



HOUSING COMMISSION MINUTES

Regular Meeting

August 7, 2002

5:30 pm

Administrative Building Conference Room, First Floor
701 Laurel Street, Menlo Park, CA 94025-3483

CALL TO ORDER

Mickie Winkler called the meeting to order at 5:30 p.m. in the Administrative Building Main Conference Room.

ROLL CALL

Members Present: Elza Keet; Clarice O'Neal; Jane West;
Mickie Winkler, Vice-Chairperson

Member Absent: Steve Bliss; Wendy McPherson, Chairperson;

Staff Present: Gretchen Hillard, Housing and Redevelopment

A. PUBLIC COMMENTS None.

B. REPORTS AND ANNOUNCEMENTS

Housing Commission vacancy. Staff stated that applications were available for the vacancy, and that no applications had been received.

C. BUSINESS ITEMS

Approval of June 5, 2002 Minutes

The May 21, 2002 Minutes were approved as written.
(M/S O'Neal/West 4-0)

2. Amendments to PAL Guidelines (a) to allow subordination to California Housing Finance Agency loans and (b) to change maximum loan amount to the lesser of 20% of the house price or \$75,000.

Gretchen Hillard described the CHFA loan, referring to the memorandum in the July packet. She explained that CHFA offers a first and second mortgage for moderate income first-time homebuyers. The first mortgage carries an interest rate at least ½ point below market. There is a house price limit of \$554,104, which allows the purchase of some houses at the low end of the Menlo Park market. The second mortgage is for up to \$25,000 with low interest, right now it is 3% simple interest, deferred until the house is sold or 30 years, whichever comes first. She showed an example of a purchase with and without the CHFA loans, with a PAL loan, for the maximum priced house. The example showed a difference of \$130,000 in house price that the household would be eligible for.

Gretchen Hillard then reviewed the changes needed to the PAL Guidelines, to allow the PAL loan to take third position behind the two CHFA loans. She explained that the City Council would also have to approve a subordination agreement to allow CHFA loans to be made with purchases of houses in Menlo Park. She also stated that there was a household that wanted to use the CHFA program, that had found a house to purchase. If the Housing Commission saw fit to recommend participation in the CHFA Program, the City Council could vote on it on August 20.

The Commissioners voted to allow subordination to the two CHFA loans. (M/S West/Keet 4-0). The Commissioners then voted to recommend to the City Council approval of the Subordinate Lender/CHFA Subordinate financing and Resale Control Agreement (M/S O'Neal/West 4-0).

Gretchen Hillard reported on experience with PAL loan applications since the new guidelines had been put into place. Lenders were reporting that some first mortgage lenders would accept less than 5% down payments, even zero percent down payments. When borrowers could qualify for these loans with the PAL loan, they still were required to pay Private Mortgage Insurance, because the PAL was not 20% of the house price. So it was suggested that the PAL loan be changed to the lesser of 20% of the house price or \$75,000, rather than the current maximum of 15% of the house price. Gretchen Hillard pointed out the changes needed to the PAL Guidelines to accomplish the change. The Commissioners voted to approve the change. (M/S West/O'Neal 4-0)

3. Approval of Subordinate Lender CHFA Subordinate Financing and Resale Control Agreement and Recommendation to City Council.

This item was discussed and voted upon as a part of Agenda Item 2.

Minutes of Loan Advisory Committee meeting for August 6, 2002.

The Commissioners reviewed and accepted the August 6, 2002 Loan Advisory Committee Minutes.

5. Monthly Report on Housing Rehabilitation Loan Program for June 2002.

The report was not available.

D. WRITTEN COMMUNICATIONS/CORRESPONDENCE

1. Written Communications

Purchase Assistance Loan (PAL), A First-time Homebuyer Second Mortgage Loan Program, Guidelines and Application for July 2002

What is Behind the Housing Crunch? By Tracey Kaplan and Sue McAllister, *Mercury News*, August 3, 2002 et. Seq.

Belle Haven Community News

Memorandum to Interested Parties from Gretchen Hillard, Housing and Redevelopment Manager,
Subject: Housing Commission Opening, July 16, 2002

E. ADJOURNMENT The meeting was adjourned at 7:20 p.m. by acclamation.

Respectfully submitted,

Gretchen Hillard
Housing and Redevelopment Manager