



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Agreement With Housing Authority of the County of San Joaquin for Mortgage Credit Certificate Program

MEETING DATE: July 21, 1993

PREPARED BY: City Manager

RECOMMENDED ACTION: That the City Council adopt Resolution No. 93-92 approving the agreement between the City of Lodi and the Housing Authority of the County of San Joaquin to provide for the implementation of the Mortgage Credit Certificate Program in the City of Lodi.

BACKGROUND INFORMATION: The Mortgage Credit Certificate Program will provide substantial tax benefits to qualified first-time home buyers at no cost to the City. Representatives of the County's Housing Authority will be in attendance at Wednesday night's meeting to review this program and answer any questions Councilmembers may have. A copy of the agreement is attached (Exhibit A). A copy of the Resolution is also attached.

This will be the second year in which the City will be participating in this program.

FUNDING: None required

Respectfully submitted,

Thomas A. Peterson
City Manager

TAP:br

Attachments

CCCOM809/TXTA.07A

APPROVED _____

THOMAS A. PETERSON
City Manager





**Housing Authority
of the County of San Joaquin**

EXHIBIT A

JUL 08 '93

City Manager's Office

Post Office Box 447 • Stockton, California 95201

July 7, 1993

Thomas A. Peterson, City Manager
City of Lodi
305 West Pine Street
Lodi, CA 95240

RE: Mortgage Credit Certificate Program

Dear Mr. Peterson:

The Housing Authority of the County of San Joaquin has received notice that applications for renewal of the Mortgage Credit Certificate Program for first time homebuyers will be accepted by the California Debt Limit Allocation Committee in anticipation of federal authorization to continue the program. Applications must be received in Sacramento no later than Wednesday, August 18, 1993.

Our original application required a Cooperative Agreement for each city participating in the program. The current instructions require a resolution supporting the application, as well as the cooperative agreement. Accordingly, I am requesting a resolution supporting the Mortgage Credit Certificate Program and adoption of the enclosed Cooperative Agreement. Five copies of the Cooperative Agreement are enclosed for your use.

If possible, we would like to receive the resolution and executed Cooperative Agreements by August 5, 1993.

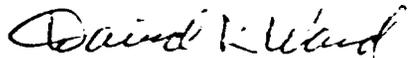
If you have questions or need further information please call Mary Kuk of

Thomas A. Peterson
Page Two
July 7, 1993

my staff at 466-1487.

Sincerely,

HOUSING AUTHORITY OF THE
COUNTY OF SAN JOAQUIN



David R. Ward
Executive Director

DRW/jd

Enc.: Cooperative Agreements
MCC Status reports
Previous Resolution

**COOPERATIVE AGREEMENT BETWEEN
THE HOUSING AUTHORITY AND THE
CITY OF LODI**

THIS COOPERATIVE AGREEMENT (the "Cooperative Agreement") is made and entered into as of _____, 1993, by and between the Housing Authority of the County of San Joaquin (the "Housing Authority"), and the City of Lodi (the "City").

WITNESSES THAT:

WHEREAS, the Tax Reform Act of 1984 established the Mortgage Credit Certificate Program (hereinafter referred to as the "MCC Program") as a means of assisting qualified individuals with the acquisition of new and existing single family housing; and

WHEREAS, the Housing Authority and the City have heretofore determined to engage in an MCC Program pursuant to §50197, et. seq. of the Health and Safety Code of the State of California (the "Act") in order to assist individual home purchasers in the City of Lodi to afford both new and existing homes within the statutory limits as provided for in said Act; and

WHEREAS, in furtherance of the MCC Program, the Housing Authority has authorized its staff to apply to the California Debt Limit Allocation Committee (CDLAC) for a mortgage bond allocation in the amount of \$20,000,000, to be traded for authority to issue Mortgage Credit Certificates in a face amount of \$5,000,000 (based upon the 4:1 trade-in value of bond allocation); and

WHEREAS, it is expected that the application for the MCC Program will be subsequently acted upon by CDLAC at its next regular meeting; and

WHEREAS, the City and the Housing Authority wish to cooperate with one another pursuant to the Act in the exercise of their powers under the Act for the purposes of the MCC Program; and

WHEREAS, the Housing Authority has the capacity both to issue bonds and to establish and administer an MCC Program; and

WHEREAS, the Housing Authority intends to administer an MCC Program in the County, and the City desires that the Program be applicable to eligible real property in the City.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, the parties hereto agree as follows:

SECTION 1: The words and phrases of this Cooperative Agreement shall, for all purposes hereof unless otherwise defined herein, have the meanings assigned to such words and phrases in the Act.

SECTION 2: The Housing Authority shall staff a program for the effective administration of an MCC Program within the geographical boundaries of the City. The Housing Authority shall cooperate with local real estate and lending institutions in order to maintain their participation in securing applications from eligible applicants for review and approval by Housing Authority representatives on behalf of the Housing Authority and the City.

SECTION 3: Nothing in this Cooperative Agreement shall prevent the Housing Authority from entering into one or more similar agreements with the County of San Joaquin and other municipalities within the County, if deemed necessary and advisable to do so by the Housing Authority, so long as such other agreements are not inconsistent with this Agreement.

SECTION 4: This Cooperative Agreement may be amended by one or more supplemental agreements executed by the Housing Authority and the City at any time as long as those amendments comply with State and Federal MCC Program regulations.

SECTION 5: This agreement may be terminated by either party upon 90 days' written notice delivered to the other party. The term of this agreement shall extend until such termination by written notice or until the mortgage credit certificates are fully retired, or shall terminate should an allocation not be received from CDLAC.

SECTION 6: The City agrees to undertake such further proceedings or actions as may be necessary to carry out the terms and intent of this Cooperative Agreement as expressed in the recitals; provided, however, that nothing in this Cooperative Agreement shall require the City to appropriate any funds to the Housing Authority for services under this Cooperative Agreement. Funds for the administration of the MCC Program shall be derived by the Housing Authority from the fees paid by the MCC applicants.

SECTION 7: Nothing contained herein shall be interpreted to impose a relationship of partners or joint ventures between the City and the Housing Authority.

SECTION 8: The signatories to this Agreement represent and warrant that they are authorized by the parties to execute this Agreement and bind the parties to its terms, conditions, and covenants.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunder duly authorized, and their officials' seals to be hereto affixed, all as of the day first above written.

City of Lodi,
a municipal corporation

ATTEST:
Clerk of City of Lodi

By _____

Mayor

By _____
Deputy Clerk

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

City Attorney

By _____
City Attorney

HOUSING AUTHORITY OF THE
COUNTY OF SAN JOAQUIN

ATTEST:

By _____

DAVID R. WARD, Secretary

LINCOLN ELLIS
Chairperson,
Board of Commissioners

APPROVED AS TO FORM:

WILSON, HOSLETT & WHITRIDGE

By _____
AL WARREN HOSLETT
Attorneys for Housing
Authority

DRAFT

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING THE AGREEMENT BETWEEN THE CITY OF LODI
AND THE HOUSING AUTHORITY OF THE COUNTY OF SAN JOAQUIN
TO PROVIDE FOR THE IMPLEMENTATION OF THE MORTGAGE CREDIT
CERTIFICATE PROGRAM IN THE CITY OF LODI.

=====

WHEREAS, implementation of the Mortgage Credit Certificate Program in the City of Lodi will provide substantial tax benefits to qualified first-time home buyers at no cost to the City;

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council hereby approves an Agreement (Exhibit A) between the City of Lodi and the Housing Authority of the County of San Joaquin to provide for the implementation of the Mortgage Credit Certificate Program in the City of Lodi.

Dated: July 21, 1993

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I hereby certify that Resolution No. 93-92 was passed and adopted by the Lodi City Council in a regular meeting held July 21, 1993 by the following vote:

- Ayes: Council Members -
- Noes: Council Members -
- Absent: Council Members -

Jennifer M. Perrin
City Clerk

RESOLUTION NO. 93-92

=====

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING THE AGREEMENT BETWEEN THE CITY OF LODI
AND THE HOUSING AUTHORITY OF THE COUNTY OF SAN JOAQUIN
TO PROVIDE FOR THE IMPLEMENTATION OF THE MORTGAGE CREDIT
CERTIFICATE PROGRAM IN THE CITY OF LODI

=====

WHEREAS, implementation of the Mortgage Credit Certificate Program in the City of Lodi will provide substantial tax benefits to qualified first-time home buyers at no cost to the City;

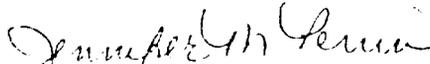
NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council hereby approves an Agreement (Exhibit A) between the City of Lodi and the Housing Authority of the County of San Joaquin to provide for the implementation of the Mortgage Credit Certificate Program in the City of Lodi.

Dated: July 21, 1993

=====

I hereby certify that Resolution No. 93-92 was passed and adopted by the Lodi City Council in a regular meeting held July 21, 1993 by the following vote:

- Ayes: Council Members - Davenport, Mann, Sieglock, Snider, and Pennino (Mayor)
- Noes: Council Members - None
- Absent: Council Members - None


Jennifer M. Perrin
City Clerk

 Housing Authority
of the County of San Joaquin

MARY K. KUK
Administrative Analyst

448 South Center Street
Post Office Box 447
Stockton, California 95201

(209) 466-1487



MORTGAGE CREDIT CERTIFICATE PROGRAM

January 8, 1993

PARTICIPATING LENDERS

The following Lending Institutions have Lender Participation Agreements on file with the Housing Authority of the County of San Joaquin. These lenders are eligible to process applications using the MCC Program.

Acorn Mortgage Services
2233 Grand Canal Boulevard #113
Stockton, CA 95207
Contact: Bruce Goldsmith/Dave Ehlers
Phone: (209) 472-7272

American Savings Bank
343 E. Main, Ste. 610
Stockton, CA 95202
Contact: Luis Sanchez
Phone: (209) 546-2647

ARCS Mortgage, Inc.
7339 Pacific Avenue #A
Stockton, CA 95207
Contact: Fred Womack/Steve Nilssen
Phone: (209) 474-6161

Bank of Stockton
301 East Miner Avenue
Stockton, CA 95202
Contact: David Chavier
Phone: (209) 941-1444

Barcus Financial Corporation
7510 Shoreline Drive, B-7
Stockton, CA 95219
Contact: Mike or Kathy
Phone: (209) 951-9650

Cal-Bay Mortgage Group
241 East 10th Street #D
Tracy, CA 95376
Contact: Chip Ricca
Phone: (209) 836-1983

Capital Pacific Mortgage Co.
A California Corporation
735 N. Main St.
Manteca, CA 95336
Contact: Lynette Brigham
Phone: (209) 239-5550

Coast Funding Corporation
3120 Tracy Boulevard, Suite E
Tracy, CA 95376
Contact: Debbie Jones/Scott Miller
Phone: (209) 836-0363

Commerce Security Bank
2033 Howe Avenue #200
Sacramento, CA 95825
Contact: Mike Meyer
Phone: (916) 923-9500 Ext.352

Commonwealth United Mortgage
1776 W. March Lane, Ste. 180-B
Stockton, CA 95207
Contact: Deborah Morris
Phone: (209) 473-3091

Countrywide Funding Corporation
874 West Benjamin Holt Drive
Stockton, CA 95207
Contact: Joan Erickson
Phone: (209) 957-7120

Cypress Financial Corporation
39420 Liberty St., Suite 250
Fremont, CA 94538
Contact: Inga Sorensen
Phone: (510) 790-9244

Directors Mortgage Loan Corp.
2200-A Douglas Blvd., Ste. 275
Roseville, CA 95661
Contact: Jean Taylor
Phone: (916) 782-2221

Directors Mortgage Loan Corporation
1776 West March Lane #300
Stockton, CA 95207
Contact: Linda Murphy
Phone: (209) 472-7793

First California Mortgage Co.
1031 15th Street
Modesto, CA 95354
Contact: Shareen Carnes
Phone: (209) 527-2500

First Mortgage Corporation
4600 N. Pershing Ave., Ste. A
Stockton, CA 95207
Contact: Kirk E. Nimmo
Phone: (209) 951-8943

First California Mortgage
1625 W. March Lane #101
Stockton, CA 95207
Contact: Claudia Fox
Phone: (209) 476-1100

Guild Mortgage
1001 W. College Avenue
Santa Rosa, CA 95401
Contact: Markus Czirban
Phone: (707) 528-6300

Guild Mortgage Co.
4609 Quail Lakes Dr., Ste. 5
Stockton, CA 95207
Contact: Colleen Stewart
Phone: (209) 957-8016

Headlands Mortgage Co.
1100 Larkspur Landing Cir.
Larkspur, CA 94939
Contact: Shannon Montgomery
Phone: (415) 461-6790

Heartland Mortgage Company, Inc.
1620 N. Carpenter Rd., Ste. A-3
Modesto, CA 95351
Contact: Liz Bass
Phone: (209) 544-2000

Kaufman & Broad
4701 Sisk Road, Ste. 103
Modesto, CA 95356
Contact: Vicky Jacobs
Phone: (209) 545-6400

Kaufman and Broad Mortgage Company
6379 Clark Avenue, Ste. 205
Dublin, CA 94568
Contact: Mark Crivelli
Phone: 1-800-446-2624

Kaufman and Broad Mortgage Company
21900 Burbank Blvd., Ste. 300
Woodland Hills, CA 91367
Contact: Mark Crivelli
Phone: 1-800-446-2624

LP Mortgage Company
1000 Burnett Avenue #140
Concord, CA 94520
Contact: Gwinette Ashe
Phone: (510) 356-3602

Medallion Mortgage Corporation
2027 Grand Canal Boulevard #29
Stockton, CA 95207
Contact: Rich Biddle
Phone: (209) 473-2970

Mission Hills Mortgage Bankers
2529 West March Lane #202
Stockton, CA 95207
Contact: Lauren Rezendes
Phone: (209) 476-9901

North American Mortgage Company
3255 W. March Lane #310
Stockton, CA 95219
Contact: Sara E. Myers
Phone: (209) 476-1831

Norwest Mortgage, Inc.
1110 West Kettleman Lane, Ste. 23
Lodi, CA 95240
Contact: Robert Cunnington
Phone: (209) 339-8780

Plaza Funding
7777 Greenback Lane, Suite 208
Citrus Heights, CA 95610
Contact: Bruce Siegal
Phone: (916) 723-5626

Stockton Savings Bank
2287 West March Lane
Stockton, CA 95207
Contact: John Cotton
Phone: (209) 948-0388

The Hammond Company
2694 Bishop Drive, Ste. 105
San Ramon, CA 94583
Contact: Chris Lanweller
Phone: (510) 277-1288

Tracy Federal Bank
1003 Central Avenue
Tracy, CA 95376
Contact: Paul Rengh
Phone: (209) 836-5111

Western Colonial Funding
2282 Fourth Street
Livermore, CA 94550
Contact: Christine Oliver
Phone: (510) 449-7777

Western Sunrise Mortgage Corporation
2800 Sunrise Blvd., Suite 101
Rancho Cordova, CA 95742
Contact: Chris Grady
Phone: (916) 638-1620

World Savings
833 Tenth Street
Modesto, CA 95354
Contact: Rich Fikani
Phone: (209) 524-7479

FIRST TIME HOMEBUYERS

**MORTGAGE CREDIT CERTIFICATE
PROGRAM BROCHURE**



**HOUSING AUTHORITY OF THE
COUNTY OF SAN JOAQUIN**
Post Office Box 447
Stockton, CA 95201

HOUSING AUTHORITY OF THE COUNTY OF SAN JOAQUIN MORTGAGE CREDIT CERTIFICATE PROGRAM

GENERAL OVERVIEW

The Mortgage Credit Certificate Program, authorized by Congress in the Tax Reform Act of 1984, is a means of providing financial assistance to "first time homebuyers" for the purchase of new or existing single-family housing. In 1985, the State adopted legislation authorizing local agencies to make Mortgage Credit Certificates (MCCs) available in California. The Housing Authority of the County of San Joaquin received the authority to establish a Mortgage Credit Certificate Program on April 22, 1992. This authority, which is sufficient for approximately 125 to 150 loans (depending on average mortgage amounts), can be used in the cities of Lodi, Stockton and Tracy as well as in the unincorporated County. The Housing Authority will administer the program.

What is an MCC?

The MCC provides qualified homebuyers with a federal income tax credit. Income tax credits reduce an individual's tax payments by an amount equal to the credit. Under the MCC program, the maximum tax credit available is equal to 20 percent of the annual interest paid on the borrower's mortgage. By reducing the borrower's federal tax liability, the tax credit essentially provides additional income which can be used for mortgage payments.

How does the MCC reduce your taxes?

In the example given in Table 1, a borrower with an 8.5% fixed rate 30-year mortgage of \$85,000 would make \$7,200 in interest payments during the first year of the mortgage.¹ Under normal circumstances, the borrower deducts

¹ Interest payments on a fixed-rate mortgage will go down gradually each year. On variable-rate mortgages, the total annual interest may *increase*.

80% of that interest, along with other allowable deductions from his total gross income, in order to figure the "Adjusted Gross Income" used to calculate his/her total tax liability. After the borrower has calculated the total tax liability, under the MCC program the remaining 20% of the interest (\$1,440 in our example) is also deducted from his/her total tax liability. If this subtraction results in a negative number (in other words if the borrower is unable to use the entire MCC tax credit this particular tax year) the credit may be carried forward and used up to three calendar years in the future. The borrower may consider adjusting his/her federal income tax withholding (W-4) so as to benefit on a monthly basis from the MCC. By taking this action, the borrower will have more disposable income to make mortgage payments.

Table 1: Effect of a Mortgage Credit Certificate - Example

1.	First Mortgage Amount	\$85,000
2.	Mortgage Interest Rate	8.5%
3.	Annual Interest Payment	\$7,200
4.	Mortgage Credit Certificate Rate	20%
5.	Annual MCC Amount (Line 3 x Line 4)	\$1,440
6.	Monthly Credit Amount (Line 5 ÷ 12)	\$120

Note that the MCC program applies only to the borrower's federal tax liability. State taxes are not affected.

What are the purchase price and income limitations for MCC participation?

Mortgage Credit Certificates are available to first-time homebuyers in San Joaquin County. Table 2 shows the purchase price and income limitations for MCC Program participants.

Table 2: MCC Program Purchase Price and Incomes

<u>Maximum Purchase Price²</u>	<u>Limitations</u>	
	<u>Non - Target Area</u>	<u>Target Area³</u>
New (never occupied) units	\$165,510	\$202,300
Existing (resale) units	\$116,010	\$141,800
 <u>Maximum Income Limitation</u>		
1 and 2 person households ⁴	\$42,700	\$51,240
3+ person households	\$49,105	\$59,780
Lower income reservation	\$34,160	

How does a borrower obtain an MCC?

The Housing Authority does not underwrite the loans included in the MCC program. Rather, all underwriting and execution of required state and federal certifications or affidavits are performed under agency agreement by Lenders participating in the program. The Housing Authority reviews executed certificates and affidavits from the Lender in order to determine qualification and eligibility. Lenders process the underlying mortgages using standard procedures, with adjustments to those procedures as needed in order to satisfy MCC requirements. Therefore, a Purchaser of a new or existing single-family home applies for an MCC through a Participating Lender at the same time as applying for the mortgage loan.

² 90% of average area purchase price for Non-Target areas and 110% of average area purchase price for Target Areas.

³ Target Areas in San Joaquin County include the following census tracts located in the City of Stockton: 01, 02, 03, 05, 06, 16, 22, 23, and 25. Maps are available through the Housing Authority.

⁴ Households of 1 and 2 persons = 100% of median; 3+ person households = 115% of median; target area households of 1 and 2 persons = 120% of median; 3+ persons = 140% of median; lower income reservation = 80% of median.

May an MCC be used in connection with a re-financed loan or to assume an existing mortgage?

An MCC cannot be issued to a homeowner who is refinancing an existing mortgage or to an applicant desiring to assume an existing mortgage unless (1) the mortgage is held by a current MCC holder and (2) the sales price of the house being sold falls under the sales price maximum for the program. In all other cases, only new, first mortgages are eligible for MCC participation.

How many MCCs will be available under the program?

The number of MCCs available depends on the amount of issuing authority which is allocated to the jurisdiction. The Housing Authority has received \$10 million in mortgage revenue bonding authority which converts to \$2.5 million in MCC authority or \$12.5 million in mortgages. Approximately 125 to 150 MCCs can be issued with this amount.

Potential for recapture of portion of the tax credit if home is sold within the first nine years after purchase.

In order to discourage individuals from buying a home primarily to benefit from the tax credit and short term appreciation potential, the federal government has initiated a recapture of a portion of the tax credit if a home is sold within the first nine (9) years after purchase. Certain conditions must exist for the recapture to take effect. The Housing Authority's MCC staff and your Lender will outline the specifics of this recapture provision at the time of your application.

APPLICATION AND ELIGIBILITY REQUIREMENTS FOR THE MCC PROGRAM:

The following eligibility requirements have been adopted under the Housing Authority of the County of San Joaquin MCC Program:

- MCCs will be available only to "first-time homebuyers," (i.e. not owning a "Principal Residence" within the past three (3) years) in Non-Targeted areas. This restriction is not applicable in Targeted Areas.
- As first-time homebuyers complete their normal application procedures with a participating lending institution, their mortgage lenders will prepare MCC applications and forward them to the Housing Authority. The

Housing Authority will issue MCCs on a first-come, first-served basis according to when the initial application is received by the Housing Authority.

- Applicants may buy a residence only for their own occupancy, not for rental or reinvestment. Occupancy as "Principal Residence" must be within sixty (60) days of the close of escrow.
- The MCC tax credit can be taken for the life of the loan as long as the homeowner continues to occupy the residence as his/her "Principal Residence."
- The lender may charge each borrower an application fee of not more than \$150 for processing each MCC.
- The MCC can be used when buying a new home with a maximum purchase price of \$165,510 (\$202,300 in Target Areas) or an existing home with a purchase price that does not exceed \$116,010 (\$141,800 in Target Areas).
- At the time that the applicant applies for an MCC, the total income of all co-mortgagors who will occupy the home as their Principal Residence cannot exceed 100% of the area-wide median income (\$42,700) for one and two person households or 115% of median income (\$49,105) for three plus person households. For purchases of homes in Target Areas, the respective income maximums are \$51,240 (120% of median) for one and two person households and \$59,780 (140% of median) for households of three or more.
- MCCs can be used with new first mortgages only (no refinancing or subordinated mortgages).
- MCCs can only be transferred in cases where the home is being sold to another eligible MCC applicant. In such a case, all MCC requirements must be met and the mortgage must be assumed for the transfer to occur.

<p>NOTE: For additional information you may call your Lender or the Housing Authority of the County of San Joaquin (209) 466-1487.</p>



Housing Authority of the County of San Joaquin
Post Office Box 447
Stockton, California 95201

Board Of Commissioners

Lincoln Ellis, Chairman

Diane Morgali

George L. Dutra

Diane Hackett

Carol J. Ornelas

Patricia Strong

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