHEREAS, guidelines should be reviewed on a regular basis to reflect prudent lending practices and current public policy goals;

WHEREAS, in September 2007, the PDC Board directed staff to revise the guidelines for certain homebuyer assistance programs to provide an opportunity for greater wealth creation, make the tools accessible to lending partners and provide a recapture of PDC's investment.

NOW, THEREFORE, BE IT RESOLVED that the following three guidelines adopted by Resolution 6468 are hereby rescinded: Shared Appreciation Mortgage, Interest Rate Buydown Product and Jump Start Homebuyer Assistance Product;

BE IT FURTHER RESOLVED that the guidelines for the Ownership Through Partnership Program attached as Exhibit A and the Secondary Assistance Loan attached as Exhibit B are hereby adopted;

BE IT FURTHER RESOLVED that the Executive Director is authorized to make procedural changes to the guidelines and shall present any policy changes to the Board for approval;

BE IT FURTHER RESOLVED that PDC shall partner with financial institutions through a participating lender agreement (or similar document) with willing lending institutions in order to access these tools;

BE IT FURTHER RESOLVED that the Executive Director shall explore opportunities to provide additional resources to homebuyers, homeowners and renters, including partnerships with financial institutions and seeking general funds from the City; and

BE IT FURTHER RESOLVED that this resolution shall become effective immediately upon its adoption.

Ownership Through Partnership Program (OTP)

PURPOSE

Portland Development Commission’s (PDC) Ownership Through Partnership Program (OTP) is a second mortgage loan that increases buying power and provides funds for future home improvements.

PRODUCT DESCRIPTION

OTP is available to assist eligible first time homebuyers to purchase existing homes in urban renewal areas. Borrowers can access this program through PDC or an approved participating lender who has executed a lender agreement with PDC. Loans under this program have deferred payment and accrue interest at the rate of 4.00 percent per annum. The loan will be secured by a recorded lien against the subject property. OTP funds can be used for the purchase of a single-family, owner occupied residence in conjunction with the primary mortgage.

There are two options under the OTP program: downpayment assistance (described below as DownPayment Assistance) and a temporary interest rate buydown loan (described below as JumpStart). Either option must contain a home improvement component; see below for detailed information.

OTP Terms that Apply to DownPayment Assistance and JumpStart

Eligible Borrowers

- Total household gross income, including any non-occupying co-owners, cannot exceed 80% or 100% of current HUD Median Family Income (MFI) as adjusted for family size,
 - Up to 80% MFI for homes with two or less bedrooms
 - Up to 100% MFI for homes with three or more bedrooms
- Owner must occupy the subject property as their primary principal residence for the entire term of the OTP loan.
- US citizen or permanent resident.
- Must be a first-time homebuyer, defined as not having owned a home within the past three years.
- Must obtain a first mortgage from an approved PDC Lender.
- Must meet PDC’s minimum credit standards.

Eligible Properties

- Single-family one-unit properties, including town homes and condominiums

Down Payment

- As required by first mortgage

Borrower’s Assets

- Homebuyer’s combined liquid assets (cash and equivalent, stocks, bonds and bank deposit; excludes retirement accounts) after closing cannot exceed three months of PITIMI payments or \$10,000, whichever is greater.

Security

- Deed of Trust in second lien position

Property Value Determination

- Lender to order, review, and approve the appraisal per mortgage product requirements

Future Subordination:

- PDC may subordinate to future refinancing and equity loans so long as the outstanding balance, plus all accrued and unpaid interest on PDC’s loan does not exceed 100 percent loan to value. Current value to be determined by using the current Tax Assessor’s Fair Market Value or an appraisal acceptable to PDC.

Assumption:

- OTP may be assumed by a qualified homebuyer who meets current qualification criteria. Loan balance will increase to include the accrued interest which was due upon sale of the property (subject to the maximum amount of these guidelines). The loan term will reset to 30 years and follow the same recapture and forgiveness clauses as the original loan.

Title

- Clear title with ability to obtain ALTA title insurance protection against loss connected with ownership, encumbrances, and improvements of the property

Property Taxes

- Property taxes must be current at closing and first mortgage must include an escrow account to collect and pay property taxes.

Insurance

- Homeowners insurance must be paid for one year in advance and first mortgage must include an escrow account to collect and pay insurance premiums.

- Flood Hazard insurance required if in a 100-year flood plain

Participating Lender Guidelines

- First mortgage loan must be originated by PDC or an approved PDC Participating Lender.
- First mortgage products to be used in conjunction with OTP must have received prior approval from PDC.

Homebuyer Education

- Borrower must attend a homebuyer education workshop provided by a US Department of Housing and Urban Development (HUD) Certified Home Buyer Counseling Program. PDC will provide a list of resources that may be used to satisfy this requirement.

Guidelines for use of the Home Improvement Fund

- Funds for renovation must be placed in a PDC controlled Home Improvement Fund account to pay for eligible home improvements after purchase.
- Home Improvement Funds must be completely disbursed within 24 months of closing.
- Homeowner must contact PDC prior to beginning home improvements and provide a list of the proposed improvements.
- PDC will assign an experienced construction advisor to provide guidance throughout the renovation.
- PDC will make incremental disbursements as work is completed and approved by both PDC and the homeowner

Detailed information of the options available through the OTP Program

1. OTP – DownPayment Assistance

Service Area:	All Urban Renewal Areas, subject to availability of funds
Maximum Loan Amount:	Up to twenty five percent (25%) of the purchase price with a maximum purchase price not greater than the Federal Housing Authority (FHA) maximum loan amount, currently \$304,950. See further limitations outlined under “Eligible Use of funds” below.
Combined Loan to Value:	Maximum 105% combined loan to value based upon the lesser of (i) purchase price or (ii) “as is” appraised value
Interest Rate:	4.00 percent per annum, deferred payment
Term:	30 years

Repayment: Deferred until sale, refinance, or no longer owner-occupied

This loan and the accrued interest will be forgiven once the term expires provided the borrower has maintained the property as owner occupied for the life of the loan.

Fees: Per approved NHP Fee Schedule, available at [\[insert link\]](#)

Eligible Use of funds

Funds must finance DownPayment Assistance and/or closing costs associated with the purchase of a home, as well as the establishment of a Home Improvement Fund.

- a) **DownPayment Assistance** – A maximum of 20% of the purchase price can be used by the borrower for the purchase of a single family detached home, including town homes and condominiums. These funds can be used for downpayment and/or closing costs as long as the borrower has met minimum downpayment mortgage requirements established by the approved lender.
- b) **Home Improvement Fund** – A minimum of 20 percent of the PDC loan DownPayment Assistance loan amount must be used to establish a Home Improvement Fund. These funds must be placed in a PDC controlled Home Improvement Fund to pay for eligible home improvements after purchase. The Home Improvement Fund must be fully disbursed within 24 months of closing.

2. OTP – Jump Start, Temporary Interest Rate Buydown Loan

Service Area: All Urban Renewal Areas, subject to availability of funds

Maximum Loan Amount: Up to \$25,000. See further limitations outlined under “Eligible Use of funds” below.

Combined Loan to Value: Maximum 105% combined loan to value based upon the lesser of (i) purchase price or (ii) “as is” appraised value

Interest Rate: 4.00 percent per annum, deferred payment

Term: 15 years

Repayment: Deferred until sale, refinance, or no longer owner-occupied

This loan and the accrued interest will be forgiven once the term expires provided the borrower has maintained the property as owner occupied for the life of the loan.

Fees: Per approved NHP Fee Schedule, available at [\[insert link\]](#)

Eligible Use of funds

Funds must be used for the Temporary Interest-Rate Buydown Loan, and to establish a Home Improvement Fund.

- a) **Temporary Interest-Rate Buydown** – The Temporary Interest-Rate Buydown account temporarily buys down the interest rate of an approved first mortgage. The buydown assistance starts at 2.00 percent for the first year and incrementally increases, based on need, to the established mortgage rate within two to six years. This reduces the borrower’s monthly mortgage payment during this period thus increasing their ability to purchase a home.
- b) **Home Improvement Fund** – The loan amount is limited to the amount needed to subsidize the payment plus that amount necessary to set aside 25% of the loan amount which must be used for home improvement. This amount must be placed in a PDC controlled Home Improvement Fund to pay for eligible home improvements after purchase. The Home Improvement Fund must be fully disbursed within 24 months of closing.

SECONDARY ASSISTANCE LOAN (SAL)

PURPOSE

Portland Development Commission's (PDC) Secondary Assistance Loan (SAL) is a loan program that increases buying power and provides funds for renovations.

PRODUCT DESCRIPTION

SAL is available to assist eligible first time homebuyers purchase existing homes in designated urban renewal areas. Loans under this program have deferred payment and accrue interest at the rate of 4.00 percent per annum. The loan will be secured by a recorded lien against the subject property. This program is only available if used with a PDC renovation mortgage loan, which allows a family the ability to purchase and renovate the property under one loan.

There are three options under the SAL program: downpayment assistance, a temporary interest rate buydown, or a permanent rate reducer. Every option must contain a renovation component. See below for detailed information.

SAL Terms that Apply to All Three Options

Eligible Borrowers

1. Owner Occupant

- Total household gross income, cannot exceed 80% or 100% of current HUD Median Family Income (MFI) as adjusted for family size,
 - Up to 80% MFI for homes with two or less bedrooms
 - Up to 100% MFI for homes with three or more bedrooms
- Owner must occupy the subject property as their primary principal residence for the entire term of the PDC loan.
- US citizen or permanent resident.
- For the DownPayment Assistance Loan and the Jump Start, buyer must be a first-time homebuyer, defined as not having owned a home within the past three years. Rate Reducer is available to all eligible buyers/borrowers regardless of first-time homebuyer status.
- Must obtain a first mortgage from PDC.
- Must meet PDC's minimum credit standards.

2. Qualified Nonprofit

- Existing Portland based nonprofit organization that meets PDC eligibility requirements as outlined in Chapter 3.4 in the PDC Housing Department Product Guidelines, as periodically amended

Eligible Properties

- Single family one unit detached homes, including town homes and condominiums

Down Payment

- As required by first mortgage

Borrower's Assets

- Homebuyer's combined liquid assets (cash and equivalent, stocks, bonds and bank deposit; excludes retirement accounts) after closing cannot exceed \$10,000 or three months of PITIMI payments, whichever is greater.

Security

- Deed of Trust in second lien position

Property Value Determination

- Review of appraisal as required by first mortgage

Future Subordination:

- PDC may subordinate to future refinancing and equity loans so long as the outstanding balance, plus all accrued and unpaid interest on PDC's loan does not exceed 100 percent loan to value. Current value to be determined by using the current Tax Assessor's Fair Market Value or an appraisal acceptable to PDC.

Assumption:

- The SAL loan may be assumed by a qualified homebuyer who meets current qualification criteria. Loan balance will increase to include the accrued interest which was due upon sale of the property (subject to the maximum amount of these guidelines). The loan term will reset to 30 years and follow the same recapture and forgiveness clauses as the original loan.

Title

- Clear title with ability to obtain ALTA title insurance protection against loss connected with ownership, encumbrances, and improvements of the property

Property Taxes

- Property taxes must be current at closing and first mortgage must include an escrow account to collect and pay property taxes.

Insurance

- Homeowners insurance must be paid for one year in advance and first mortgage must include an escrow account to collect and pay insurance premiums.
- Flood Hazard insurance required if in a 100-year flood plain

Eligible First Mortgages

- First mortgage loan must be originated by PDC.

Homebuyer Education

- Borrower must attend a homebuyer education workshop provided by a US Department of Housing and Urban Development (HUD) Certified Home Buyer Counseling Program. PDC will provide a list of resources that may be used to satisfy this requirement.

Use of Renovation funds / Construction Monitoring/Disbursements

- Funds must be placed in a PDC controlled Renovation account to pay for eligible renovation costs.
- Renovation must be complete within 6 months of closing. Nonprofit borrowers will have up to 12 months to complete renovation work.
- PDC must approve the scope of work for the Renovation improvements prior to escrow closing.
- PDC will assign an experienced construction advisor to provide guidance throughout the renovation.
- PDC will make Incremental disbursements made as work is completed and approved by both PDC and the homeowner

Detailed information of the options available through the SAL Program

1. SAL DownPayment Assistance

Service Area: All Urban Renewal Areas, subject to availability of funds

Maximum Loan Amount:	Twenty percent (20%) of the purchase price plus renovation costs combined shall not exceed the Federal Housing Authority (FHA) maximum loan amount, currently \$304,950. See further limitations outlined under “Eligible Use of funds” below.
Combined Loan to Value:	Maximum of 100% combined loan to value based upon the “as completed” appraised value.
Interest Rate:	4.00 percent per annum, deferred payment
Term:	30 years
Repayment:	Deferred until sale, refinance, or no longer owner-occupied This loan and the accrued interest will be forgiven once the term expires provided the borrower has maintained the property as owner occupied for the life of the loan.
Fees:	Per approved NHP Fee Schedule, available at [insert link]

Eligible Use of funds

Funds must finance DownPayment Assistance and/or closing costs associated with the purchase of a home. Twenty percent of the SAL loan funds must also be used for renovation/repair.

1. DownPayment Assistance

- a) **DownPayment Assistance Loan**– Funds can be used by the borrower for the purchase of a single family detached home, including town homes and condominiums. These funds can be used for downpayment and/or closing costs as long as the borrower has met minimum downpayment mortgage requirements.
- b) **Renovation / Repair** – A minimum of 20 percent of the loan amount and a maximum of 50 percent of the as completed value is to be used to pay for renovation costs, which may be funded with both the first and PDC second mortgage. In the case of a nonprofit borrower, a maximum of 75 percent of the as completed value may be used for renovation.

2. OTP – Jump Start, Temporary Interest Rate Buydown

Service Area:	All Urban Renewal Areas, subject to availability of funds
Maximum Loan Amount:	Up to \$25,000. See further limitations outlined under “Eligible Use of funds” below.
Combined Loan to Value:	Maximum 100% combined loan to value based upon the “as is” appraised value
Interest Rate:	4.00 percent per annum, deferred payment
Term:	15 years
Repayment:	Deferred until sale, refinance, or no longer owner-occupied This loan and the accrued interest will be forgiven once the term expires provided the borrower has maintained the property as owner occupied for the life of the loan.
Fees:	Per approved NHP Fee Schedule, available at [insert link]

Eligible Use of funds

Funds must be used to fund the Temporary Interest-Rate Buydown account and to establish a Renovation Fund

- a) **Temporary Interest-Rate Buydown** – The Temporary Interest-Rate Buydown account temporarily buys down the interest rate of an approved first mortgage. The buydown assistance starts at 2.00 percent for the first year and incrementally increases, based on need, to the established mortgage rate within two to six years. This reduces the borrower’s monthly mortgage payment during this period thus increasing their ability to purchase a home.
- b) **Renovation Fund** – A minimum of 25 percent of the loan amount and a maximum of 50 percent of the as completed value is to be used to pay for renovation costs, which may be funded with both the first and PDC second mortgage.

3. Rate Reducer, Permanent Interest Rate Buydown

Service Area:	All Urban Renewal Areas, subject to availability of funds
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Maximum Loan Amount:	Up to \$10,000. The loan amount will depend on the amount needed to lower the rate (up to 1%) plus 25% of the amount needed to buy down the rate. See further limitations outlined under “Eligible Use of funds” below.
Combined Loan to Value:	Maximum of 100% combined loan to value based upon the lesser of (i) purchase prices plus renovation costs or (ii) “as completed” appraised value.
Interest Rate:	4.00 percent per annum, deferred payment
Term:	10 years
Repayment:	Deferred until sale, refinance, or no longer owner-occupied This loan and the accrued interest will be forgiven once the term expires provided the borrower has maintained the property as owner occupied for the life of the loan.
Fees:	Per approved NHP Fee Schedule, available at [insert link]

Eligible Use of funds

Funds must be used for the Permanent Buydown of the interest rate on the first mortgage, and to establish a Renovation Fund

- a) **Interest-Rate Buydown** – The interest-rate buydown reduces the interest rate of a first mortgage to increase the affordability or buying power for homeowners. The PDC buydown amount will be limited to what is needed to buy down the rate up to 1% or \$10,000 which ever is less.
- b) **Renovation Fund** – A minimum of 25 percent of the loan amount and a maximum of 50 percent of the as completed value is to be used to pay for renovation costs, which may be funded with both the first and PDC second mortgage.