

HDF GRANT SUMMARY

APPLICANT: Delaware State Housing Authority (DSHA)

PROGRAM NAME: Housing Counseling for DSHA Second Mortgage Assistance Loan (SMAL) program

LOCATION: Statewide

HDF GRANT REQUEST: \$200,000 Grant

TERMS: The grant will be used to pay for housing counseling services provided by a HUD Certified Housing Counselor to homebuyers as required by DSHA SMAL program.

PROGRAM BENEFICIARIES: Homebuyers who utilize DSHA SMAL for closing costs assistance

SMAL (\$10,000 – 30-years / 6% Compound Interest Deferred)

<u>Location (County)</u>	<u>Income Limit</u>	<u>Purchase Price</u>
New Castle	\$77,800 (1 or 2)	\$378,000 (non-target)
	\$89,470 (3+)	\$462,000 (target)
Kent/Sussex	\$70,800 (1 or 2)	\$338,625 (Kent non-target)
	\$81,420 (3+)	\$413,875(Kent target)
		\$337,500 (Sussex non- & target)

DELAWARE HUD APPROVED HOUSING COUNSELING AGENCIES:

Consumer Credit Counseling Services  
First State Community Action Agency  
Hockessin Community Center  
Housing Opportunities of Northern Delaware  
Interfaith Community Housing Delaware

NCALL Research, Inc.  
Neighborhood House  
West End Neighborhood House  
YWCA Delaware Homeownership

## PROGRAM DESCRIPTION:

As cited in the program requirements and the Mortgage Affidavit, homeowners who wish to close a loan through the Second Mortgage Assistance Program (SMAL) must have had pre-purchase homeownership counseling. Heretofore, DSHA has reimbursed this counseling activity through a grant from the HDF to NCALL Research on behalf of the Federation of Housing Counselors. DSHA has changed the administration of the program and, as a result, is applying for the funds directly.

Under the previous administrative system, NCALL would draw down HDF funding and disburse it to the counseling agencies according to the number of SMAL loans they closed. Beyond the counseling services, the agencies were responsible for gathering documentation of the loan closing and submitting it to NCALL for quarterly reports. NCALL submitted quarterly reports to the HDF as proof of performance.

The new administrative system will combine all of the relationships between DSHA and housing counseling agencies under one master grant agreement. This grant agreement will outline all of the responsibilities and obligations of the parties for proper administration of several homeownership programs for which DSHA compensates agencies for counseling services provided. These currently include the SMAL program, Delaware Emergency Mortgage Assistance Program (DEMAP), and the National Foreclosure Mitigation Counseling Program (NFMC). Others, such as the Neighborhood Stabilization Program 3, may be added in the future as those relationships and programs develop. Some of these programs require counseling for pre-purchase and some for mortgage default. In either case, the consolidation of contract and administrative structure is intended to allow housing counseling agencies to continue to realize fair compensation for the services they provide while reducing their need to dedicate resources to the processes associated with application for funds and reporting on activity.

In order to provide counseling services in conjunction with DSHA programs and to enter into the DSHA housing counseling grant agreement, counselors and agencies must meet the following general criteria:

- Counselors will have HUD housing counseling certifications.
- Agencies must offer comprehensive counseling services in English and Spanish.
- Agencies are HUD-approved in Delaware and abide by established HUD guidelines, rules, and standards as outlined in Housing Counseling Program Handbook (7610.1).
- Private, confidential sessions are given to potential homebuyers on such topics as rebuilding credit, saving, reducing debt or other identified barriers.
- A review of second mortgage products including the SMAL program will be a part of the pre-purchase curriculum.

## RECOMMENDATION:

- Recommend approval of a \$200,000 grant for one year, per the conditions listed below.

CONDITIONS OF FUNDING:

1. DSHA will administer the program by generating and compiling quarterly counseling activity reports, processing draw requests, and causing payment to be sent to individual housing counseling agencies.
2. HDF funds will be limited to closings only on SMAL loans.
3. DSHA shall enter into a grant agreement with each participating HUD Approved Housing Counseling Agencies which shall include the conditions of funding including but not limited to:
  - a. Counselors will have HUD housing counseling certifications.
  - b. Agencies must offer comprehensive counseling services in English and Spanish.
  - c. Agencies are HUD-approved in Delaware and abide by established HUD guidelines, rules, and standards as outlined in Housing Counseling Program Handbook (7610.1).
  - d. Private, confidential sessions are given to potential homebuyers on such topics as rebuilding credit, saving, reducing debt or other identified barriers.
  - e. A review of second mortgage products including the SMAL program will covered in the pre-purchase curriculum.

Mjh  
5/25/11

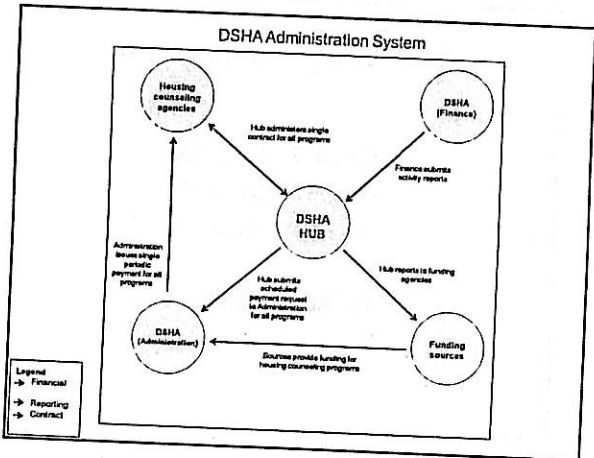
### DSHA Interactions with HC Agencies

- Delaware Emergency Mortgage Assistance (DEMAP)
- National Foreclosure Mitigation Counseling (NFMC)
- Mortgage Default Counseling Capacity Grant
- Second Mortgage Assistance Loan (SMAL)
- Coming soon: Neighborhood Stabilization Program 3

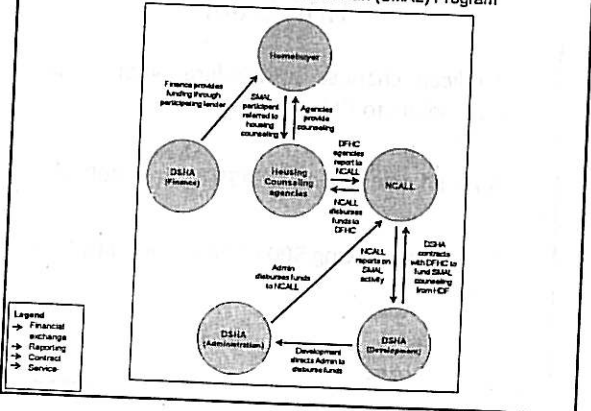
### New System

- One contract between DSHA and each agency
- Contract for all programs
  - SMAL
  - DEMAP
  - NFMC
  - NSP3
- Direct and automatic compensation

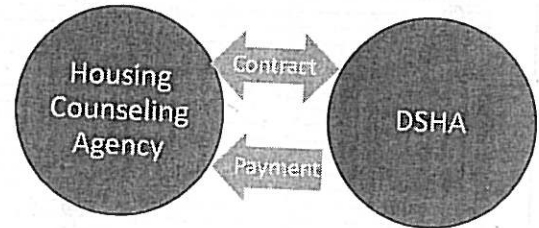
AGENCY	SMAL	DEMAP	NFMC	CAPACITY GRANT
CCCS of Maryland and Delaware	X	X		X
First State Community Action Agency	X	X	X	X
Hockessin Community Center	X	X	X	
Housing Opportunities of Northern Delaware	X	X	X	
Interfaith Community Housing of Delaware	X	X	X	
NCALL	X	X		X
Neighborhood House	X	X		
West End Neighborhood House	X			
YWCA	X	X	X	X



### Second Mortgage Assistance Loan (SMAL) Program



### To Counseling Agencies...



### SMAL per Closing Fee Adjustment

Proposed adjustment to the per closing fee reimbursement from \$500 to \$400

- Removes the administrative responsibility heretofore fulfilled by NCALL research.
- The new system will remove the administrative burden placed on each agency to prove they counseled homebuyers who received SMAL loans.
- Counseling agencies will be reimbursed for 100% of SMAL closings.

### New System – 3-year look

Activity Quarter	Actual SMAL Loans Closed	New System Reimbursement (\$400/closing)
Q2 2007	215	\$86,000
Q3 2007	181	\$72,400
Q4 2007	128	\$51,200
Q1 2008	79	\$31,600
Q2 2008	138	\$55,200
Q3 2008	163	\$65,200
Q4 2008	60	\$24,000
Q1 2009	40	\$16,000
Q2 2009	85	\$34,000
Q3 2009	104	\$41,600
Q4 2009	106	\$42,400
Q1 2010	62	\$24,800
Q2 2010	241	\$96,400
Q3 2010	125	\$50,000
Q4 2010	130	\$52,000
Q1 2011	126	\$50,400
<b>TOTAL</b>	<b>1983</b>	<b>\$793,200</b>

### HDF Grant – 3-year look

Q2 2007 = \$175,000  
 Q4 2008 = \$175,000  
 Q4 2010 = \$105,000

**TOTAL = \$455,000**

### Comparison – 3-year look

Activity Quarter	HDF Quarterly Report	Actual SMAL Loans Closed	Unreported Closings (ACTUAL - HDF)	Actual HDF Reimbursement (\$500/closing)	New System Reimbursement (\$400/closing)	Difference (New System - HDF)
Q2 2007	104	215	111	\$57,000	\$86,000	\$34,000
Q3 2007	115	181	66	\$57,500	\$72,400	\$14,900
Q4 2007	83	128	45	\$41,500	\$51,200	\$9,700
Q1 2008	50	79	29	\$25,000	\$31,600	\$6,600
Q2 2008	0	138	138	\$0	\$55,200	\$55,200
Q3 2008	0	163	163	\$0	\$65,200	\$65,200
Q4 2008	0	60	60	\$0	\$24,000	\$24,000
Q1 2009	24	40	16	\$12,000	\$16,000	\$4,000
Q2 2009	47	85	38	\$23,500	\$34,000	\$10,500
Q3 2009	52	104	52	\$26,000	\$41,600	\$15,600
Q4 2009	55	106	51	\$27,500	\$42,400	\$14,900
Q1 2010	24	62	38	\$12,000	\$24,800	\$12,800
Q2 2010	134	241	107	\$67,000	\$96,400	\$29,400
Q3 2010	66	125	59	\$33,000	\$50,000	\$17,000
Q4 2010	65	130	65	\$32,500	\$52,000	\$19,500
Q1 2011	74	126	52	\$37,000	\$50,400	\$13,400
<b>TOTAL</b>	<b>893</b>	<b>1983</b>	<b>1090</b>	<b>\$446,500</b>	<b>\$793,200</b>	<b>\$346,700</b>

### HDF Activity – 3-year look

Activity Quarter	HDF Quarterly Report	Actual HDF Reimbursement (\$500/closing)
Q2 2007	104	\$52,000
Q3 2007	115	\$57,500
Q4 2007	83	\$41,500
Q1 2008	50	\$25,000
Q2 2008	0	\$0
Q3 2008	0	\$0
Q4 2008	0	\$0
Q1 2009	24	\$12,000
Q2 2009	47	\$23,500
Q3 2009	52	\$26,000
Q4 2009	55	\$27,500
Q1 2010	24	\$12,000
Q2 2010	134	\$67,000
Q3 2010	66	\$33,000
Q4 2010	65	\$32,500
Q1 2011	74	\$37,000
<b>TOTAL</b>	<b>893</b>	<b>\$446,500</b>

### HDF Grant

- Applicant changes from Federation of Housing Counselors to DSHA
- Amount changes from \$175,000 to \$200,000
- Anticipate serving 500 homebuyers with SMAL loans

COUNCIL ON HOUSING

RESOLUTION NO. 426

DELAWARE STATE HOUSING AUTHORITY

SMAL PRE-PURCHASE HOUSING COUNSELING PROGRAM

WHEREAS, Delaware State housing Authority (DSHA) (“Grantee”) recognizes the importance of homeowner education and supports the work of housing counselors working with homebuyers across the state of Delaware; and

WHEREAS, Grantee is seeking a \$200,000 grant (“Grant”) to fund the SMAL Pre-Purchase Housing Counseling Program (“Program”) for first-time homebuyers that participate in Grantee’s Second Mortgage Assistance Loan (SMAL) Program; and

WHEREAS, The Second Mortgage Assistance Loan (SMAL) Program requires participants to complete pre-purchase housing counseling prior to closing a SMAL loan; and

WHEREAS, during the last three years, 1,983 first-time homebuyers participated in the SMAL program; and

WHEREAS, Grantee expects to assist approximately 500 SMAL participants over the next 12 months; and

WHEREAS, Grantee will reimburse for pre-purchase housing counseling provided to SMAL program participants by the following housing counseling agencies: First State Community Action Agency, Hockessin Community Center, HOND, Inc., Interfaith Community Housing of Delaware, Inc., NCALL Research, Inc., Neighborhood House, YWCA Centers for Homeownership, Consumer Credit Counseling Services, inc., and West End Neighborhood House; and

WHEREAS, all housing counseling agencies that provide pre-purchase counseling and participate in this program must: have national counseling certifications, offer services in English and Spanish, operate under HUD-approved guidelines, conduct workshops and private sessions with Program participants to qualify them for homeownership; and

NOW, THEREFORE, the Council on Housing approves the Grant to Grantee of \$200,000. The Grant shall be subject to the following terms and conditions:

1. Grantee will administer the program by generating and compiling quarterly counseling activity reports, processing draw requests, and causing payment to be sent to individual housing counseling agencies.

2. Grantee will pay each of the service providers on a per closing basis.
3. HDF funds will be limited to closings only on SMAL loans.
4. DSHA shall enter into a grant agreement with each participating HUD Approved Housing Counseling Agencies which shall include the conditions of funding including but not limited to:
5. Counselors will have HUD housing counseling certifications.
  - i. Agencies must offer comprehensive counseling services in English and Spanish.
  - ii. Agencies are HUD-approved in Delaware and abide by established HUD guidelines, rules, and standards as outlined in Housing Counseling Program Handbook (7610.1).
  - iii. Private, confidential sessions are given to potential homebuyers on such topics as rebuilding credit, saving, reducing debt or other identified barriers.
  - iv. A review of second mortgage products including the SMAL program will covered in the pre-purchase curriculum.
6. All terms and conditions of this Grant shall be set forth in a fully executed Grant Agreement between Grantee and the counseling service providers within 60 days of this date or the Grant approval shall be null and void.

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6/6/11