

RESOLUTION

RESOLUTION APPROVING A PROFESSIONAL SERVICES AGREEMENT WITH COMMUNITY ACTION AGENCY OF OKLAHOMA CITY AND OKLAHOMA AND CANADIAN COUNTIES, INC., ALLOCATING \$400,000 TO PROCESS DOWN PAYMENT AND CLOSING COST FORGIVABLE LOANS, AUTHORIZING THE MAYOR TO EXECUTE NECESSARY DOCUMENTS; AND APPROVING DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES.

WHEREAS, The City Council approved publication of a Request for Proposals (RFP) and authorization to negotiate contracts on October 22, 2024 (Item No. IX.Z) for professional services to process Down Payment Assistance (DPA) forgivable loans for eligible homebuyers, utilizing federal Home Investment Partnerships Program (HOME) formula grant funds; and

WHEREAS, the Community Action Agency of Oklahoma City and Oklahoma and Canadian Counties, Inc. (CAA), responded to the RFP solicitation, and is a current program provider for The City; and

WHEREAS, The City desires to engage the professional services of CAA, hereinafter “Provider”, to process DPA applications in conjunction with its federal-funded loan programs; and

WHEREAS, the Agreement allows the Provider to process applications for DPA, and to provide mandatory homebuyer education to income-eligible individuals and families, to enable them to become homeowners, and to seek reimbursement of the actual amount of DPA provided, along with a per unit processing fee and homebuyer education fee; and

WHEREAS, the 2024-25 Consolidated Fifth Annual Action Year Plan allocating \$800,000 to the Down Payment Assistance Program was adopted by Council on July 2, 2024 (Item XI.V); and

WHEREAS, The City provides DPA Program Guidelines, (attached hereto as Exhibit 1), and specifies geographic locations applicable to the program to be made a part of the Providers’ Professional Services Agreement; and

WHEREAS, the DPA is made in the form of a forgivable loan to each homebuyer, which during the term of the loan may require Mayoral execution for a City-staff approved subordination agreement or amendment, and a lien release at the end of the loan term - or sooner if funds are repaid;

NOW, THEREFORE, BE IT RESOLVED BY the Mayor and Council of the City of Oklahoma City:

1. Professional Services Agreement with CAA providing an allocation of \$400,000, effective upon execution of Agreement through January 31, 2026, is hereby approved.
2. The Down Payment Assistance Program Guidelines and specified geographic boundaries where the program will operate as shown in Exhibit 1 are hereby approved.
3. Authority is granted for the execution of documents necessary for implementation of this Down Payment Assistance Program.

PROVIDED that copies of the executed Agreements and related documents are filed with the City Clerk's Office.

ADOPTED by the Council and **SIGNED** by the Mayor of the City of Oklahoma City this 31ST day of DECEMBER, 2024.

ATTEST:

The City of Oklahoma City

Amy K. Simpson
CITY CLERK



David Holt
MAYOR

REVIEWED for form and legality.

Patricia M. Douglas-Tally
ASSISTANT MUNICIPAL COUNSELOR

EXHIBIT 1: OKC DOWN PAYMENT ASSISTANCE (DPA) PROGRAM GUIDELINES

1.1 Figure I – DPA Program Boundaries/Target Zones

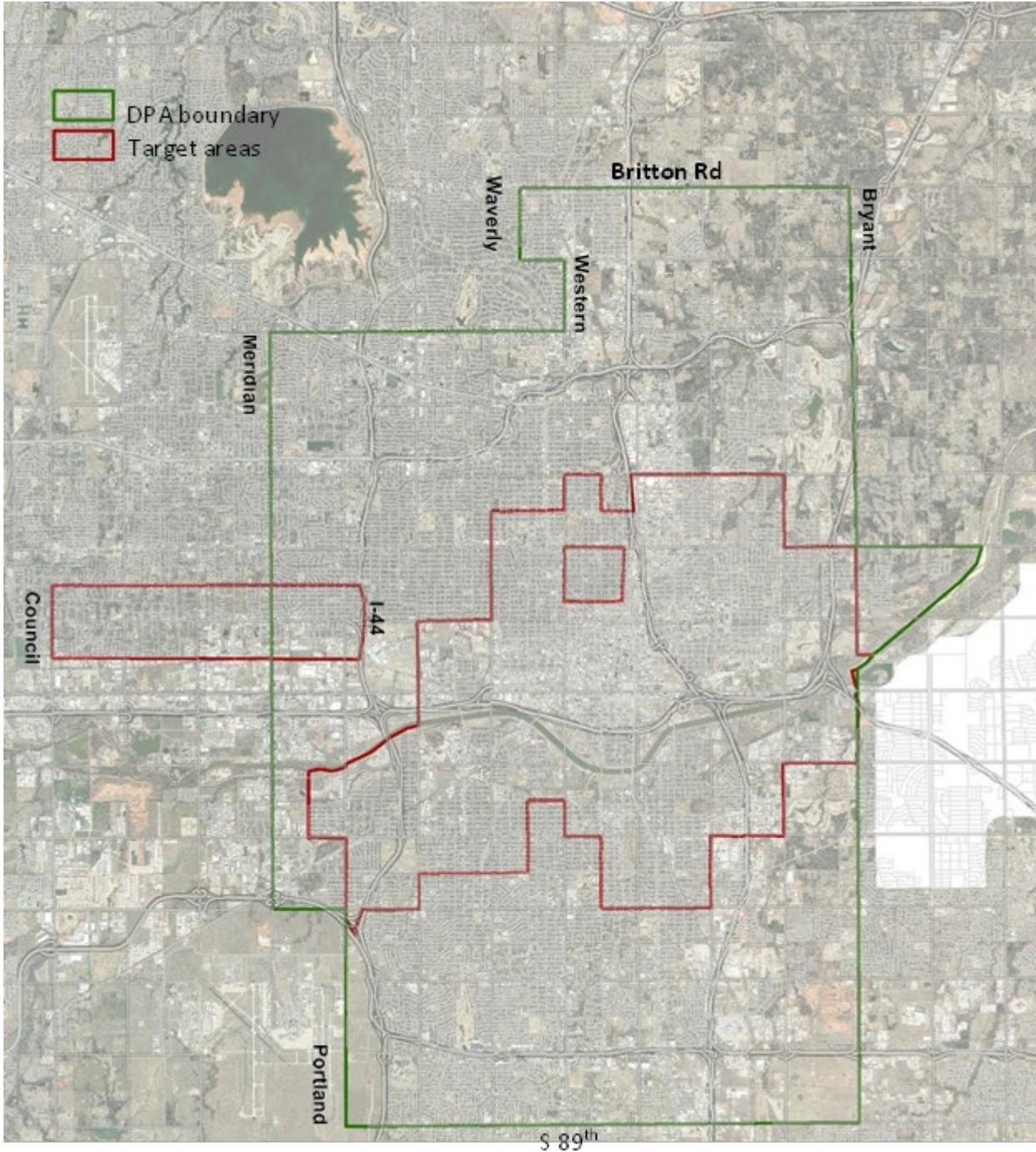


Exhibit 1- CITY DOWN PAYMENT ASSISTANCE (DPA) PROGRAM GUIDELINES

1.2 – Standard Requirements

1. The DPA program will utilize the IRS Method of Income Determination. Assistance is available only to households with income less than or equal to 80% of the Area Median Income (AMI), based on household size for the Oklahoma City MSA, as determined each year by HUD.
2. DPA assistance in the form of a forgivable loan shall not exceed \$18,000 with an additional \$5,000 reserved for interest buydown per household. The actual amount shall be determined on a case-specific basis, based on the financial need of the homebuyer, and the City's adopted underwriting standards.
3. The Affordability period shall be ten (10) years and sixty (60) days, prorated 1/120th per month, secured by a Homebuyer Deferred Note & Mortgage Agreement in favor of The City, which shall be filed of record with the Oklahoma County Clerk. *Also*, a stand-alone Homebuyer Agreement shall be executed by the City and the homebuyer prior to closing on the sale of the property. The Mayor's stamped signature is sufficient, except in cases where the Homebuyer Agreements will need to be filed with the Oklahoma County Clerk. Staff will advise the Professional Service Providers in such instances.
4. All marketing activities will clearly promote the program as City of Oklahoma City DPA Program and will prominently give credit to The City and HUD for the provision of funds. Any marketing or informational materials will display The City's, HUD's, and Equal Housing Opportunity logos.
5. Each assisted household must participate financially in the purchase of the home. The minimum investment by the DPA recipient will be 1% of the sales price and may be in any form, i.e., out-of-pocket expense for earnest money, appraisal, credit report, etc. Habitat for Humanity clients with sweat equity are not required to pay additional funds at closing. Liquid assets of more than \$15,000 must go towards the purchase of the home, as practicable.
6. Assistance may be applied to eligible closing costs and down payment in addition to the interest buydown reserve. No amount of assistance shall be returned to homebuyer at closing or any other time.
7. Subordination requests may be approved if the proposed refinancing clearly shows significant benefits, such as a lower interest rate or shorter term, provided there is no cash to borrower from equity, and provided The City remains in the same or better priority position on the mortgage. The new mortgage shall not have a loan-to-value ratio (LTV) greater than 95% and refinance fees must be reasonable and customary for the Oklahoma City housing market.
8. All DPA recipients must attend a Home Buyer Education class conducted by a HUD-certified Homebuyer Education Counselor and shall provide a Certificate of Completion prior to receiving DPA assistance
9. No sub-prime loans are allowed. All DPA program providers will guard against abusive lending practices and review for the "7 Signs of Predatory Lending" as published by the Center for Responsible Lending:

- Single Premium Credit Insurance
- Prepayment Penalties
- Yield Spread Premiums
- Mandatory Arbitration
- Steering
- High Fees
- Flipping

10. All clients receiving DPA must secure a 1st mortgage with a “fixed” interest rate (No Adjustable-Rate Mortgages, Interest Only Payment Mortgages, Negative Amortizing Mortgages, Prepayment Penalties, Mandatory Arbitration, 1st Mortgages with a term greater than 30 years are allowed or any other similar mortgage), and property taxes and hazard insurance must be escrowed (no non-escrowed loans). Transfer of ownership shall be by Warranty Deed only. All closings must be held locally, with the cost to abstract title as a seller’s expense.
11. The required property insurance, held by the owner, must list The City as a lien holder during the “period of affordability”.
12. The home purchase transaction must comply with regulations for the Home Investment Partnerships Program contained in 24 CFR Part 92, as amended and as may be applicable.
13. Qualified households purchasing manufactured housing are restricted from DPA unless the home is located on property owned by the DPA recipient, listed as real estate on the county tax rolls, and permanently affixed to a foundation with the transporting chassis removed.
14. The home purchase price may not exceed 95% of median sales for Oklahoma City for existing housing or new construction housing, as published by HUD annually.
15. DPA is prohibited for properties located within FEMA designated 100-year Flood Zones and flood ways. A verifying certificate is required. Provider must submit a request for environmental review and be approved for each address prior to closing and submit a fully executed Homebuyer Agreement with each invoice.
16. Underwriting Standards: Each DPA transaction will be underwritten to 90% LTV with no LTV >95%. Front-end ratio (PITI compared to gross monthly income) must be less than 34% and the back-end ratio (total debt including PITI and other revolving debt compared to gross monthly income) no greater than 43% without compensating factors.
17. A detailed budget including all debt, proposed principal, interest, taxes and insurance (PITI) and household expenses must show the home purchase is sustainable, to include two months of PITI in reserve.

Exhibit 1- CITY DOWN PAYMENT ASSISTANCE (DPA) PROGRAM GUIDELINES

1.3 – Eligible Closing Costs

Items payable in connection with loan

- Loan Origination Fee-no more than $\leq 1\%$ of principal (+\$200 on loans \leq \$8100,000)
- Points for interest buydown
- Appraisal Report
- Credit Report
- Flood Certification Fee – Must show property is not in 100 yr. flood zone

Items Required By Lender to be Paid in Advance

- Interest from ___ to ___ Days
- Mortgage Insurance Premium
- Hazard Insurance Premium

Reserves Deposited With Lender

- Hazard Insurance
- Mortgage Insurance (buyer may bring additional funds to avoid mortgage insurance)
- County Property Taxes

Title Charges

- ½ Settlement/Closing Fee
- Abstract or Title Search – must be a seller’s expense – no assistance applied
- Title Examination
- Document Preparation Fee
- Notary Fee
- Title Insurance

Government Recording and Transfer Charges

- Recording Fees Deed/Mortgage Releases
- City/County Tax/Stamp Deed/Mortgage
- State Tax/stamp
- Mortgage Certificate/Documentary stamp

Additional Settlement Charges

- Property Survey – Pin Surveys fees are capped
- Pest Inspection
- Home Inspection
- Home Service Warranty (from buyers’ contribution)

NOTE: Fees must be reasonable and customary for the area. Other Borrower- paid costs are not automatically approved but will be reviewed on a case-by-case basis.

Exhibit 1- CITY DOWN PAYMENT ASSISTANCE (DPA) PROGRAM GUIDELINES

1.4 -- Homebuyer Agreement Template

City of Oklahoma City – HOME Program

Homebuyer Written Agreement

NOTICE TO HOMEBUYER: *This Agreement explains the terms of the purchase assistance you are receiving through the HOME Investment Partnerships Program. This Agreement is separately enforceable from the Homebuyers Down Payment Assistance (DPA) Deferred Note and Mortgage Agreement. Read each paragraph carefully and ask questions regarding any sections you do not fully understand before you sign.*

THIS AGREEMENT is entered into this _____ day of _____, 20____ by and between the City of Oklahoma City, an Oklahoma municipal corporation (“**the City**”), and _____, (the “**Homebuyer**”).

WITNESSETH

WHEREAS, the City is a Participating Jurisdiction under the HOME Investment Partnerships Program (“**HOME**” or “**HOME Program**”) administered by the United States Department of Housing and Urban Development (“**HUD**”) and is authorized by HUD to provide homebuyer assistance through its Consolidated Plan; and

WHEREAS, HOME regulations at 24 CFR Part 92 govern the City’s implementation of the HOME Program and are made a part this Agreement; and

WHEREAS, the City has determined that the Homebuyer meets the HOME Program eligibility requirements to purchase the dwelling located at _____ (the “**Property**”) at the price of \$_____ (the “**Purchase Price**”) and that the Homebuyer will assume ownership by virtue of a Warranty Deed upon closing.

NOW, THEREFORE, in accordance with the mutual understandings and agreements set forth herein, the City and the Homebuyer(s) agree as follows:

SECTION 1. FORM, AMOUNT, AND USE OF ASSISTANCE

The City will provide the Homebuyer an amount not to exceed \$18,000 with an additional \$5,000 reserved to buydown the interest rate (“**Loan**”) to assist the Homebuyer with a down payment, closing costs, interest rate reduction and/or a portion of the Purchase Price of the Property, which is considered the direct HOME Assistance to the Homebuyer. **The amount of HOME Assistance provided will not be final until the City has updated all necessary underwriting and subsidy layering requirements based on final Purchase Price and/or closing costs.** The final amount will be shown in the City’s Homebuyer Down Payment Assistance (DPA) Deferred Note and Mortgage filed at the time of closing on the purchase of the property by the homebuyer.

The Homebuyer agrees that the HOME Assistance provided will be used at closing as gap financing to cover portions of the down payment, closing costs, interest rate reduction and/or the Purchase Price of the Property. This will reduce the total amount the Homebuyer will have to borrow from a bank, credit union, or other lender to purchase the Property.

The assistance will be provided in the form of a deferred loan. The Loan will be evidenced by a HOMEBUYER DOWN PAYMENT ASSISTANCE (DPA) DEFERRED NOTE AND MORTGAGE AGREEMENT executed by the Homebuyer in favor of City (“**Note**”) to be filed in the official real property records of the county in which the Property is located (“**Mortgage**”). The terms and duration of the Loan are specified in the Note and Mortgage, and the Note and Mortgage will be released upon repayment of the Loan under the terms set forth therein. The Homebuyer may, but is not required to, prepay the Loan, in whole or in part, at any time. See Section 7 for terms of recapture of funds.

SECTION 2. AGREEMENT TERM.

This Agreement will automatically terminate if the Homebuyer does not close and take title to the Property on or before _____, 20____, which date is sixty (60) days after final transaction approval by the City. Otherwise, this Agreement will expire upon expiration of the Affordability Period as defined in Section 3, below, or satisfaction of the Mortgage, whichever is later.

This Agreement shall survive any prepayment of the Loan and/or any release of the Mortgage/Deed of Trust that does not include a transfer of the Property and shall continue for the full Affordability Period, as defined in Section 3.

SECTION 3. AFFORDABILITY PERIOD

The Affordability Period for the Property will begin on the Completion date as determined by the City (“**Completion Date**”) and shall end ten (10) years after the Completion Date (the “**Affordability Period**”). As required by the HOME Program, the Completion Date is the date the activity is shown as completed in HUD’s Integrated Disbursement and Information System (IDIS). The City has adopted a period of sixty (60) days after the Homebuyer’s closing date in which to complete the activity in IDIS, during which time there will be no forgiveness in the affordability period.

If the Homebuyer sells or transfers ownership of the Property voluntarily or involuntarily, including via foreclosure or deed in lieu of foreclosure, the Affordability Period will end upon the recapture of the full amount of the direct HOME Assistance by City as described in Section 7 below.

SECTION 4. HOMEBUYER REPRESENTATIONS

By signing this Agreement, the Homebuyer attests to the following:

- The Homebuyer warrants that all information and documentation provided to the City is true and correct. The Homebuyer has fully disclosed all income and assets to the City and warrants that the Homebuyer’s household or financial situation has not changed materially since the application for HOME Assistance was made. The Homebuyer acknowledges that any material discrepancies or misstatements may result in the Homebuyer’s disqualification from

participation in the program and shall be deemed a breach of this Agreement and the Loan, and the Homebuyer will be required to repay the entire HOME investment amount.

- Once the homebuyer has entered into a contract for purchase or contract for a newly constructed home, the prospective homebuyer's income is not required to be reverified prior to closing on that property.
- The Homebuyer has completed homeownership counseling as required by the City and will complete any post-closing counseling required by the City.
- The Homebuyer has agreed to purchase a dwelling unit that meets HOME Program requirements, and that the dwelling unit must meet Program property standards prior to purchase.
- The Homebuyer understands and agrees to the requirements stated in this Agreement for the Agreement Term.

SECTION 5. HOMEBUYER RESPONSIBILITIES

The Homebuyer agrees to the following to meet the requirements of this assistance:

- The Homebuyer will provide the following buyer funds required for closing or paid before closing:
\$ _____.
- The Homebuyer will occupy the property as their principal residence throughout the Affordability Period as described in Section 6.
- The Homebuyer will maintain the property, maintain hazard insurance, and pay all required taxes during the term of this Agreement as described in Section 8.
- The Homebuyer will provide information as required by the City to monitor compliance with Program requirements.
- The Homebuyer will comply with the refinancing policy stated in Section 9.
- If sale of the property occurs during the Agreement Term, the Homebuyer will notify the City and comply with Recapture requirements in Section 7.

SECTION 6. PRINCIPAL RESIDENCE

During the Affordability Period, barring a sale or transfer of title to the Property, which shall be governed by Section 7 below, the Homebuyer shall at all times maintain the Property as his/her principal residence. Should the Homebuyer cease to maintain the Property as his/her principal residence, rent the residence to another party, or convert the Property to a non-residential use, the Homebuyer will be in breach of this Agreement and subject to the Default and Enforcement provisions under Section 11.

SECTION 7. RECAPTURE OF DIRECT HOME ASSISTANCE

In compliance with the HOME Rule at 24 CFR 92.254(a)(5), if the Homebuyer sells or otherwise voluntarily or involuntarily transfers title to the Property during the Agreement Term, including transfer as a result of foreclosure or deed in lieu of foreclosure, then the outstanding direct HOME Assistance to the Homebuyer will be subject to recapture by the City.

The "Recapture Amount" will be determined as follows:

The amount of forgiveness of the loan shall be based on the time the home/property is occupied by the assisted homebuyer as its principal residence. After the first sixty (60) days of ownership, the City will forgive $\frac{1}{120^{\text{th}}}$ of the loan for each month the home/property is occupied by the homebuyer as his/her principal residence. If the property is sold or title is transferred during the affordability period, the amount recaptured will be prorated and that amount will be repaid to the City from the net proceeds from the sale or transfer of title of the property.

If there are no net proceeds of sale or the net proceeds are insufficient to repay the Recapture Amount, then the entire net proceeds, if any, will be recaptured and retained by City to satisfy both this Agreement and the Loan. The term “net proceeds” is defined as the sale price less the balance due on superior secured debt and closing costs incurred by the Homebuyer at sale or transfer. If the net proceeds are less than the outstanding Loan balance, the City reserves the right to determine whether the sales price is comparable to the sales price in an arms-length transaction for a similar unit and to evaluate the closing costs being charged to the Homebuyer to ensure they are reasonable and customary. Net proceeds of sale in excess of the outstanding direct HOME Assistance will be retained by the Homebuyer.

To facilitate the expeditious administration of this Section, the Homebuyer shall provide notice to the City of any anticipated transfer of title, including but not limited to a sale or foreclosure.

If the Homebuyer rents out the property or is otherwise determined to be in violation of this Agreement, the full amount of the Loan shall be due and payable as stated in Section 11.

SECTION 8. INSURANCE AND TAXES

At all times during the term of this Agreement, the Homebuyer shall maintain a valid and current hazard insurance policy on the Property for the current appraised value of the Property, naming the City as an additional loss payee in primary coverage. Failure to maintain a valid and current insurance policy will be considered a breach of this Agreement, and the City will have the right to secure insurance for the Property and charge such costs to the Homebuyer or to foreclose on its Mortgage. All hazard insurance and property taxes shall be secured in escrow with the first mortgage lender during the affordability period as necessary, to protect the HOME program investment.

At all times during the term of this Agreement, the Homebuyer shall pay property taxes and other assessments of the City. Homebuyer agrees the City shall be listed as an additional insured on the homebuyer’s property insurance.

SECTION 9. REFINANCING

During the Agreement Term, the Homebuyer shall notify the City of the intent to refinance any loan that is senior to the HOME Mortgage. The City will only approve subordination of the HOME debt to a new loan in compliance with its then current refinancing policy.

SECTION 10. CITY RESPONSIBILITIES

As the HOME Participating Jurisdiction, the City is ultimately responsible to HUD for compliance with all HOME requirements, including the ongoing enforcement of this Agreement regarding principal residency and recapture.

- The City has determined the Homebuyer to be eligible according to the HOME Program's income limits and other eligibility requirements and will review any changes to eligibility at time of closing or upon a bona fide purchase contract, whichever is earlier.
- The City has determined the property to be eligible under the HOME Program's requirements, including Program purchase price limits and property standards.
- The City has completed the environmental review required by 24 CFR Part 58 and determined that the property and assistance meet federal requirements.
- The City has determined the amount of Homebuyer's assistance to be reasonable and in compliance with Program requirements and its underwriting policy, and may adjust the assistance based on final price, costs and underwriting.

SECTION 11. DEFAULT AND ENFORCEMENT

In the event the Homebuyer violates any terms of this Agreement or any other agreement between the Homebuyer and the City, the City shall issue a notice of violation to the Homebuyer. Upon receipt of such a notice, the Homebuyer agrees to remedy the violation within 30 days or, in the case of violations requiring longer cure periods, the City may allow for a period of up to 90 days to correct the violation. In such cases, the Homebuyer shall take action to *begin* corrections within 30 days of the date of the City's notice of violation. Upon the Homebuyer's failure to correct the violation within the allotted time, the City may take additional corrective action including suing for specific performance, declaring a default in the Loan and initiating foreclosure proceedings, and seeking any other available legal remedies.

In the event of the Homebuyer's uncured violation of the principal residency provisions of Section 5, the Homebuyer will be required to repay the entire HOME investment in the Property.

SECTION 12. MISCELLANEOUS

This Agreement shall be construed and interpreted in accordance with Oklahoma law. If legal action occurs resulting from a dispute hereunder, the parties agree that the State and federal courts of the State of Oklahoma shall have jurisdiction, and that the proper forum for such action shall be Oklahoma County, State of Oklahoma.

None of the rights and remedies conferred upon or reserved to the City under this Agreement are intended to be exclusive of any other rights, and each and every right shall be cumulative and concurrent, and may be enforced separately, successively, or together, and may be exercised from time to time as often as may be deemed necessary by the City.

The paragraph headings contained herein are for convenience in referring to this Agreement and are not intended to define or to limit the scope of any provision. Where appropriate, all personal pronouns used herein, whether used in the masculine, feminine or neutral gender, shall include all other genders and singular nouns used shall include the plural and vice versa.

