

June 24, 2008

Board of Commissioners
Housing Authority of the County of Marin
Marin Civic Center
3501 Civic Center Drive
San Rafael, CA 94903



4020 Civic Center Drive
San Rafael, CA 94903-4173

Executive Director
Ed Griffin

**SUBJECT: BMR Home Ownership Program
Funding for Exercise of Options to Purchase:
Impact of Loose Lending Practices.**

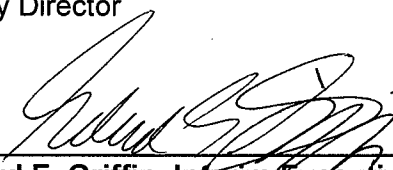
RECOMMENDATION: Direct Housing Authority staff to seek temporary funding from the Workforce Housing Trust, the Marin Community Foundation or other available sources, for the exercise of options to purchase BMR properties that are in default or in violation of the BMR program resale restriction agreements.

SUMMARY: There are currently 316 homes in the Below Market Rate ownership program in the County, not including Novato. Each home is covered by an individual resale restriction agreement recorded on title, enforceable by the Housing Authority's option to purchase at the restricted price in the event of default or other violation of the conditions of the agreement, including an owner-occupation requirement, unauthorized transfer or over-encumbrance. In general the restricted prices of these homes are far below the market and increase only in line with the Consumer Price Index. They are protected by their agreements from absolute declines in value, therefore insulated from the current housing price decline. Buyers in the program have also been counseled to avoid the adjustable or predatory loans that are the subject of the current sub-prime crisis.

The loose lending phenomenon of recent years, particularly over-encumbrance by re-financing or lines of credit, along with some defaults, has led to ten options exercised in the past year. Staff is currently researching the types and numbers of issues through the County records. Some owners have cured their defaults and others are performing legally binding work-out agreements. The Authority is already in litigation in one case and the Board has been briefed in closed session on this case and possible alternatives to litigation in other cases. In order to vigorously enforce the rules of the program through the mechanism of the resale restrictions and options, it is necessary to have access to a significant loan fund for temporary acquisitions. Contingency funding must be identified in case it is necessary to close a purchase, though in most cases to date a transfer of funds has not been necessary. In many cases the legal costs of enforcement may be recovered as part of the settlement or by adjusting the resale price within affordable limits. In the worst-case scenario it would be feasible to sell selected units, less valuable to the program, at market rate, in order to cover their costs and replenish reserves.

FISCAL IMPACT: This enforcement operation will be self-financing through property sales.

Nannette Beacham-Sparks
Deputy Director


Edward E. Griffin, Interim Executive Director

Housing Authority of
the County of Marin

415/491-2525

(FAX) 415/472-2186
(TDD) 1-800-735-2929

www.marinhousing.org