

Regular Meeting of the Community Development Board  
August 5, 2014

**Board Members Present:** Kamber Kelly, Fred Button, Katrina Kruger, Kathleen Candelaria

**Excused Board Members:** Patt Leikam, Neil Kiner, Michele Zahn

**Unexcused Board Members:** Martha Sanford, Trent Currie

**Staff Present:** Brenda Beckett, Lynda Woods

**Welcome / Introductions / Announcements:** The Community Development Board met at its regular monthly meeting located in the 6<sup>th</sup> Floor Conference Room, Miller Building, 2825 3<sup>rd</sup> Ave North, Billings, Montana. Chair Kamber Kelly called the meeting to order at 3:00 p.m.

**Public Comment:** None.

**Meeting Minutes:** *It was moved and seconded that the minutes of the May meeting be approved as written. Motion carried.*

**Staff Reports:** The monthly reports were sent out from July which everyone received. Staff reviewed and there were no questions from the Board.

- **Billings Metro VISTA Project:** 10 new July full year VISTA members began their service.
- **Foreclosure Acquisition / Rehab Program:** The house located at 2101 10th Avenue North property is sold. Housing Rehabilitation is slow due to challenges finding a contractor.

**Foreclosure Acquisition / Rehabilitation Program – Funding Commitment:** The City's new FY14-15 Community Development Block Grant (CDBG) allocation was inadequate to fully fund the popular *Foreclosure Acquisition / Rehabilitation* program in July 2014. Recent program income receipts have promoted staff assessment of available funds to purchase another vacant, foreclosed home during the FY14-15 program year. Proceeds from two recent sales of rehabilitated properties totaling \$110,000 is available exclusively for the purchase and rehabilitation of an additional vacant and foreclosed property. Staff is recommending the *Foreclosure Acquisition / Rehabilitation* program be augmented with additional funding as follows:

- Up to \$50,000 from the City Council's Home Reinvestment Revolving Loan program.
- \$2,990 in remaining FY13-14 CDBG First-Time Home Buyer program.

*It was moved and seconded to follow staff recommendation. Motion carried.*

**Home Repair Programs – Growing Pains:** See attached slides. Two findings that will be immediately implemented are including valuation calculation in Eligibility Checklists and ordering title commitments at initial approval. Findings and recommendations that still need to be considered by the CD Board include:

- Placing cap on loan-to-value ratios.
- Determining that HUD program besides FTHB (i.e.: HUD “savior” programs) are ineligible as second liens.
- Increase the length of time in residence if applicant has second position FTHB lien.
- Homeowners with high number of late house payments may be required to have an increased number of years free of late house payments before eligible.

**September Meeting:** The September meeting will take place as planned on September 2<sup>nd</sup>.

**Neighborhood Concerns and Happenings:** None.

Kamber Kelly adjourned meeting and the next meeting is set for September 2.

# Housing Rehabilitation

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LOOKING FORWARD

## Presenting Issue

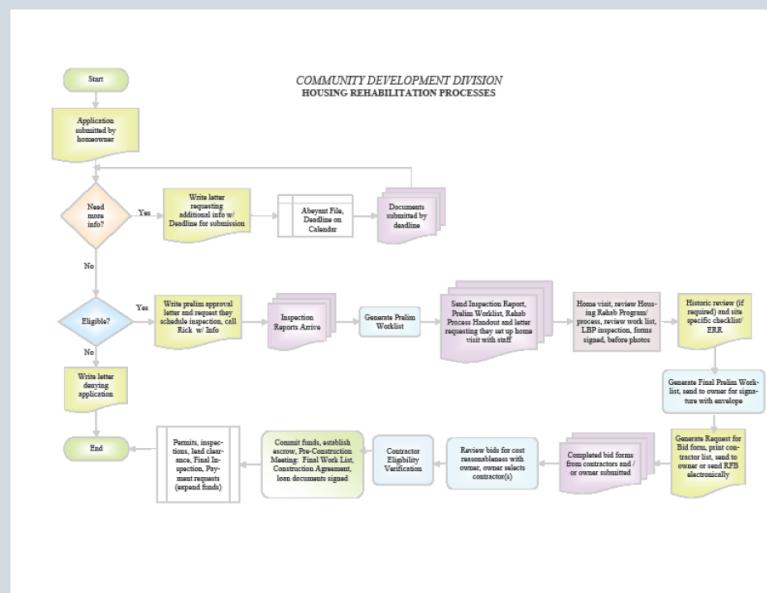
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Recent request to disregard the City's short sale policy prompted review of eligibility criteria for project approval.

# General Eligibility

- Income determination
- Own and occupy the property > 1 year
- No liquid assets over \$15,000
- Before-rehab Yellowstone County Tax value < \$85,000
- Billings city limits, residentially zoned, 1-2 units, 25+ years old
- Applicant **cannot have a 2<sup>nd</sup> mortgage**
  - *Exception: First time homebuyer liens*
- **No late house payments** 12 months pre-application
- Taxes / assessments current
- No delinquent liens / encumbrances

# Current Rehab Process



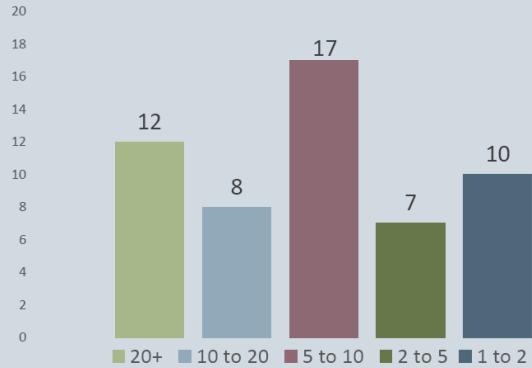
Date of Application:		Family Size	Deferred	Interest Subsidy
Name:		1	\$25,500	\$33,950
Address:		2	\$29,100	\$38,800
# Years at Address (must be at least one year):		3	\$32,760	\$43,650
Home:		4	\$36,360	\$48,500
Work:		5	\$39,300	\$52,400
Income on Application:		6	\$42,180	\$56,300
Income Reported on Taxes:		7	\$45,120	\$60,150
Liquid Assets Less Than \$15,000?		8+	\$48,000	\$64,050
Repair Items Listed:				
<input type="checkbox"/> DEFERRED <input type="checkbox"/> LOW INTEREST				
Eligibility Investigation:				
Owned by Applicant?		<input type="checkbox"/> Yes <input type="checkbox"/> No	Tax ID:	Taxes delinquent: <input type="checkbox"/> Yes <input type="checkbox"/> No
Taxable Market Value Less Than \$85,000?		<input type="checkbox"/> Yes <input type="checkbox"/> No	Value: \$	
Feasible Based on Market Value?		<input type="checkbox"/> Yes <input type="checkbox"/> No	Feasibility Concerns?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within City Limits?		<input type="checkbox"/> Yes <input type="checkbox"/> No	Zone:	Residentially Zoned? <input type="checkbox"/> Yes <input type="checkbox"/> No
Year Built: 25+ Years?		<input type="checkbox"/> Yes <input type="checkbox"/> No	Date of Last Remodel:	
Square Feet:		<input type="checkbox"/> Yes <input type="checkbox"/> No	One - Two Units?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Previous Assistance:				
Date Credit Report Requested:		Late House Payments Last 12 Months? <input type="checkbox"/> Yes <input type="checkbox"/> No		
2nd Mortgage? <input type="checkbox"/> Yes <input type="checkbox"/> No		Only owns one home? <input type="checkbox"/> Yes <input type="checkbox"/> No      Checked: <input type="checkbox"/> Tax Data & <input type="checkbox"/> Credit Report		
<i>The applicant appears to meet current eligibility criteria and appears to be qualified for the program:</i>				
CD Staff Signature / Date:				
Project Progress:				
Initial Inspection Date:	Prelim Work List Sent:	Prelim Work List Received:		
Lead Paint Notification:		Lead Testing Required?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Site Review:	Historical Review?	Environmental Review?		
Contractor(s) Eligibility / Insurances:				
Documents		Deferred Loan	Bank Low Interest: %	
Date Title Insurance Request:			Not Applicable	
Title Clear?		<input type="checkbox"/> Yes <input type="checkbox"/> No	Not Applicable	
Construction Agreement:				
Promissory Note:			Subsidy Amount: \$	
Trust Indenture / Date Recorded:			Not Applicable	
Proceed Order:				
Escrow Requested / Established:				
Escrow / Loan Company:		American Title	First Interstate Bank	
Escrow / Loan Amount:				
Project Completion Date:		Final Inspection Date:		

## 5 Year Review

- **56 Properties Assisted – Deferred Loans**
- **All properties benefited < 60% Area Medium Income homeowners**
- **Average length of time in home upon application – 11 years**
- **Ranged from 1 year to 54 years:**

Over 20 years:	12
10 – 20 years:	8
5 – 10 years:	17
2 – 5 years:	7
1 – 2 years:	10

- **Only ONE loan has been reconveyed (repaid)**







## Givens

- ✓ City is a risky lender
- ✓ Serve risky homeowners
- ✓ New issue: granted \$ in past
- ✓ Protect the City's investment
- ✓ Ensure program utilization

City  
Investment

Assisting  
Homeowners

Eligibility Criteria

Federal  
Requirements

Expenditure  
Deadlines

Low Income

Credit Issues

Home Safety

Affordable Housing  
Stock

## Risk Factors



- 2<sup>nd</sup> and 3<sup>rd</sup> Position Liens
- Late house payments
- Length of time in residence
- Previous bankruptcy

## 2<sup>nd</sup> / 3<sup>rd</sup> Position Liens

- First Time Homebuyer (*16 properties, \$5k to \$15k*)
- HUD Foreclosure Savior Programs (*2 properties*)

7 properties currently over-burdened:

- Average **\$5,700** per property
- 5 include first time homebuyer liens
- 5 have been in home from 1 – 2 years
- 1 HUD foreclosure assistance

*Finding:*

Households recently assisted with first time homebuyer funds may be slightly overburdened by the Housing Rehab program.

## Late House Payments

7 out of 54 homeowners had late house payments on credit reports:

- **One homeowner:** last late payment was 2 years prior application
- **One applicant:** Housing Rehab required owner to wait for 2 months before application
- **Two homeowners:** 14+ late payments over the life of the loan
  - Length of residency: 23 years and 3 years
- **Two households:** utilized HUD foreclosure assistance
  - Many late house payments, none within last year
- **One homeowner:** Type 1 Unemployment Forbearance for 4 months; every payment was received in a timely manner.

*Finding:*

Applicants with history 10+ late house payments increase the City's risk of non-repayment.

## Length of time in residence before application

- 10 applicants lived in the home 1-2 years
- 6 first time homebuyer liens

## Previous Bankruptcy

6 of 54 homeowners had previous bankruptcies:

- 1 first time homebuyer 2<sup>nd</sup> position lien
- 1 HUD foreclosure savior lien

*Finding:*

Bankruptcy in addition to foreclosure savior liens present a high risk to the City.

## Recommendations & Impact

Include valuation calculation in Eligibility Checklist and consider limits

- May decrease # of eligible households
- Consider increase in home value post rehab & over time

Order title commitments at initial approval

- City \$ expended up front, increases program overhead, ensures early lien review

Restrict 2<sup>nd</sup> position liens to homebuyer assistance

- HUD savior program participants ineligible

High # late house payments requires # years free of late payments

- Limits may decrease # eligible households

Increase length of time in residence if applicant has 2<sup>nd</sup> position FTHB lien

- New homeowners have longer waiting period, may decrease # eligible households