

MEMO

To: CDBG Committee

From: Pam Rood, CD Grants Supervisor

Date: December 21, 2010

Subject: 2011-2012 Framework Language Revision and 2011 Loan Fee

This memo covers two related items in the 2011-2012 Framework. The request is to change the language in the Framework from homebuyer interest rate to homebuyer loan fee and setting the fee.

2011-2012 Framework Language Revision for Loans to Homebuyers

The 2011-2012 Framework states that for loans being provided directly to homebuyers an interest rate will be added to the loans replacing shared appreciation. For 2011, staff are requesting a change in the language from “interest rate” to “loan fee”. This request is being made because HUD recently waived the Good Faith Estimate requirement for all 0% interest loans. In an effort to utilize the waiver yet carry out the intent of the Framework policy, staff are recommending that the language in the Framework be changed to include a loan fee instead of an interest rate. This revision will not change the outcome of the policy. The loan fee will be long term deferred and required to be paid at the time the loan is repaid.

2011 Loan Fee

The 2011-2012 Framework states that on an annual basis the CDD staff will determine the interest rate for homebuyer loans. For 2011, CDD staff has set the loan fee at 2.5%. The loan fee rate was provided by the Comptroller’s Office. It is the City’s borrowing rate to which the Comptroller adds 1% and then rounds up to the nearest quarter percent. Given this model was already in place and used by both the Comptroller’s Office and Economic Revitalization Unit for some of their loans, staff felt this was an appropriate percentage.