

ACTION: Down Payment Assistance (D.10)

Proposed Action:

Expand and/or update existing ARCH East King County Down Payment Assistance (DPA) Loan Program.

Application:

The DPA program is for qualified borrowers purchasing a home or condominium within an ARCH member city. The program is combined with the Washington State Housing Finance Commission (WSHFC) Home Advantage first mortgage loan program and it provides up to \$30,000 in down payment assistance at 4% simple interest. There are no required monthly payments; however, the balance of the loan is due when the borrower pays off the mortgage, sells the property or with some other qualifying event.

Policy Evaluation:

▪ **Legal considerations**

The program is administered by the WSHFC. The Commission also provides the Home Advantage first mortgage loan program and Homebuyer Education seminars, which are both required for down payment assistance eligibility.

The Commission establishes other eligibility requirements including household income, loan debt-to-income ratio, and maximum home purchase price, which is now \$354,000.

▪ **Consistency with Council guiding principles for affordable housing strategy**

This action will support the Council's principles of (1) serving specific target populations (new homebuyers); (5) building upon ongoing tools the City has developed while strengthening partnerships; (7) Consider a full suite of action strategies and possible partnerships; and (9) leverage other public and private resources and incentives.

▪ **Coordination with existing programs (e.g. ARCH) and other proposed actions**

The program provides only about one loan per year to Bellevue homebuyers. Potential changes to increase productivity include:

- Changes to eligibility requirements. Few DPA loans are made because potential homebuyers are not able to find homes or condominiums for sale in Bellevue at or below the maximum purchase price of \$354,000. Additional research is underway to determine the basis for the maximum purchase price and whether or how that can be adjusted to align with housing costs in Bellevue.
- Expand funders of the program to include employers. For example, if an employer wanted to provide \$30,000 in employee down payment assistance, it could be through the ARCH EKC loan program making the employee eligible for \$60,000 in down payment assistance. A 2008 House bill proposed that an employer who contributed to the WSHFC employer assisted housing program could claim a tax credit for the amount of the contribution.

▪ **Administrative ease**

ACTION: Down Payment Assistance (D.10)

Administration of this program is by the WSHFC. No additional City staffing required.

- **Fiscal considerations**

DPA program loan funds from City of Bellevue and others revolve to sustain the program. If the productivity of the program were increased it could require additional public funding.

Support/Opposition:

- **Public support.** The City has participated in this program since 2005 and there no public concerns have been raised to date.
- **Stakeholder support.** Support for this program from groups and individuals who promote affordable homeownership as an important asset in building family stability and community stability.

Effective Practices Research:

Information on the existing DPA program is found here: www.wshfc.org/buyers/arch.htm.

Productivity Potential:

Total Capacity – Potential Number of affordable units	<i>Since 2005 nine Bellevue homebuyers have received DPA loans, about 1/year. The next 10 years will see fewer Bellevue DPA loans if maximum home price for qualifying remains at \$354,000.</i>
Timing – When would majority of units be realized within next 10 years (0-5, 5-10, >10)?	<i>Improvements to the program that would increase productivity could take about 1-3 years to implement.</i>
Income affordability level and for what length of time	<i>Down payment loans serve moderate income households with incomes up to 80% of AMI. Loan does not need to be repaid until 30-year mortgage is paid or refinanced or until home is sold.</i>
Estimated cost per unit	<i>\$30,000 maximum down payment assistance loan</i>
Who pays?	<i>Each DPA loan is now funded by 3 agencies: \$10,000 from KC HOME 40% of balance from ARCH HTF (up to \$8,000) 60% of balance from WSHFC (up to \$12,000)</i>