

Accepted on January 8, 2013

**PORTSMOUTH HOUSING ENDOWMENT FUND ADVISORY BOARD**

**MEETING MINUTES**

**September 13, 2011 Planning/Community Development Conference, Room 320 8:00 AM  
Portsmouth City Hall**

Members Present: Steve Berg, Christine Lukacz, Jeff Mountjoy, Joe Couture, Cindy Hayden, Deputy City Manager (ex-officio); Kathleen Dwyer, Assistant City Attorney (ex-officio)

Members Absent: Calvin Couch

Staff Present: David Moore, Community Development Director

---

Mr. Moore opened the meeting and moved to the first item of business which was consideration of the meeting minutes from May 15, 2008.

Minutes. Ms. Hayden made a motion to accept the minutes. Mr. Berg seconded the motion and all voted in favor. Ms. Dwyer recommended that future meeting minutes be circulated in draft form after the meeting as opposed to waiting until the next meeting of the group. The Board agreed and Mr. Moore indicated he would circulate the draft minutes.

Program Status and Background. Mr. Moore then gave background on the HomeTown program and its current status. He indicated that HomeTown was suspended and has not been offering new loans since February 2009. He reminded the Board that, like other market investments during that time, the Endowment experienced a substantial decrease in value. In response, the program was suspended in order to preserve the fund corpus as required in the Trust document. In combination with the decrease in value of the Endowment, the program was successful in assisting several first-time homebuyers achieve homeownership in Portsmouth. In the program's last year and one half of lending a total of twenty loans were closed. A total of 37 loans were closed during the 10 years the HT program was in operation. Mr. Moore then provided a summary of program activity between 1999 and 2009. A discussion took place regarding the types of homes, households and income-levels that were assisted. A summary of program activity handed out at the meeting is attached to these minutes.

Ms. Dwyer observed in the sheet of summary activity that there was one foreclosure and asked about the circumstances leading to that. Mr. Moore indicated that staff had been investigating the circumstances of the foreclosure, but so far there was limited information to pass on at this time. Staff sought advice on how to proceed with the foreclosure. The Board agreed generally that, where practicable - based on cost and staff time - and barring any unique circumstances of the borrower leading to the foreclosure action, the City should pursue recovery of PHEF funds involved in foreclosure proceedings fully- including through the court system, if necessary. It was determined, that the Board would be kept apprised of the results of the staff research into the particular foreclosure case presented and move forward as described above.

Participation Agreement. Since the suspension, the Endowment's value has increased to a level that will support new lending, however, a regulatory change at the State level stemming from the Federal Safe Act now prevents City staff from serving as loan originators without meeting licensing requirements. This required a change in the program procedures and Partnership Agreement. He advised the Board that their guidance was needed on renewing the HomeTown Partnership Agreement as revised and adopting the closing cost and downpayment assistance structure under the program.

Ms. Hayden moved that the Partnership Agreement be adopted; the motion was seconded by Mr. Berg. Mr. Moore spoke further about the Agreement and indicated he had worked with program partners - Citizens Bank and New Hampshire Housing Finance Authority - to reinstitute the program in a manner consistent with the new federal/state rules. A discussion took place regarding the Agreement and how the Bank would be taking on the loan origination duties associated with the running the program. The City would still play a role in accepting applicants based on program eligibility criteria. Mr. Moore indicated that the program operation would be more streamlined for the homebuyers in that the borrowers would work primarily with the loan originator at the bank. Mr. Moore also advised that Citizens Bank is the City's banking vendor and that it is appropriate to move forward with Citizens for this Agreement at this time. Mr. Berg asked Mr. Moore how much money was available. Mr. Moore said the market value of the Trust fund was approximately \$1.3 million, as a result there was approximately \$600,000 available to lend under the program. All voted in favor of the motion.

Mr. Couture made a motion to adopt the assistance structure as presented in the handout provided by Mr. Moore. Ms. Dwyer seconded the motion. The summary of HomeTown financial assistance is also attached to these minutes. Mr. Moore reviewed the program assistance structure with the Committee. The Board discussed the continued need for deep closing cost and downpayment assistance to help first-time homebuyers in the Portsmouth housing market. The Board agreed that assistance levels of the amounts proposed (\$50,000, \$35,000 and \$25,000) was reasonable and that other programs of this sort offer these levels of funding and more. Mr. Moore was asked what types of professions and ages were assisted in the previous 10-year period under this assistance structure. Mr. Moore indicated there was a total of 19 single-person households, eight couples with no children, three families with children and seven single parent families with children. Of the 37 borrowers in total, he said approximately eight were City employees; most of those were teachers.

Other Business: 1989-1993 PHEF Loans. The Board then moved on to other business, which concerned a staff review of loan portfolio of the original Portsmouth Housing Endowment Fund (PHEF) program, which predated HomeTown and was carried out between 1989 and 1993. During those initial 4 years, 54 first time homebuyers in Portsmouth were assisted through PHEF loans that took the form of a declining monthly mortgage subsidy, with each participant receiving a total subsidy of between \$7,200 and \$13,200 over a five to eight year period. All monies expended from PHEF on behalf of participants accrued as a second mortgage on their property. Under the terms of the original 1989-1993 PHEF loans borrowers were not required to repay the loan obligation until a change in ownership with loan repayment tied to a formula outlined in each borrower's mortgage note as follows:

- the first mortgage payoff and the initial down payment were deducted from the sales price to determine "net proceeds";

- the “net proceeds” figure was then divided in half and compared with the mortgage subsidy (principal plus interest) that was received by the borrower.
- at the point of the home sale, the borrower is required to repay whichever of these two figures is less.

In 1996, the PHEF Advisory Board voted to offer the original PHEF borrowers (loans issued 1989-1993) an early repayment option, which allowed borrowers to re-write their PHEF "formula repayment" second mortgage note to become a 0% monthly installment repayment note. All but one borrower, took advantage of this option.

The status of the original 54 PHEF loans issued between 1989 and 1993 is as follows:

- 50 loans have been discharged.
- 3 loans are in installment repayment (0% interest monthly repayments).
- 1 borrower remains subject to the repayment formula in his original second mortgage as he did not choose in 1996 or thereafter to re-write his mortgage to become a 0% interest monthly installment note.

Because of the way the formula is constructed, and unless housing values decrease very significantly, this borrower would be required to repay the principal plus the total interest, which continues to accrue on the loan principal. As of this date, the total interest accrued is slightly more than the original principal of \$13,200.

The Board agreed that staff would contact this borrower to discuss his loan terms, even though he is under no obligation to repay at this time, and see if he would like to seek Board approval to enter into essentially the same 0% interest monthly installment loan repayment as was previously offered to all borrowers including him.

Other Business: 1992 PHEF Special Needs Fund Loan. Staff also conducted a review of PHEF Special Needs Fund loans that were provided between 1990 and 2001. The PHEF Special Needs Fund is a revolving loan fund established to provide mortgage assistance loans to owner-occupants of residential property in Portsmouth experiencing a financial crisis through no fault of their own. The loan fund was capitalized by the Greater Piscataqua Community Foundation (now known as the NH Charitable Foundation, Piscataqua Region). The goal of this program is to provide a level of assistance that will allow the owner-occupant the opportunity to stabilize his/her financial resources while protecting the equity the owner-occupant has accumulated in his/her home. Assistance is provided in those situations where there is likelihood that this goal will be attained.

Between 1990 and 2001 10 loans, ranging from \$2,000 to \$7,000 were made through the program. Of these loans, 8 were repaid in full, 1 resulted in no repayment due to foreclosure, and 1 is still outstanding. The loans, secured with a second mortgage, were written such that equal installment repayments would begin on a date certain with compounded interest at six percent (6%). However, financial reviews were conducted on a periodic basis and if, based on this financial review, a family could not afford to begin installment repayment, repayment was deferred.

In the case of the one outstanding loan (\$2,600) from this period \$2,600, financial reviews were conducted throughout the 1990s. As of the last financial review in 2001, the borrower had a housing/debt ratio of 45/60 and could not afford to begin repayment. At a PHEF Board meeting on January 14, 1997 (minutes attached), the Board voted as follows:

“agreed unanimously that the periodic financial reviews would be terminated and that the notes would remain as a lien against the property with the principal amount of the loan only becoming due at the sale of the property; loans are to be at 0% interest.”

The loan note was not modified at the time of the PHEF Board vote. Following a brief discussion, the Board agreed that staff would contact the borrower to determine whether they would like to re-write the note, begin installment repayment, repay the loan in full or some other option. Staff said they would report back to the Board regarding this matter.

Ms. Hayden provided additional background about the Special Needs Program, including that the Fund is a revolving loan fund established to provide mortgage assistance loans to owner-occupants of residential property in Portsmouth who are experiencing a financial crisis through no fault of their own. She said the funds originated from the NH Charitable Foundation – Piscataqua Region. Ms. Lukacz requested that Special Needs Fund materials be distributed to the Board and Mr. Moore indicated he would.

Other Business: Misc. Mr. Mountjoy pointed to the large concentration of homeowners who purchased homes in 2007 and 2008 and advised that it may be wise to keep track the market value of their properties relative to their purchase prices. He indicated those buyers may be feeling pressure if their values have decreased. There was consensus on the Board that this would be appropriate. In addition, the Board indicated that some communication may be appropriate to all HomeTown buyers regarding the issue of decreased market values. Mr. Moore indicated that he would review the files for the subset of borrowers in 2007 and 2008 and get back to the Committee with trends there.

Mr. Berg moved to adjourn the meeting; Mr. Couture seconded the motion and all voted in favor.