

# Memorandum

**To:** CDBG Commission  
**From:** Barbara Constans  
**Date:** 9/26/2008  
**Re:** Request for Waiver of Initial Sale Underwriting Guidelines for Buyers of 1801 Fisher St.

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## **Request for Modification of the Underwriting Guidelines for Initial Sale**

The Community Development Office has denied a pass through loan of HOME funds to an LMI household which has an accepted offer on an OFS property at 1801 Fisher St. The denial was based on the fact that the household does not meet our loan underwriting guidelines in that if they receive the full amount of our HOME loan their "front-end" debt to income ratio, which the payment for their house as a percentage of their monthly gross income, will be lower than the 30% required by our underwriting policy. The policy requires a family to be paying at least 30% of their monthly income for their home in order to qualify for the full amount of our loan.

The family is appealing our denial because without the full amount of our loan they will not meet the first mortgage lender requirements related to the overall debt on which they have to make monthly payments. The family has a high debt load related to student loans.

As mitigating factors the family would like the CDBG Commission to consider the fact that they have a very high credit score, they are current on their other debt, their other debt is related to school loans and not general consumer debt, and they will be unable to qualify to purchase this home without the CDBG Office assistance.

## **Staff Recommendation**

We feel that there are several compelling reasons to approve this waiver request:

1. The families are eligible for the HOME loan because they are LMI. Paying less than 30% of their income for housing will strengthen their position as homebuyers and subsequently our position as second mortgage lenders. The school debt will not be tied to the home and will not affect their ability to pay for their home.
2. The debt that would make them ineligible for the bank loan, school loans, is related to improving their ability to make the home payments and afford the property into the future
3. Because we will still require that there be no more than 100% Loan to Value on the house our financial position will be strengthened by the household having to pay less for their housing.
4. We will still hold a mortgage at its relative value and require repayment based on that % of value at the time of sale or transfer
5. This will potentially free up funds for ongoing home repair and maintenance