

1 SECTION 2. The county executive is hereby authorized to enter into the attached
2 interlocal cooperation agreement with the Washington State Housing Finance Commission
3 which will establish the King County Downpayment Loan Program.

4 INTRODUCED AND READ for the first time this 18th day of
5 May, 1998.

6 PASSED by a vote of 13 to 0 this 26th day of May
7 1998.

8 KING COUNTY COUNCIL
9 KING COUNTY, WASHINGTON

10 *Ruise Miller*
11 Chair

12 ATTEST:

13 *Theresa*
14 Clerk of the Council

15 APPROVED this 28th day of May, 1998

16 *Spaldt*
17 King County Executive

18 Attachments: Downpayment Loan Program Fact Sheet

19 Agreement Regarding Downpayment Loan Program

THE KING COUNTY DOWNPAYMENT LOAN PROGRAM FOR FIRST-TIME HOME BUYERS

A partnership of King County, the Washington State Housing Finance Commission, Fannie Mae and private lenders will make \$1 million in down payment loans available to low and middle income home buyers. The loans will assist a minimum of 200 first time home buyers.

Benefits of Helping King County Residents Purchase their First Home

- Rising housing costs make saving for a first home difficult. Loans are designed to assist households who have not been able to save sufficient funds to cover down payment and closing costs. Loans up to a maximum of \$5,000 per household will assist households with moderate incomes afford ownership.
- A flexible program meets the needs of both lenders and home buyers. The down payment loans will be offered along with conventional mortgages, so homebuyers will have a full range of choices to suit individual needs. The loans will enable lenders to reach an under-served niche of the market using their own loan products.
- Down payment assistance supports community stability and investment. The program will be offered for homes purchased in urban areas throughout King County to promote increased homeownership and support growth management goals.

Highlights of the Down Payment Loan Program

- King County and the Washington State Housing Finance Commission are each pledging \$150,000 to create a reserve fund to cover any losses or defaults on a new down payment loan program. Portions of the fund may be used to reduce interest rates on the downpayment loans.
- The Washington State Housing Finance Commission will issue a taxable note for \$1 million for down payment loans which will be purchased by Fannie Mae.
- The down payment loan funds will then be made available to borrowers through local mortgage lenders as secured second mortgage loans. The funds will cover a portion of the buyer's downpayment and/or closing costs required to obtain a first mortgage.
- Loans will be available to first time home buyers with incomes up to the County median household income (\$53,100 for a three person household). Half of the funds will be reserved for buyers whose incomes are at 80% of the median (\$42,500 for a three person household).
- The loans will be 10-year amortizing loans up to \$5,000 with interest rates estimated at slightly below a typical fixed-rate mortgage. A typical down payment loan at \$2,500 and 7.16% interest will cost a home buyer about \$30 a month. A maximum loan of \$5,000 would cost about \$58 per month.
- The Commission will administer the program, provide reports to the County on the demographics of the borrowers, and meet with County staff to evaluate progress.
- Lenders will make downpayment loan funds available as second mortgages and service the loans along with the borrower's first mortgage. The program will assist lenders to meet their Community Reinvestment Act obligation to serve all segments of the community.

AGREEMENT REGARDING DOWNPAYMENT LOAN PROGRAM

THIS AGREEMENT REGARDING DOWNPAYMENT LOAN PROGRAM dated as of _____ 1, 1998 (the "Agreement"), is by and between King County, Washington, a Washington municipal corporation (the "County") and the Washington State Housing Finance Commission, a body corporate and politic and an instrumentality of the State of Washington (the "Commission").

WITNESSETH

WHEREAS, the County has long recognized the importance of home ownership to the development and stabilization of healthy communities; and

WHEREAS, the demand for home ownership within King County has driven the cost of housing beyond the means of many working individuals and households; and

WHEREAS, while many potential homebuyers may be able to make monthly mortgage payments especially at a time of relatively modest interest rates, a primary obstacle to homeownership remains the ability of working individuals and households to amass adequate funds for downpayment and closing costs; and

WHEREAS, the Commission has developed a program to provide financial assistance to homebuyers in the form of second, subordinate loans to provide downpayment and closing cost assistance in cooperation with local mortgage lenders, the Federal National Mortgage Association and the Federal Housing Administration; and

WHEREAS, the Commission intends to create partnerships with local jurisdictions throughout Washington to expand its existing program; and

WHEREAS, the County desires to provide additional funding to the program of the Commission in order to expand the availability of the Commission's downpayment loan program to the residents of King County.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter contained, the parties hereto agree, as follows:

Section 1. Deposits. The County will deposit with the Commission the sum of \$150,000 (the "County Contribution") and the Commission will add to the County Contribution an amount equal to \$150,000 (the "Commission Contribution"). The County Contribution and the Commission Contribution (together, the "Contributions") shall be deposited in and accounted for separately in a special fund of the Commission and shall be used by the Commission, among other things, to secure taxable bonds issued by the Commission and sold to the Federal National Mortgage Association, or one or more other investors acceptable to the parties hereto. The proceeds of such taxable bonds will be used for the sole purpose of funding the King County Downpayment Loan Program (the "King County Program") established by this Agreement.

It is estimated that the Contributions in the aggregate amount of \$200,000, will permit the issuance of taxable bonds of the Commission in an aggregate principal amount of not less than \$1,000,000, which amount will be available to make loans under the King County Program. The remaining \$100,000 of Contributions after payment of the costs of issuing the taxable bonds, may be used only upon mutual agreement of the parties hereto to secure additional amounts of taxable bonds, buy-down the interest rates on the downpayment loans, pay administrative expenses of the King County Program or otherwise support the King County Program. As the reserve requirement is reduced over time, the County and the Commission will determine whether to use available funds to issue additional bonds or return the respective funds to the County and the Commission.

Section 2. Commission Borrowing. The Commission will have sole responsibility for the issuance of its taxable bonds to fund the King County Program, and the County will have no responsibility or liability with respect to such debt of the Commission beyond the portion of the County Contribution pledged to the repayment of such bonds and payment of one-half of the costs of issuing such bonds. The form, terms, timing, interest rate and other details of the Commission bonds will be in the sole discretion of the Commission, subject only to the specific terms set forth in this Agreement. The Commission shall consult with the County as to the market conditions and likely terms and conditions of the bonds and the likely impact of such terms on the second loans.

Section 3. King County Program. The King County Program will provide downpayment and closing cost assistance to eligible homebuyers acquiring homes in King County. The Commission will enter into mortgage origination agreements (the "Origination Agreements") with participating mortgage lenders in King County (the "Mortgage Lenders"). The Mortgage Lenders will originate conventional, primary mortgage loans to such homebuyers and in conjunction therewith will originate amortizing, second lien loans evidenced by a note and deed of trust (the "Second Mortgage Loans") which the Commission will acquire with the proceeds of its taxable bonds described in Section 2 above. The County and the Commission will each approve the Mortgage Lenders in the King County Program. The County will approve the form of the Origination Agreements that will be entered into between the Commission and each Mortgage Lender and the program manual (the "Program Manual") prepared by the Commission for use by the Mortgage Lenders in implementing the King County Program.

Each Mortgage Lender will service the Second Mortgage Loans it originates on behalf of the Commission in a manner determined by the Mortgage Lender and approved by the Commission in accordance with the Origination Agreement.

Section 4. Second Mortgage Loans. At the time that a Mortgage Lender originates a primary mortgage loan to fund the acquisition of a residence in King County, it may also originate a Second Mortgage Loan in accordance with the Origination Agreement. Each Second Mortgage Loan shall be:

- (a) made only if funds are required by the borrower to close the primary loan, as demonstrated in accordance with procedures set forth in the Program Manual;
- (b) for a principal amount not to exceed \$5000;
- (c) used for (i) downpayment assistance, and (ii) closing costs with respect to the primary loan and the cost of recording the deed of trust with respect to the Second Mortgage Loan, in an aggregate amount that does not exceed applicable guidelines, if any, established with respect to the primary mortgage loan;
- (d) a second mortgage loan, amortizing in accordance with the Program Manual, subject to the terms and conditions specified in the note and deed of trust, each of which is contained in the Program Manual;
- (e) documented by execution of the note and deed of trust;
- (f) for a principal amount reserved to the originating Mortgage Lender in accordance with procedures set forth in the Program Manual;
- (g) sold to the Commission at a price of par plus accrued interest, at the time or times set forth in the Program Manual;
- (h) made to a borrower who has successfully completed a homebuyer education course approved by the Commission and the County;
- (i) noted on the title policy with respect to the corresponding primary loan as a subordinate lien;
- (j) to an individual or household meeting the income and other eligibility requirements (including purchase price limitations) set forth in the Program Manual.

The Commission will limit the aggregate amount of Second Mortgage Loans for individuals and households with an annual income in excess of 80% (but not exceeding 100%) of median income to the percentage of the Contributions derived from the Commission Contribution, so that at all times the County's Contribution can be allocated only to Second Mortgage Loans made to individuals and households with an annual income of 80% of median income or less.

Section 5. Fees and Costs. Mortgage Lenders will be permitted to reserve bond proceeds for the acquisition of Second Mortgage Loans by a payment of 2% of the reserved funds. Mortgage Lenders will be permitted to charge homebuyers an amount up to 2% of each Second Mortgage Loan in order to recoup their cost for fund reservations. Mortgage Lender may also charge up to 1% of the primary mortgage loan for origination and processing in addition to the actual costs of recording the deed of trust with respect to the Second Mortgage Loan. Such costs to the borrower may be financed in the Second Mortgage Loans. Mortgage Lenders will not be permitted to charge more than the customary fees and charges associated with the primary mortgage loan in order to subsidize the costs of originating and servicing the Second Mortgage Loans.

The Commission will retain the reservation fees collected from Mortgage Lenders and investment earnings on the Contributions to defer the expenses it incurs in administrating the King County Program. The Commission will pay the County an amount equal to \$1,000.00 per year, commencing at such time as is agreed upon by the parties hereto, and ceasing when the total amount of bond funds have been committed to Second Mortgage Loans. The County shall use such amounts with the approval of the Commission for marketing the King County Program.

Section 6. Marketing and Training. The County shall be responsible for preparing printed materials to market the King County Program; provided, that the Commission shall approve all printed materials that are used as part of the marketing effort.

The Commission shall be responsible for training Mortgage Lender personnel with respect to the King County Program.

Section 7. Reports. The Commission shall provide quarterly reports to the County setting forth the following information:

- (a) the principal amount of the outstanding Commission taxable bonds, the proceeds of which are providing funding for the King County Program;
- (b) the number and amount of Second Mortgage Loans that have been purchased by the Commission and the allocation of those Second Mortgage Loans to the County Contribution (households at 80% or less of median income) and the Commission Contribution (households up to 100% of median income);
- (c) geographic, economic and demographic characteristics of the borrowers;
- (d) price characteristics and locations of the houses financed;
- (e) performance of each Mortgage Lender;
- (f) delinquency rates on the Second Mortgage Loan.

Section 8. Evaluation. Within two weeks after the receipt of the reports described in Section 7 hereof, the representatives of the County and the Commission, as designated in accordance with Section 9 below, shall meet to discuss the progress of the King County Program and what actions, if any, should be taken to improve its efficiency.

Section 9. Designated Representatives. The County and the Commission designate the following as their primary representatives and contacts with respect to the administration of this Agreement and the King County Program. These designees may be substituted for by written notice to the addresses below.

County Representative:

Linda Peterson, Program Manager
Housing and Community Development
700 Fifth Avenue, Suite 3700

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Seattle, Washington 98104
Telephone: (206) 296-8661
Fax: (206) 296-0229
Email: linda.peterson@metrokc.gov

Commission Representative:
Paula Benson, Director
Homeownership Program
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046
Telephone: (206) 464-7139
Fax: (206) 587-5113
Email:

Section 9. Amendments. The parties hereto may amend or modify the terms of this Agreement only by written instrument executed by both parties.

Executed this ___ day of _____, 1998.

KING COUNTY, WASHINGTON

Barbara Gletne on behalf of Ron Sims,
County Executive
Washington State Housing Finance
Commission

Kim Herman, Executive Director

May 21, 1998
E97CT030 KCO

Introduced By: Louise Miller

Proposed No.: 98-226

ORDINANCE NO. **13184**

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AN ORDINANCE concurring with the recommendation of the Hearing Examiner to approve, subject to conditions, the application for current use valuation for timberland submitted by GREGORY A. and JANIS C. McELROY, designated Department of Natural Resources, Natural Resources Division File No. E97CT030.

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BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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This ordinance does hereby adopt and incorporate herein as its findings and conclusions the

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findings and conclusions contained in the report and recommendation of the hearing examiner

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dated May 1, 1998, which was filed with the clerk of the council May 21, 1998, to approve, subject

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to conditions, the application for current use valuation for timberland submitted by Gregory A. and