

Amendment
to
NSP Action Plan Substantial Amendment
From
New Mexico Mortgage Finance Authority

June 4, 2009

All changes indicated in red

ACTIVITY # 1 (Mortgage Finance Authority)

(1) Activity Name: - **Financing Option**

(2) Activity Type:

NSP Eligible Use	CDBG Eligible Use
§2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers.	24 CFR 570.206 Activity Delivery Costs, 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) relocation, (n) direct homeownership assistance, 24 CFR 570.202 rehabilitation and preservation including housing counseling for those seeking to take part in the activity.

(3) National Objective: All activities will meet the national objective of benefiting low, moderate and middle-income persons, i.e., ≤ 120% of area median income.

(4) Activity Description: Under the NSP Financing Option, the MFA will make approximately **\$2,336,276 available to provide permanent, 30-year fixed-rate first mortgages** for the purchase or retention of foreclosed and abandoned homes in New Mexico; **down payment and closing costs assistance and/or principal reduction of the corresponding first mortgage loan (DPA); and/or “Soft Second” mortgage loans for rehabilitating the property to Neighborhood Stabilization Program guidelines.** Loans originated under this program will need to meet the following requirements:

- a) Eligible Properties – Residential foreclosed property. [A foreclosed property is one under state or local law, the mortgage or tax foreclosure is complete.] HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with New Mexico law.
 - Single family and rental properties are permitted, which includes modular construction.
 - Manufactured or mobile homes are permitted. All manufactured housing must meet the property standards at §92.251(a)(4), which states that the construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards. They must be mounted on a permanent foundation.
- b) **Maximum Loan to Value – Maximum loan-to-value (LTV) and combined loan-to-value (CLTV) of 100%.**
- c) **Interest Rate – For First Mortgages: 3% interest amortizing. For DPA and Soft Second Mortgages: 0% non-amortizing.**
- d) Term – 30 years
- e) Property Standards – the home must meet FHA Mortgage Property Standards. Even though the loan will not be insured by FHA, the lender must order an FHA Appraisal to determine whether the property meets those standards.
- f) The NSP Purchase Price Limit – the Purchase Price Limit is based upon MFA’s MortgageSaver Program. The purchase price of a home under this program may not exceed \$237,031 for all counties. DPA loans may be up to 20% of the purchase price of the property, not to exceed \$20,000. **Soft Second mortgage loans have a maximum loan amount of \$50,000. “Soft costs” and fees may be paid in addition to the maximum loan amount.**

- g) Income Requirement – The Total Annual Family Income may not exceed 120% of HUD’s Area Median Income. Income is to be determined in accordance with MFA’s standard program definition of “Annual Family Income”.
- h) Residence Requirement – The home must be an owner-occupied home located in New Mexico and must be the principal residence of the Borrower(s).
- i) Three Year Requirement – The Three Year Requirement does apply to this program.
- j) Credit Guidelines – FHA Mortgage Loan Credit standards, subject to revision by MFA. Guidelines may be revised to conform to market conditions.
- k) Servicing – The servicing of all loans will be by MFA.
- l) Homebuyer Education. Homebuyers receiving funding through the NSP Financing Option Program will be required to take at least 8 hours of counseling prior to purchase
- m) Loan Documentation - MFA will determine the form of documentation upon approval of this Plan.
- n) Lead Based Paint Notice – This form will be required to be given to all Mortgagor(s) purchasing a home that was built prior to 1978.
- o) **Affordability Requirements – The First Mortgage loans will have an affordability period of 30 years. If at any point during that first 30 years, the homebuyer should sell the property or cease to occupy the property as their principal residence the NSP Note will be called due and payable. DPA and Soft Second mortgage loans are a zero percent interest rate, non-amortizing, “soft second” mortgage, due within the prescribed affordability period if the borrower sells, refinances, or transfers the property to an ineligible households. The Principal balance due on the Note shall be reduced on an annual basis on the anniversary of the date of loan closing as follows:**
 - (i) If the original Principal amount of the loan is under \$25,000, the Principal Balance shall be reduced at a rate of Twenty Percent (20%) per year for five (5) years beginning on the sixth (6th) anniversary of the date of the Note.
 - (ii) If the original Principal amount of the loan is \$25,000 to \$50,000, the Principal Balance shall be reduced at a rate of Twenty Percent (20%) per year for five (5) years beginning on the eleventh (11th) anniversary of the date of the Note. If the borrower receives a rehabilitation grant, the affordability period will be based upon the amount of grant funding received. If the first mortgage loan is called due and payable, the grant funds are repayable.
- p) Environmental Review – According to Notice CPD-01-11 issued July 17, 2001, HUD has determined that certain categorically excluded activities would not alter any conditions that would require an environmental review or compliance determination under Federal laws and authorities cited in 24CFR 58.5. Examples of activities that are categorical exclusions not subject to §58.5 include activities to assist homebuyer to purchase existing dwelling units or dwelling units under construction, including closing costs and down payment assistance, interest buy downs, and similar activities that result in the transfer of title. As the NSP funds will be used as a first mortgage financing option, it has been determined these properties will be categorically excluded and not subject to §58.5 authorities.
- q) Davis Bacon – Not applicable, no construction financing.
- r) Flood Insurance – Flood Insurance will be required on properties located in a FEMA designated 100-year flood plain.

(5) Location Description: Foreclosed upon and abandoned properties located within one of the counties with the greatest need as indicated will take priority, but this activity will

encompass the entire state. Specific sites will not be known until recipients are selected and properties are identified.

(6) Performance Measures - According to the HMDA data for 2007, the median loan amount for a home purchase in New Mexico is \$149,000. **Using that estimate, we hope to be able to finance 12 homes, all below 120% of median.**

(7) Total Budget: **\$2,336,276** - NSP funds. Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as "greatest need" areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible sub recipient projects.

(8) Responsible Organization:

New Mexico Mortgage Finance Authority,
344 4th St. SW
Albuquerque, NM 87102,

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(505) 843-6880, fax (505) 243-3289,
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(9) Projected Start Date: February 1, 2009 (anticipated)

(10) Projected End Date: June 30, 2010 (All NSP monies must be allocated to a specific property by this date. The program will continue beyond June 30, 2010 by the use of program income.)

(11) Specific Activity Requirements: All purchases must be voluntary transactions and of vacant properties. Given the limited timeline to obligate the NSP funds, permanent displacement of individuals will not be allowed.

For acquisition activities, include:

- discount rate – not applicable

For financing activities, include:

- **3% interest rate for first mortgages, 0% for second mortgages**

For housing related activities, include:

- Term of assistance – 30 year first mortgage; up to 15 years **for second mortgages, with reducing affordability period based on original principal amount of the loan.**
- Tenure of beneficiaries - homeownership;
- Continued affordability – A 30 year first mortgage will be placed on all properties. The acquisition cost of the home will be 100% recaptured through the repayment of the loan either through normal amortization of the principal and interest or by full payment of the loan principal at the time the home is sold, transferred or ceases to be the principal residence of the mortgagor. If a soft second loan for rehabilitation, the affordability period will be based upon the amount of grant funding received. If the first mortgage loan is called due and payable the grant funds are repayable. The payment of principal and interest becomes program income to the MFA NSP Program and will be recycled for NSP eligible activities.

ACTIVITY # 2 (Mortgage Finance Authority)

(1) Activity Name: Purchase and Rehabilitate Homes

(2) Activity Type:

NSP Eligible Use	CDBG Eligible Use
Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.	24 CFR 570.206 Activity Delivery Costs, 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) relocation, (n) direct homeownership assistance (as modified), 24 CFR 570.202 rehabilitation and preservation activities for homes and other residential properties. Rehabilitation may include housing counseling for those seeking to take part in the activity.

(3) National Objective: Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice, i.e., ≤ 120% of area median income.

(4) Activity Description: The activity will allow foreclosed multi-family properties and single family homes to be purchased and rehabilitated. All housing and residential properties purchased and rehabilitated with NSP funds must either be rented to or purchased by individuals or families with incomes less than or equal to 120% of the area median income where the property is located. Rental properties will have rent limitations on the units.

MFA anticipates a wide range of projects being funded under this activity. NSP funds may be used to purchase abandoned or foreclosed properties, provide rehabilitation and subsequently be sold to low to middle-income purchasers. MFA and/or recipients may acquire, rehabilitate and rent the housing to lower income families or special needs populations that are in need of service enriched housing. The NSP resources also provide the opportunity for the development of land trusts. The land trust model ensures continued affordability for low, moderate and middle-income families.

(5) Location Description: Specific sites will not be known until properties are identified. Foreclosed upon and abandoned properties located within one of the counties with the greatest need as indicated will take priority, but this activity will encompass the entire state. Refer to the state map and list of targeted counties for detailed locations.

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as “greatest need” areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible projects.

(6) Performance Measures: It is anticipated that 34 abandoned or foreclosed homes will be purchased with NSP funds and 13 of these properties will provide housing opportunities for individuals and families with incomes below 50% area median income. The remaining 21 households will have incomes between 51% - 120% of median.

(7) Total Budget: \$5,150,504.00 of NSP resources is targeted to this activity. This includes the entire 25% at 50% of median income setaside.

(8) Responsible Organization:

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Potential sub-recipients in the balance of the state of New Mexico have not been identified but will likely be governmental entities, community based development organizations, community development corporations and other non-profit entities.

(9) Projected Start Date: February 1, 2009.

(10) Projected End Date: January 31, 2013.

(11) Specific Activity Requirements:

- NSP rental assisted units must meet the rent, income and affordability requirements for a period of 20 years. A restrictive covenant will be recorded to assure compliance with this requirement.
- All properties must be purchased at a minimum discount rate of 15% below current market appraised value unless a lesser discount is pre-approved by MFA. In no circumstance can a discount be less than 5%.
- Eight hours of housing counseling assistance will be required of all homebuyers.
- NSP resources will be provided in the form of a non-amortizing grant.
- Priority to purchase FHA foreclosed properties is encouraged.
- All purchases must be voluntary transactions. Displacement of individuals is not allowed. Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.
- Any sale of property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such property.

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ACTIVITY # 3 (Mortgage Finance Authority)

(1) Activity Name: Establish Land Banks

(2) Activity Type:

NSP Eligible Use	CDBG Eligible Use
Establish land banks for homes that have been foreclosed upon.	24 CFR 570.201 (a) Acquisition, (b) Disposition (includes maintenance)

(3) National Objective: Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice, i.e., $\leq 120\%$ of area median income or serves an area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

(4) Activity Description: A land bank will operate in a specific, defined geographic area. It will purchase foreclosed upon properties for the purpose of creating land banks to assemble, temporarily manage, facilitate redevelopment of, market, and dispose of the land banked property. The purpose is to stabilize neighborhoods and encourage re-use or redevelopment of property. Land banking may include properties with or without structures, as long as they are **foreclosed on**. The benefits of just holding property may not be sufficient to stabilize most neighborhoods or be the best use of limited NSP funds absent a re-use plan. A land bank may not hold a property for more than 10 years without obligating the property for a specific, eligible redevelopment of that property in accordance with NSP requirements.

(5) Location Description: Specific sites will not be known until properties are identified. Foreclosed upon and abandoned properties located within one of the counties with the greatest need as indicated will take priority, but this activity will encompass the entire state.

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as “greatest need” areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible sub-recipient projects.

(6) Performance Measures: It is anticipated that 5 abandoned or foreclosed upon properties could be purchased around the state. All properties must be redeveloped within 10 years in accordance with NSP regulations.

(7) Total Budget: \$437,500 of NSP resources is targeted to this activity.

(8) Responsible Organization:

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(9) Projected Start Date: February 1, 2009.

(10) Projected End Date: January 31, 2019.

(11) Specific Activity Requirements:

- All properties must be purchased at a minimum discount rate of 15% below current market appraised value unless a lesser discount is pre-approved by MFA. In no circumstance can a discount be less than 5%.
- NSP resources will be provided in the form of a zero percent non-amortizing loan due on sale. Deed restriction will require a future redevelopment within 10 years that meets NSP requirements.
- Applicants must submit a plan to maintain property until time of redevelopment and submit a plan outlining future development **that** will meet the requirements of NSP.
- All purchases must be voluntary transactions. Displacement of individuals is not allowed. Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.

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ACTIVITY # 4 (Mortgage Finance Authority)

(1) Activity Name: Redevelop Demolished or Vacant Properties

This activity has been deleted from MFA's programs.