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**HELP**

**HOMEOWNER'S EMERGENCY LOAN PROGRAM**



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STATE DOCUMENTS

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**SOUTH CAROLINA STATE HOUSING FINANCE AND  
DEVELOPMENT AUTHORITY**

## **Table of Contents**

<b>I.</b>	<b>The Problem.....</b>	<b>3</b>
<b>II.</b>	<b>Data Collection.....</b>	<b>6</b>
<b>III.</b>	<b>Data Analysis.....</b>	<b>7</b>
<b>IV.</b>	<b>Implementation</b>	
	<b>Plan.....</b>	<b>8</b>
<b>V.</b>	<b>Evaluation.....</b>	<b>11</b>
<b>VI.</b>	<b>Appendix.....</b>	<b>12</b>

## **Problem Statement**

The South Carolina State Housing Finance and Development Authority funds mortgage loans for low to moderate income first time home buyers. The homeownership program assists borrowers in becoming home owners and living the American dream. Financing is easy and we offer a below market fixed interest rate. We also have a down payment assistance program in conjunction with the first mortgage program. For the down payment assistance program, payments are deferred for three years in order to give the new homeowner time to settle in before payments begin on the second mortgage.

Currently we have approximately 8,907 first mortgages and 3,700 second mortgages. The majority of these loans are serviced in house by our Mortgage Servicing Department. Each mortgagor is assigned to a loan counselor that assists with customer service requests as well as payment arrangements during a default situation. Through our hands on servicing approach, our mortgagors receive a high level of customer service. The mortgage servicing staff educates the mortgagor with their escrow account that collects funds for the payment of property taxes, mortgage insurance, and hazard insurance. We feel that we offer a high level of customer service to our mortgagors while serving their mortgage needs.

The average first time homebuyer that purchases a home through our program is not financially prepared to face an emergency repair. Our mortgagor's available credit is also limited; therefore, it may not be possible for our mortgagor to

borrow funds to complete the necessary repairs. We have recognized the necessity to offer a product that addresses the emergency repair needs of our current mortgagor. “What do I do when an emergency presents itself and my funds are limited?” We find our mortgagors asking this question quite frequently. The answer to this question could mean the decision between making the monthly mortgage payment or repairing the property.

The purpose of this project is to implement the Homeowner’s Emergency Loan Program that will assist borrowers with necessary property repairs. This emergency assistance program will be appropriately referred to as HELP. My mission is to make this process convenient and simple for our mortgagor. This program will also benefit the Authority. As the mortgagor improves the property, the value of our collateral appreciates. This program will allow the mortgagor to continue making the monthly mortgage payment while we assist with funding much needed repairs.

This program should alleviate a portion of the defaulted loans that end in foreclosure due to unforeseen property preservation issues. We have seen mortgagors vacate their property due to needed repairs that render the home unlivable. We currently have a property in our foreclosure process where the mortgagor walked away from the home due to a collapsed well. The mortgagor was unable to fund a new well or incur the added expense of connecting to county/city water.

During the calendar year 2005, we foreclosed on a total of 94 loans. If 25% of these loans defaulted as a result of needed repairs, we could have potentially saved 23.5 of the foreclosed loans. In reviewing several of the foreclosed files, it was noted that mold is a current problem that several of our borrowers faced. The HELP product could have assisted these borrowers who chose to walk away from their property due to the mold issue. When we inspected the foreclosed properties, the following items were noted.

- Heating/Air conditioning unit not operational
- Roof damaged or in need of new shingles
- Wood exposed due to paint chipping and peeling
- Interior damage due to leaking roof (visible mold)

In an effort to address the above situations, the HELP loan will be a product customized to fit the needs of our mortgagors. The loan will be available to our mortgagors who currently have a first mortgage on a home that is used for their primary residence.

The Authority's mission is to create quality affordable housing opportunities for the citizens of South Carolina. Our vision is that all South Carolinians have the opportunity to live in safe, decent, and affordable housing. We strive to know and understand our customers and their needs. We continually seek ways to improve our service. Therefore, HELP is an avenue to the Authority's mission and goal.

## **Data Collection**

In developing this new product, the following websites were used for information in an effort to provide a quality product that is comparable with those offered by other state housing authorities.

Alaska Housing Finance Corporation  
Georgia Department of Community Affairs  
New Hampshire Housing  
Wisconsin Housing and Economic Development Authority

Research concluded that the existing products offered by these agencies were not only comparable with the program I chose to implement, but they have also proven very successful. In addition, our client base has many similarities. The information obtained from these websites assisted with determining reasonable and realistic criteria for qualifying for the HELP loan. The term of the loan, interest rate, and repayment options were addressed as well. This preparation assures that the HELP program is built on a solid foundation to insure success in practical application

Information was obtained from the Finance Department to determine the funding options available for the loan program. It is the Authority's goal to integrate programs within the agency; therefore, utilizing Home, Housing Trust Fund, and Authority dollars. We may also explore the avenue of partnering with local non-profit agencies to assist our mortgagor's with repairs to their property.

## **Data Analysis**

Currently the Authority's single family loan program consists of 8,907 loans with an outstanding portfolio balance of \$ 536,787,810.72. It is very difficult to determine a percentage of loans that could possibly qualify for this loan program. The following items would be taken into consideration for qualifying a potential borrower.

- Does the applicant have a first mortgage with the Authority at the present time?
- Does the mortgagor occupy the mortgage property?
- Is the applicant below 80% of the median income?

If all of the above answers are "yes", the mortgagor could potentially qualify for HELP. We would then enter the borrower into the program's application process.

At the time of application, the borrower's financials would be reviewed in order to underwrite the loan. The Authority could potentially underwrite these loans in house.

## **Implementation Plan**

There are several facets in the development of a new program. Funding is one of the first issues that will need to be addressed. Once the funding source is determined, the program can be fine tuned based on stipulations that are tied directly to the funding source. Various funding sources such as state and federal have mandated requirements for usage. If federal funds are used through grants, a portion of the loan may be forgivable. Once the funding is determined, the program requirements and necessary documents will be drafted for management approval.

The borrower will be required to complete a financial packet in order to be reviewed for HELP. The following are examples of information that the borrower will be required to complete or provide at the time of application. An application fee of \$100 is due at time of application. This fee will be applied to closing costs; therefore, the mortgagor receives credit for these funds.

- Universal Residential Loan Application
- Child Support Verification
- Two Most Recent Pay Stubs
- Statement Regarding Loan Application
- Privacy Act Notification
- Credit Authorization
- Detailed Listing of Proposed Repairs
- Bids from Licensed Contractors



The Production Department will manage the processing of the HELP loan application. Guidelines for underwriting the loan will be completed with assistance from the Authority's Production Department. All necessary documents related to the processing and recording of the loan will be developed in conjunction with the Production Department as well as the Authority's legal counsel.

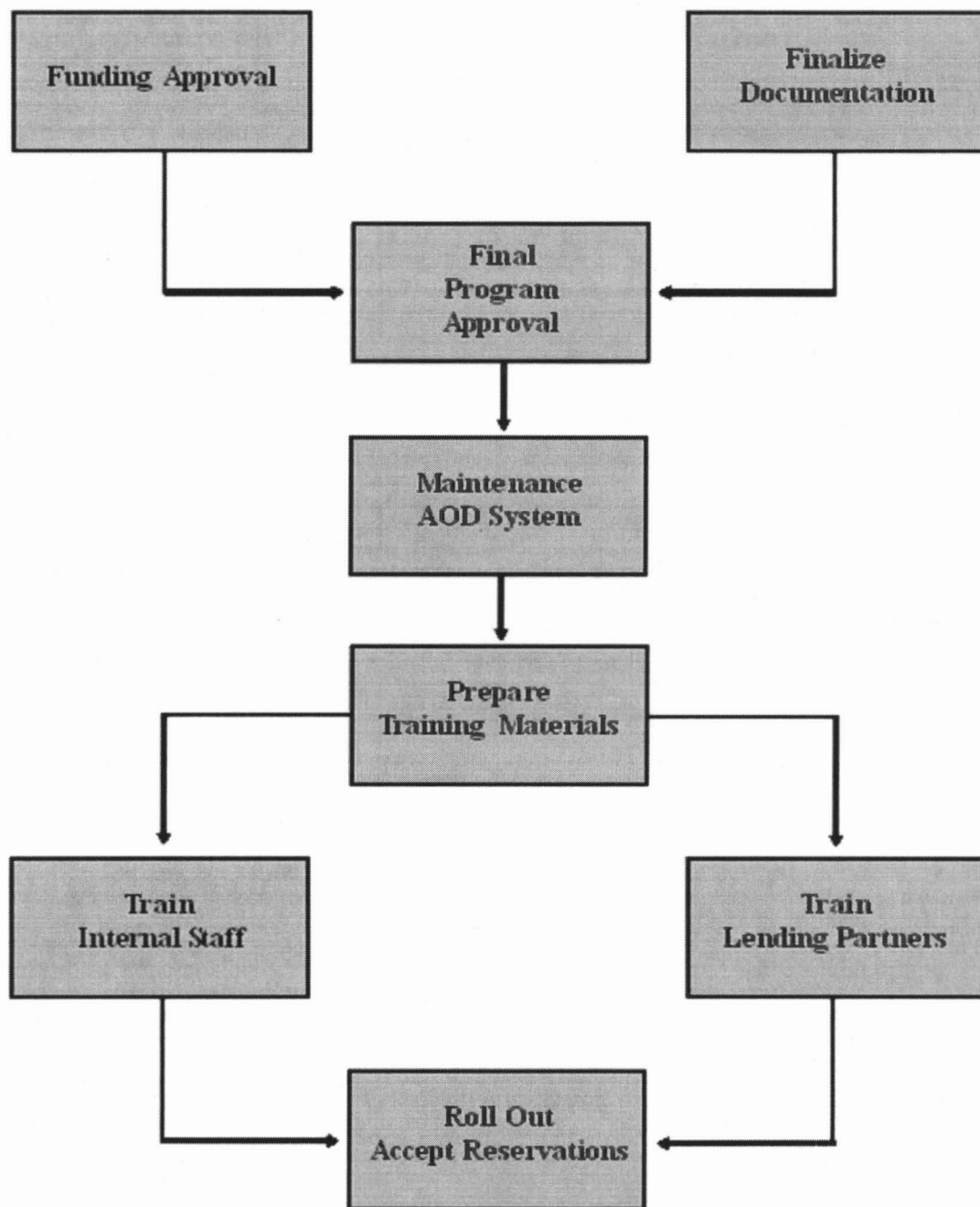
The estimated completion of this project is July 1, 2006. The following items will be finalized at that point and the product will be implemented and available by August 1, 2006.

- Funding Source
- Written Procedures for Underwriting the Loan
- Loan Application Package
- Legal Documents (Note & Mortgage)
- Product Announcement and Website Information

Once the product is implemented and available for production, we will provide information on our website. We will also mail a program announcement with our annual statements to our mortgagors.

## IMPLEMENTATION

### HOMEOWNER'S EMERGENCY LOAN PROGRAM



## **Evaluation**

The evaluation of this loan product will be reviewed as mortgagors apply for participation in the program. All successful applicants will be reviewed to record the status of the first mortgage at the time of application to determine if the HELP product eliminated a possible foreclosure. If a foreclosure was avoided due to the mortgagor receiving assistance through the HELP loan, we will estimate the potential loss that the Authority would have incurred.

Statistics will be recorded for applicants who are denied participation in the program. This data will be reviewed to determine if changes are warranted in the program guidelines. We will constantly review the program in order to meet the needs of our mortgagors. Continuous efforts will be made to assist our mortgagor's with keeping their property in a safe, livable condition.

We will also evaluate the program to determine if we need to increase the maximum loan amount as the cost of living increases. The interest rate will be evaluated periodically in order to remain in line with the interest rates of our first mortgage products and to provide the maximum benefit to our borrowers. The HELP loan will be monitored closely for compliance updates as well.



## SOUTH CAROLINA STATE HOUSING AUTHORITY

### HOMEOWNERSHIP EMERGENCY LOAN PROGRAM (HELP)

This loan program is designed to assist borrowers who have an existing mortgage through the Authority's Single Family Mortgage Program when an emergency occurs in their home that is not covered by insurance. Emergency repairs that are included are those necessary to eliminate recent clear and present danger(s) to the occupants and affect the livability of the home. Examples include, but are not limited to, fire or flood damage, determination from state agencies outlining specific health and safety hazards not covered by insurance, that if not immediately repaired, would cause further or irreparable damage. Upgrades to the property to allow for handicap accessibility may also be covered under this program as well as upgrades to meet new code specifications (plumbing or wiring). Repairs must be completed within a given timeframe and be completed by a licensed contractor.

<b>Loan Limits</b>	Maximum loan amount \$10,000.00
<b>Homebuyer(s)</b>	Homeowners must occupy the property. The homeowner must have had a loan with the Authority for a minimum of two years.
<b>Interest Rate Options</b>	Affordable Fixed Rates at:6%
<b>Term</b>	The maximum term is the lesser of 180 months or the remaining number of months outstanding on the first mortgage.
<b>Income Requirements</b>	Income cannot exceed Income Limits that are set by the Authority . The limits are county specific; please refer to the Homeownership Emergency Loan Program charts to determine eligibility. The HELP loan program is not available to those families that are over 80% of median income.
<b>Closing Costs</b>	A processing fee of \$100.00 will be charged at application and all usual and customary closing costs will apply. The closing cost may be included in the loan amount but cannot exceed the \$10,000.00 limit.
<b>Property Eligibility</b>	Properties currently financed by the Authority.
<b>Restrictions</b>	The HELP loan cannot be used for refinancing or debt consolidation purposes. You can not qualify for this loan if you currently have an outstanding 2 <sup>nd</sup> mortgage with a financial institution.
<b>Assumability</b>	Loan is not assumable

**INCOME LEVELS**

Targeted FY 2005	Option II 50%-80% of Median Income		Option III Below 50% of Median Income	
	1 Person	2 Person	1 Person	2 Person
Aiken	\$29,900	\$34,200	\$18,700	\$21,350
Anderson	\$30,750	\$35,150	\$19,200	\$21,950
Charleston	\$31,300	\$35,800	\$19,550	\$22,350
Greenville	\$30,750	\$35,150	\$19,200	\$21,950
Greenwood	\$28,750	\$32,850	\$17,950	\$20,500
Lancaster	\$27,600	\$31,550	\$17,250	\$19,700
Lexington	\$33,950	\$38,800	\$21,200	\$24,250
Oconee	\$28,500	\$32,600	\$17,800	\$20,350
Pickens	\$30,750	\$35,150	\$19,200	\$21,950
Richland	\$33,950	\$38,800	\$21,200	\$24,250
Spartanburg	\$30,750	\$35,150	\$19,200	\$21,950
York	\$35,900	\$41,000	\$22,450	\$25,650

Non Targeted FY 2005	Option II 50%-80% of Median Income		Option III Below 50% of Median Income	
	1 Person	2 Person	1 Person	2 Person
Barnwell	\$32,750	\$37,450	\$20,500	\$23,400
Beaufort	\$34,850	\$39,800	\$21,750	\$24,850
Berkeley	\$31,300	\$35,800	\$19,550	\$22,350
Calhoun	\$26,200	\$29,950	\$16,350	\$18,700
Cherokee	\$30,750	\$35,150	\$19,200	\$21,950
Dorchester	\$31,300	\$35,800	\$19,550	\$22,350
Edgefield	\$29,900	\$34,200	\$18,700	\$21,350
Fairfield	\$27,150	\$31,050	\$17,000	\$19,400
Florence	\$27,450	\$31,350	\$17,150	\$19,600
Georgetown	\$27,500	\$31,400	\$17,200	\$19,650
Horry	\$28,850	\$32,950	\$18,050	\$20,600
Jasper	\$25,950	\$29,650	\$16,200	\$18,500
Laurens	\$26,600	\$30,400	\$16,650	\$19,000
Saluda	\$27,550	\$31,500	\$17,200	\$19,700
ALL Others	\$25,950	\$29,650	\$16,150	\$16,200