

COON RAPIDS MORTGAGE ASSISTANCE FOUNDATION – ANNUAL MEETING

The December 5, 2013, meeting was called to order by President Naeve at 8:39 a.m.

1. Roll Call

Members Present	Donna Naeve, President Lyle Haney, Treasurer Al Hofstedt, Director Scott Schulte, Director	Jim Stanton, Vice President Brad Crandall, Secretary Tim Director Howe, Director
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Members Absent None

Others Present Cheryl Bennett, Housing & Zoning Coordinator
Kevin Vouk, Manager of Accounting/Treasurer
Cindy Hintze, Administrative Specialist

2. Consider adoption of the agenda.

MOTION BY DIRECTOR SCHULTE, SECOND BY TREASURER HANEY, TO ADOPT THE AGENDA. MOTION PASSED UNANIMOUSLY.

3. Consider approval of minutes: September 16, 2013, Board of Directors meeting.

MOTION BY DIRECTOR SCHULTE, SECOND BY VICE PRESIDENT STANTON, TO APPROVE THE MINUTES. MOTION PASSED WITH TREASURER HANEY, DIRECTOR HOFSTEDT, AND DIRECTOR HOWE ABSTAINING.

4. Consider financial reports.

Mr. Vouk reviewed the financial documents. President Naeve inquired as to the composition of funds available in Fund 19000 for loan purposes. Ms. Bennett stated that funds available for lending do not include principal and interest payments on loans as previously directed by the Board and that the current amount available is included in information found in item seven on this agenda.

President Naeve declared the report received.

5. Elections: Elect Directors for three-year terms.

President Naeve stated the directors with expiring terms have indicated they are interested and willing to continue service. She called for nominations. Treasurer Lyle Haney nominated Brad Crandall, Tim Howe and Donna Naeve as Directors. Director Hofstedt seconded the nominations. There were no further nominations.

MOTION BY VICE PRESIDENT STANTON, SECOND BY DIRECTOR SCHULTE, TO PASS A UNANIMOUS BALLOT. MOTION PASSED UNANIMOUSLY.

6. Election of Officers: President, Vice President, Treasurer and Secretary.

President Naeve stated current officers are interested and willing to carry on. Director Schulte nominated Director Naeve as president, Director Stanton as vice president, Director Haney as Treasurer and Director Crandall as Secretary. Director Hofstedt seconded the nominations. There were no further nominations.

MOTION BY DIRECTOR SCHULTE, SECOND BY DIRECTOR HOFSTEDT, TO PASS A UNANIMOUS BALLOT. MOTION PASSED UNANIMOUSLY.

7. Receive report from staff summarizing the status of the Housing Loan Program.

Ms. Bennett reported that the number of loans has increased over last year. She noted that additional efforts in program marketing have been made, including through *Coon Rapids Connection*, two open house events, the home show and advertising for the new Home for Generations II program. She advised the Board of new Truth in Lending laws that take effect January 10, 2014. Staff is currently reviewing a provision of the new laws to determine if the city is exempt from the "ability to repay" requirement which would allow the program to continue its current debt to income ratio of 55 percent, noting that if the city is not exempt, the program ratio would be limited to 43 percent. Ms. Bennett noted she is reviewing this issue with City Attorney, Dave Brodie.

Secretary Crandall anticipated a decrease in loans if the city was not exempt. He requested Ms. Bennett keep the Board apprised.

Director Howe asked if the average debt to income ratio is known for the current loans or if it's confidential information. Ms. Bennett stated she may be able to find obtain information from the program administrator.

President Naeve declared the report received.

8. Receive report from staff summarizing the status of the ReGenerations Down Payment Assistance Loan Program.

Ms. Bennett reported a shift in the housing market this year to more of a seller's market with multiple offers on properties. She noted all three loans made through this program occurred early in 2013 but that there has recently been increased interest expressed in the program by buyers, real estate agents and lenders. She noted it does take the right players to navigate the more complex loan process of

the FHA 203(k), which results in one principal loan and one payment. She advised that one down payment assistance loan has been paid back in full with interest.

President Naeve inquired as to where the interest was accounted for on the repaid loan. Ms. Bennett stated the funds were returned to the program, but have not been made available for loans. She indicated that it was anticipated that most of these loans will not be paid back as they are forgivable. She stated the loan was repaid when the homeowners refinanced for a lower interest rate on the principal mortgage.

President Naeve declared the report received.

9. Receive report on delinquent loans.

Ms. Bennett stated the delinquency rate was 9.962 as of October 31. In response to Treasurer Crandall's questions, she stated that it compared to a rate 8.343 as of October 31, 2012. She noted that one loan of just over \$21,000 became delinquent in the last twelve month period. She advised that the property had been foreclosed upon but that the borrowers continued to pay but that both are now deceased. She stated that the City would not attempt further collection and that the loan would be charged off.

President Naeve inquired as to when a loan should be declared a loss. Ms. Bennett stated the process developed by the City takes legal staff time in order to get a judgment, which City Attorney Brodie has committed to stepping up this year. Once a judgment has been issued, the City will turn the defaulted loans over to a collection agency. She stated that the program will use the same collection agency currently contracted with the City and that the agency will not use strong arm collection tactics with borrowers. She noted it would affect a borrower's credit report.

Secretary Crandall inquired as to the collection arrangement and whether the loans could be turned over to collections on a case by case basis. Mr. Vouk stated he believed the collection agreement was in the 40-45 percent range. Ms. Bennett stated delinquent loans would be handled individually.

Vice President Stanton inquired as to a late charge and where that money is kept. Ms. Bennett stated the loan servicer sends all late payment letters and does the initial work. She noted that the servicer maintains the late fees by contract.

Secretary Crandall inquired at what point in the loan history had these loans gone delinquent and asked if the borrower were at 55 percent debt to income. If so, adjustment to the program may be needed. Ms. Bennett stated she would find out from the servicer if there are commonalities among the defaulted loans.

President Naeve declared the report received.

10. Receive report on Coon Rapids Housing Program regarding:
- a. loan to value ratios,
 - b. unsecured loans to homeowners,
 - c. non-subordination policy.

Director Schulte stated he did not want see a change to the non-subordination policy.

MOTION BY DIRECTOR SCHULTE, SECOND BY VICE PRESIDENT STANTON, TO MAINTAIN THE CURRENT NON-SUBORDINATION POLICY.

Ms. Bennett stated the program loan to value ratio is currently established by program guidelines at 100 percent. She noted that the guidelines specify the estimated market value be used for this purpose, which, depending upon the timing of the loan, could be as much as 18 months old. She noted that property values are increasing and recommended allowing a current market value, established by a private appraiser, be allowed. The cost would be the expense of the borrower. She noted that all loan fees are currently covered by the program and did not believe this cost to the homeowner would prevent loans from moving forward.

Secretary Crandall commented that any current market appraisal used should be ordered and owned by the city. Discussion took place regarding the age of an existing appraisal and whether an appraisal up to 6 months old could be used and/or required to be recertified. Further discussion determined that it would not be necessary to consider the age if the appraisal was ordered by the City.

Secretary Crandall inquired as to whether the City had an approved appraiser. Ms. Bennett stated the City did not have a bank of approved appraisers for this use but that she would check with the program administrator as to how they handle appraisals in administration of similar programs.

MOTION BY SECRETARY CRANDALL, SECOND BY DIRECTOR SCHULTE, TO MAINTAIN THE LOAN TO VALUE RATIO AT 100 PERCENT BUT RECOMMEND THAT A CURRENT MARKET APPRAISAL, ORDERED AND OWNED BY THE CITY AND PAID FOR BY THE BORROWER, BE ALLOWED TO BE USED TO ESTABLISH A CURRENT MARKET VALUE. MOTION PASSED UNANIMOUSLY.

Discussion moved to issuing unsecured loans to homeowners having no equity in their properties. Ms. Bennett stated this type of loan is currently available through Minnesota Housing's programs and does not recommend unsecured loans.

MOTION BY DIRECTOR SCHULTE, SECOND BY VICE PRESIDENT STANTON, TO NOT CONSIDER UNSECURED LOANS. MOTION PASSED UNANIMOUSLY.

11. Receive report on program marketing.

President Naeve stated staff did not need to review and/or correct former expenses that may not have been classified as marketing.

Director Howe stated it was important to have the City's Communications and Marketing Coordinator, Stephanie Ring, include Coon Rapids Mortgage Assistance Foundation information in public media and marketing. Director Howe also noted that he could not pull up information on the city's down payment assistance program on a web tool that he was made aware of. Ms. Bennett stated she was aware of the web tool issue and had advised the web host of the problem. She stated that Ms. Ring has been working toward having a cohesive presence for all City materials, which has been taking time to implement.

President Naeve declared the report received.

12. Discussion – senior housing/accessibility needs/funding.

President Naeve began the discussion by asking if a program should be tailored to seniors. Ms. Bennett asked if the Foundation would participate in funding senior housing through gap financing. The general discussion was that there is a need to have a program to help seniors move from their current home into senior housing, freeing up that housing stock for younger families. No interest was expressed in creating a program to provide funding to incentivize seniors to stay in their homes by making them more accessible; it was noted that general improvements that may need to be made in order to sell a house could be covered by existing programs already in place.

In general discussion, Board members expressed interest in participating in financing for a senior housing development, noting that housing opportunities for seniors from age 55 to when they might need supported or assisted living arrangements are lacking in Coon Rapids. Questions arose as to how to pursue a developer, how much money to offer, and whether there should be a return on investment. Consensus was the funds would not be a grant. Discussion included whether the development should be detached living or a multi-unit building and, if multi-unit, would units be sold or rented.

Discussion took place about how to move forward with this type of project and how much money should be offered, how to further develop this program, and whether a program needs to be in place before talking with developers. It was noted that speaking with developers may be useful in developing a program based on their feedback.

Discussion took place on senior housing currently available in the City and it was noted that some are just too expensive and others are older and lack amenities. The point of this program would not be to

have Section 8 units, or low rent units, but to have an option with amenities that would be enticing enough for seniors to sell their homes and move into a senior development.

A dollar amount of \$2 million was discussed. Secretary Crandall expressed his concern of extending more than half of the fund balance and the associated risks. He mentioned another option offering seniors 50 percent of closing costs to be paid by the Foundations versus foundation insertion of funding in a big project.

Director Howe mentioned that while he was campaigning, he visited with many seniors currently in detached dwellings who are ready for a high rise senior living arrangement. He also stated the available land in Port Riverwalk could provide an area for all senior needs – senior housing, assisted living, and nursing home facilities.

President Naeve requested Board members provide their thoughts and ideas to Ms. Bennett who will also gather information and present it back to the Board for further discussion. President Naeve also stated this would be a multi-stage process and would not expect a full program to be developed and presented until further discussion and consideration occurred.

13. Receive report on green/sustainable development.

Ms. Bennett referred to the report and inquired as to interest in a specific loan program or a demonstration program. Following discussion, President Naeve stated the funding options are already available through the existing loan programs and that there was no need to develop a specific program.

President Naeve declared the report received.

14. Consider annual funding level and award period for Fund 82000.

President Naeve stated a preference for using a September 30 cutoff date as it was the fiscal year end for the Foundation. She also stated it was her preference that any funds not awarded be returned to the fund corpus.

Director Howe stated his concern of the fund being in violation of 501(c)3 requirements by not spending funds. President Naeve noted that funds are being spent and that housing is the purpose of the fund. Director Schulte agreed with President Naeve, adding that he is not opposed to spending at a faster rate than what has been spent. Director Howe challenged the Board to put the money to use and felt the architectural consultations was a good use. President Naeve expressed her concern of granting the money away.

Consensus was to reinvest unspent funds back into the corpus. Ms. Bennett posed the question of which date to use for rolling the funds.

MOTION BY DIRECTOR SCHULTE, SECOND BY VICE PRESIDENT STANTON TO USE SEPTEMBER 30 FOR ESTABLISHING THE AWARD AMOUNT AND OCTOBER 1 AS THE DATE TO ROLL ANY UNAWARDED AMOUNT BACK TO THE FUND CORPUS. MOTION PASSED UNANIMOUSLY.

Director Schulte left the meeting at 10:45 a.m.

15. Consider funding application under the Project Funding Guidelines for Fund 82000 from the City of Coon Rapids, Home for Generations II Program – Architectural Assistance.

Ms. Bennett stated the interest in the Home for Generation II program is high and that additional funding has been requested to continue to cover the cost of the architectural consultations.

Vice President Stanton asked how many remodel projects have taken place after an architectural consultation. Ms. Bennett stated 27 consultations have taken place and 10 projects have pulled permits as of the date of this request. The applications received for the Home for Generations II program are widely dispersed throughout the city, without concentration in any one area.

President Naeve asked Board members if the full \$10,000 request should be granted or if the Foundation should grant part of the request. Vice President Stanton stated he had no concern funding the full request as it appears many are moving toward remodeling projects. President Naeve felt \$5,000 should be granted and then consider what the response continues to be and what amount of remodeling activity takes place. Vice President Stanton restated that he had no problem with the full \$10,000 request and that the Board could revisit the program next year.

President Naeve asked if staff was intending to reimburse the HRA for architectural visits paid for by the HRA. Ms. Bennett noted that the HRA had provided some funding for the architectural consultations after the initial funding from the Foundation was depleted and that she understood staff intended to reimburse that account, making those funds available for other program incentives. She asked if there was interest in reimbursing the HRA account. Treasurer Haney stated the HRA should not be reimbursed; other Board members concurred.

A partial funding in the amount of \$7,500 was discussed with the remaining \$2,500 to be reviewed at a later date. Ms. Bennett cautioned the Board that such action would essentially be reserving those funds for Home for Generations II, noting the application process is an open pipeline.

MOTION BY VICE PRESIDENT STANTON, SECOND BY SECRETARY CRANDALL, TO GRANT \$7,500 TO HOME FOR GENERATIONS II FOR ARCHITECTURAL CONSULTATION

ASSISTANCE WITH NO REIMBURSEMENT TO BE MADE TO THE HRA. MOTION PASSED UNANIMOUSLY.

16. Set time and date for 2014 Annual Meeting.

President Naeve noted the Bylaws establish the first Thursday in December of each year and announced that the next annual meeting will be held December 4, 2014.

17. Consider other business.

President Naeve asked if there was interest in having a presence at the Green Expo. Ms. Bennett stated it is hard to determine the success of having a booth at the Expo. Director Hofstedt stated that it does give the Foundation exposure. President Naeve stated the most frequent comments heard at the last Expo were that homeowners were underwater on their mortgages and, therefore, not eligible for program loans.

President Naeve asked for volunteers to work at the Green Expo. As no one volunteered and it was decided to not require personnel at the expo but to provide marketing material at the event.

18. Adjourn.

MOTION BY TREASURER HANEY, SECOND BY DIRECTOR HOFSTEDT, TO ADJOURN THE MEETING.

President Naeve declared the meeting adjourned at 10:56 a.m.