



CITY OF SACRAMENTO

OFFICE OF THE TREASURER

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THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

December 8, 1980

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Low-Moderate Mortgage Assistance Bonds

This report is being submitted to the Budget and Finance Committee for their information at the December 16, 1980 meeting.

Please pass the report on to City Council for their information at the December 16, 1980 meeting.

Respectfully submitted,

Donald E. Sperling
for THOMAS P. FRIERY
City Treasurer

TPF:rp
Attachment

For Transmittal to the Committee;

Jack R. Crist

Jack R. Crist
Director of Finance

FILED
By the City Council
Office of the City Clerk

DEC 16 1980



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THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

December 12, 1980

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Low-Moderate Mortgage Assistance Bonds

INFORMATION

On December 11, 1980, the County Board of Supervisors approved proceeding with a scaled-down version of the low-moderate mortgage assistance program. Such program envisions participation by 13 developers in a potential \$14.7 million bond issue that would provide approximately \$12.5 million in mortgage funds to low and moderate income persons.

As of early a.m. December 12, 1980, 11 of the 13 developers signed commitment documents to proceed with the program. Effectively, all documents are the same as presented Council and the Board of Supervisors in the aborted \$75 million program with the exception of:

- A five (5) point non-refundable investment by the developer is presently in the program as opposed to two (2) points in the aborted program.
- Requirement of mortgagor to acquire earthquake insurance if commercially feasible.
- The absence of any bond proceeds for existing housing. All loans will be made for new construction projects of participating developers.

Further, as of early a.m. December 12, 1980, Moody's Bond Rating Service has not yet assigned a bond rating to the proposed issue. Therefore, the bonds cannot be sold until such rating is obtained.

Council should consider that Moody's has failed to issue a rating for over two weeks. This condition was also a major obstacle that resulted in aborting the earlier proposed \$75 million issue. Efforts have been made by the Financial Advisor to obtain the rating but Moody's continuously responds that they are inundated with issues from all over the country and are unable to complete our program at this time.

Unless this rating can be obtained by December 17, 1980, there is a real possibility that bond printing, delivery to investors and all other legal, clerical and administrative work associated with the bond sale could not be completed by December 31, 1980, resulting in another abort. In any event, with the precipitous rise in interest rates that has recently been occurring, each day that passes could result in the inability to sell the bonds at a favorable rate to produce mortgage funds to low and moderate income persons at our program goal of 12½% or lower.

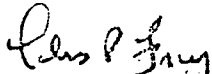
For Council's further information, the program establishes the maximum interest rate that could be charged to low and moderate income persons at 12½% plus ½% mortgage insurance for FHA guaranteed mortgage loans and 12½% for VA guaranteed mortgage loans.

Per Council's request, I have constructed a table depicting the maximum home that low and moderate income persons could purchase at the program's described maximum interest rates. (See Attachment A.) However, it is imperative that Council consider that this table is only a guide. Obviously, some low and moderate program participants might make down payments greater than 4% of the purchase price of the home which would result in the ability to purchase a more expensive home.

Further, some participants may have fixed payment contracts which would result in the necessity to purchase less expensive homes.

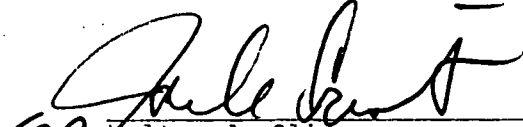
On December 16, 1980, an oral status report will be presented to Council to reflect any program developments.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

TPF:rp
Attachment

For Information to the Council:


FOR Walter J. Slipe
City Manager

IMPACT OF PROGRAM INTEREST RATES ON
HOUSING AFFORDABILITY OF SELECTED LOW & MODERATE INCOME FAMILIES

Annual Household Income of Participant	<u>\$17,000</u>	<u>\$19,000</u>	<u>\$21,000</u>	<u>\$23,000</u>	<u>\$28,000</u>
<u>Housing Affordability</u> 12½% + ½% Mortgage Insurance					
*Estimated Maximum Loan Amount	\$40,000	\$44,500	\$48,500	\$52,500	\$61,500
4% Down Payment	<u>1,700</u>	<u>1,900</u>	<u>2,000</u>	<u>2,200</u>	<u>2,600</u>
Estimated Maximum Purchase Price of Home	\$41,700	\$46,400	\$50,000	\$54,700	\$64,100

*Assumes single family residence with 4% downpayment and a 40% housing cost ratio. Included in calculation are principal and interest amortized 30 years, real estate taxes at 1.25% of purchase price, and .2% for hazard insurance. No consideration was made for other fixed contract payments a buyer might have. Finally, persons earning less than \$17,000 are still eligible for program participation based on similar housing cost rate calculations.

