



City of Cleveland Memorandum

Frank G. Jackson, Mayor

To: Mayor Frank G. Jackson
From: Chris Warren, Chief of Regional Development
Date: March 29, 2010

Subject: Preliminary Report on Community Development Department

On January 22, 2010 you directed me to undertake a 45-day review of the Department of Community Development's current organization structure, staff assignments, and management systems. With this letter I submit my preliminary assessment and recommendations.

The report that follows includes an overview of the Department's current responsibilities and organizational structure, an analysis, and a set of preliminary recommendations for your consideration. My review of Community Development will be on-going with the next phase to involve an assessment of how each Department-managed program could achieve greater efficiencies, establish and pursue measurable program successes, and enforce stricter staff and contractor accountability.

OVERVIEW OF COMMUNITY DEVELOPMENT DEPARTMENT

- Manages federal funding from HUD and DOE devoted to neighborhood development, affordable housing, blight elimination, community services, and special needs housing.
- Currently administering:

Annual Federal Entitlements

Federal Annual Grant Program	Federal Department	Current Annual Funding Level
Community Development Block Grant (CDBG)	HUD	\$23,928,000
Homeownership Made Easier (HOME)	HUD	\$6,763,000
Emergency Shelter Grants (ESG)	HUD	\$1,105,000
Housing Opportunities for Persons with AIDS (HOPWA)	HUD	\$895,000
Home Weatherization Assistance Program (HWAP)	DOE	\$4,100,000
Total		\$36,791,000

Stimulus Funding

Stimulus Funding (over 2-3 yr. period)	Federal Department	Amount of Award
CDBG Supplement	HUD	\$6,409,225
Neighborhood Stabilization Program I (NSP I)	HUD	\$25,000,000
Neighborhood Stabilization Program I (NSP II)*	HUD	\$25,000,000
Home Weatherization Assistance Program Supplement	DOE	\$26,613,278
Homeless Prevention Program	HUD	\$12,972,353
Total		\$95,994,856

* - City will receive funds as sub-grantee of Cuyahoga County Land Reutilization Corporation

- Manages City's Land Bank, involving acquisition and sale of forfeited properties (7,000+ properties in inventory).
- Provides real estate services for all City departments.
- Monitors and evaluates results of Community Reinvestment Agreements.

DEPARTMENTAL STRUCTURE AND RESPONSIBILITIES

The Department includes four organizational units: The Office of the Director, the Division of Administrative Services, the Division of Real Estate and the Division of Neighborhood Services. (An organizational chart of each unit is attached). The following is an outline of the program responsibilities and staffing levels for each unit.

Office of the Director (18 budgeted positions)

- Comprised of the Director, the Assistant Director, Housing Policy Executive Assistant, Chief Information Officer, NSP Coordinator, Bank Relations Manager, Secretary, a 7-person Housing Development Office, and a 4-person Storefront Renovation Office.
- 2 open positions: CDBG-funded HDO staffer and NSP Coordinator.
- In addition to administrative duties, the Office of the Director covers the following:
 - City's participation (through Housing Trust Fund, NSP, and other sources) in major new and restored housing developments.

- Neighborhood Stabilization Program planning, coordination, and supervision.
- The Storefront Renovation Program
- Homelessness prevention funding and programs in cooperation with the City/County of Homeless Services
- Oversight of Community Reinvestment Agreements

Division of Administrative Services (35 employees)

- Comprised of Commissioner, Personnel Manager, a 6-person Accounting Section, a 2-person Budget Section, an 11-person Compliance Section, an 11-person Contract Administration Section, and a 3-person MIS unit.
- 2 unfilled positions: NSP-funded contract specialist and CDBG-funded contract specialist.
- Responsible for all accounting and fiscal duties, assuring adherence to federal regulations, preparation monitoring of 250-300 contracts per year, and the department's substantial data management and computer operations.
- In addition, the Division manages the competitive/intake processes for four distinct funding programs: Neighborhood Development Activities (aka "ward allocations"), Social Services, Community Development Corporations, and third-party housing support services.

Division of Neighborhood Services (29 employees)

- Comprised of Commissioner, two clerks, a 2-person Section managing the Summer Sprout and Cityworks programs, a 5-person HWAP Section, and a 19-person Home Repair Section.
- 5 unfilled positions: 2 HWAP (stimulus) funded managers, CDBG-funded AAH manager, CDBG-funded home repair manager, and NSP rehab inspector.
- Manages programs related to helping low and moderate income residents improve their homes, including HWAP, Repair-a-Home, SHAP, Free Paint Program, and third-party repair programs.

- Manages Cityworks and Summer Sprout small grant programs.

Division of Real Estate (15 employees)

- Comprised of Commissioner, receptionist, principal clerk, deed preparer, part-time surveyor, 4-person land bank office, one person assisting the Commissioner on real estate services for other departments, one person managing Reimagining Vacant Land Program, one person managing the HUD Low Value Home Program, and a 3-person MIS/GIS section.
- 3 of these positions are unfilled: NSP-funded land bank staffer, CDBG-funded land bank staffer, and an NSP-funded principal clerk.
- Provides real estate services (acquisition, appraisals, relocation, environmental review, surveys, etc.) for all City departments except Port Control. (30+ projects).
- Manages maintenance and marketing of CD-owned buildings (currently 5 buildings).
- Handles acquisition and sale of vacant land for City Land Bank (7,000+ properties with 1000+ added annually.)
- Oversees HUD Low Value Home Acquisition and Reimagining Vacant Land programs.

Support for Other Departments

- CD funds the following programs administered by other City departments:
 - Fair Housing Office in Community Relations
 - Project Focus in Community Relations
 - Foreclosure prevention in Consumer Affairs
 - SHAP, Chore Services, and Gutter Cleaning in Aging
 - AIDs prevention services in Public Health
 - Property nuisance abatement in Properties
 - Demolition and deconstruction in Building and Housing
 - Housing inspection services in Building and Housing.

PRELIMINARY ANALYSIS

Need to realign all neighborhood development programs within an operating Division.

As noted in the forgoing overview, the Department's Office of the Director includes three major program sections: the Housing Development Office, the Storefront Development Office, and the Neighborhood Stabilization Program (NSP). The managers of these offices report to the Director.

The Housing Development Office is responsible for the Department's initiatives to incent and support major new and rehabilitated housing developments throughout the city and relies heavily on annual investment awards to such projects through the Housing Trust Fund and similar pools of capital. The Office's responsibilities include working with private developers to structure the City's investment, monitoring contractual obligations, negotiating inter-creditor agreements with other investors/lenders, and responding to circumstances of default. The Office's work is labor intensive and today involves a portfolio of 50+ projects.

The Storefront Renovation Program is a long-standing program through which the Department partners with CDCs to encourage storefront renovation by granting financial rebates to storefront owners. Program staff persons give direct architectural and design assistance to the businesses and insure adherence to contractual obligations. The Office supports 40-50 projects per year.

In addition, the NSP Vacant Home Rehab program has been operating under the direct supervision of the NSP Coordinator (currently an open position) who is part of the Director's Office. This program provides construction financing and homebuyer assistance to stimulate the purchase, rehabilitation, and sale of vacant and distressed homes in NSP target area. The program is not dissimilar to the Afford-a-Home Program now housed in the Division of Neighborhood Services.

Placement of these direct program sections within the Office of the Director has a negative impact on the Department. Foremost, attention of the Director and the Assistant Director are drawn unnecessarily into the "nuts and bolts" of program activities and away from providing oversight and supervision of Division Commissioners and other administrative responsibilities. Moreover, the Housing Development Office, Storefront Renovation Office, and NSP Vacant Home programs are keenly engaged in forms of neighborhood development often allied with real estate processes, including land acquisition. These related functions are currently housed in the Division of Real Estate.

A more sensible alignment of basic program responsibilities would be:

Office of Director

- Overall planning and administration
- Housing policy matters
- Homelessness Services
- Bank Relations
- Public Information

Division of Administrative Services

- Accounting and budget
- Contract preparation and monitoring
- Compliance
- Legislative affairs
- Personnel
- Oversight of third party contracts: CDCs, Housing Support Services, Social Services

Division of Neighborhood Services (programs that support citizens maintain and improve their homes and neighborhoods).

- Repair-a-Home
- Senior Housing Assistance Program
- Free Paint Program
- Cityworks and Summer Sprout
- Home Weatherization Assistance Program
- Oversight of Third Party Home Rehab Programs

(New) Division of Neighborhood Development (programs that support the redevelopment of distressed property consistent with neighborhood plans)

- Housing Development Office
- Storefront Renovation Office
- Land Bank Program (acquisition and disposition)
- Vacant Home Rehab programs (AAH and NSP)
- HUD Low Value Home program
- Reimagining Vacant Land Reuse
- Real Estate Services for Development Cluster
- Cartography/GIS

Management procedures need to be improved for three high volume programs:

Afford-a-Home Program (AAH):

AAH is a program administered by the Division of Neighborhood Services designed to help low income families purchase rehabilitated formerly vacant and substandard properties. Through the program, families may qualify for and receive deferred second mortgages. Properties are acquired by a private developer who secures private financing for the rehabilitation and then finds a qualified buyer. The buyer is required to secure a first mortgage loan from a participating lender to finance that portion of the purchase price not covered by AAH.

Recent scrutiny of this program has revealed serious flaws in the administration of the program leading to an overhaul of policies and procedures. Internal and external investigations into the practices of participating developers are ongoing. Among the program deficiencies discovered are:

- Failure of program managers to consistently apply program guidelines;
- Lack of policies to make sure buyers do not take on a purchase beyond their means.
- Unacceptably high levels of foreclosures for properties sold by some developers;
- Failure by Division managers to apply sufficient oversight over decisions to approve properties and buyers for the program.
- Utilization of unregulated first mortgage lenders by some buyers.

Land Bank Program:

A review of the Land Bank program within the Division of Real Estate reveals a dedicated staff taking on an avalanche of new responsibilities yet hamstrung by a lack of delegated management responsibility and a shortage of staff.

The Land Bank program is the City's program to acquire vacant lands for eventual sale to private buyers who reuse and improve the land in ways that further the City's neighborhood development objectives. Improvements range from yard expansions to new housing to commercial expansions to major new developments. The Land Bank acquires the properties mainly through its ability to take title to tax-foreclosed non-

productive properties, gifts-in-lieu-of-foreclosure made by private owners, conveyances through the newly established County Land Reutilization Corporation (County Land Bank), and properties conveyed to the City per an agreement with HUD.

The volume of acquisitions has soared in recent years due to a dramatic increase in foreclosures and abandonment. In 2009 alone there were more than 2,500 tax foreclosures in Cuyahoga County, 616 of which resulted in the City Land Bank taking title. Also, in 2009, the Land Bank processed more than 400 separate transactions via an agreement with HUD. These acquisitions could be substantially increased by adding several staff persons and improving systems.

Currently three staff members are assigned to all Land Bank duties. One person handles the flow of HUD acquisitions and two people handle tasks associated with processing acquisitions and sales. Acquisition activities could be accelerated by utilizing the services of the new established County Land Bank who would bring resources needed to assess properties and, if needed, demolish properties prior to conveying title to the City Land Bank. Also, the City's system for evaluating and acting on applications to purchase Land Bank properties is overly complex and time consuming.

Funding of Community Development Corporations (CDCs):

The Department made over 108 grants totaling nearly \$10 million to 27 CDCs during 2009. 81 grants adding up to \$8.25 million were made through the ward-based Neighborhood Development Activities Program. The remainder, or \$1,400,000 (27 grants), came through an annual citywide competitive process.

By and large, these grants pay for the operating and staffing costs of CDCs to undertake a wide range of program activities, including redevelopment of vacant properties, code enforcement organizing, neighborhood safety programs, home repair services, economic development, and vacant lot improvements. The mix and extent of programming varies considerably from organization to organization.

CDC funding now accounts for nearly 40% of all CDBG expenditures with the average level of support hovering around \$350,000 per CDC.

This complex funding system - one which essentially blends a once a year citywide competitive program with 19 separate any-time-during-the-year NDA discretionary funding pools - is inherently inefficient and expensive to administer. Holding 27 different groups across more than 100 individual

grants a year strictly to account for meeting contractual obligations, ethical standards, and HUD regulations is a challenge.

Need to better coordinate fair housing and consumer affairs programming.

Stronger integration of the Department of Consumer Affairs and the Office of Fair Housing (within the Department of Community Relations) would allow for economies of scale while fostering stronger coordination of programs dedicated to Community Development's goal of building stronger neighborhoods.

The Department of Consumer Affairs is presently staffed by three persons. Their primary focus is on protecting Clevelanders from fraudulent and unfair business practices. The department receives an annual CDBG grant of \$300,000, \$260,000 of which is outsourced to nonprofits who provide home mortgage and financial counseling services and \$40,000 of which support a project manager.

The Office of Fair Housing works to ensure that Clevelanders have access to housing options without discrimination and, more specifically, to making certain the City complies with Fair Housing regulations that apply to the HUD grants administered by the Community Development Department. The Office is entirely funded through an \$86,000 annual CDBG grant

PRELIMINARY RECOMMENDATIONS

1. Establish a Division of Neighborhood Development incorporating the current Division of Real Estate.

A new Division of Neighborhood Development would be responsible for all Department efforts to improve neighborhoods through real estate development. The proposed reorganization would require moving the Housing Development Office and Storefront Renovation from the Director's Office to this new Division; moving the NSP Vacant House Rehab program (now in Director's Office) and the Afford-a-Home Program (now in DNS) into the new Division as a consolidated Vacant Home Rehab Section; and, combining the Summer Sprout (now in DNS) and Reimagining Vacant Land Programs into a single operating section.

The proposed reorganization would arrange the Department's operating units in accordance with service delivery priorities. The Director's Office and the current Division of Administrative Services would handle all "front office" duties, the Division of Neighborhood Services would manage direct homeowner assistance programs, and the Division of Neighborhood Development would oversee housing, land, and commercial development activities. Related to this reorganization, I recommend transferring real estate services performed by the Division of Real Estate for other City departments to another City department.

Importantly, the proposed reorganization would result in the Director and Assistant Director becoming less involved in direct program supervision, allowing them to focus more intensely on overall departmental policy setting, accountability of Division Commissioners, and administrative duties.

- Each Division would have program responsibilities associated with clear-cut missions, to wit:
 - Administrative Services - Manage financial, compliance, and contractual processes tied to major federal grants;
 - Neighborhood Services – Deliver high quality home improvement services.
 - Neighborhood Development – Manage City's implementation of neighborhood development strategies.

2. Implement revised Afford-a-Home (AAH) procedures and administrative reforms.

In response to recent findings, the department has put in place new AAH policy, procedures (attached), and management controls. The new procedures include:

- Establishment of a Loan Committee (comprised of the Chief of Regional Development, the CD Director, the CD Assistant Director, and the Commissioner of Neighborhood Services) to review and approve every property proposed by a developer for the program and every homebuyer seeking AAH second mortgage assistance.
- Rigorous policies related to compliance with rehab standards, determination of fair purchase prices, affordability of buyers, credit-worthiness of buyers, and fairness of first mortgage loans.
- Revised mortgage, note, and commitment documents.
- Standard file documentation.
- A rule limiting bank participation to federally regulated institutions.

In addition to changes, the City is cooperating with external regulatory reviews and investigations while conducting an internal audit.

Going forward, I recommend further safeguards:

- Disqualify developers from program participation if rates of foreclosure on their prior AAH-supported sales exceeded 15%.
- Conduct independent City-ordered appraisals of each home as a method to judge the reasonableness of bank-ordered appraisals.
- Require participating lenders to provide notice to the City and to the developers of payment delinquencies by buyers and to refer such buyers to accredited counseling agencies.
- Add a home mortgage specialist to the Loan Committee.
- Immediately merge the AAH program with the NSP-funded Vacant Home Rehabilitation program to take advantage of broader staff expertise and program coordination. This merged section should be temporarily housed within the Division of Real Estate until the proposed Division of Neighborhood Development is established.

3. Enhance staff of Land Bank and put in place new acquisition and disposition operating procedures

Staffing

- Utilize available CDBG and NSP funds to add two staff to the Land Bank office, bringing the total number of employees in this office to 5, including and office manager.
- Appoint a Land Bank Program Manager, responsible for acquisition and disposition activities.

Land Bank Acquisition Procedures

- Enter into an agreement with the County Land Bank whereby the County Land Bank would perform site inspections and affidavit filings pre-requisite to complete Board of Revision tax foreclosure actions.
- Work to transfer the City's "Low Value HUD Home" program to the County Land Bank. This shift would allow the City to assign one staff person to other Land Bank tasks and reduce the City's obligation to spend demolition funds on HUD homes that are beyond repair. The City, however, would retain rights to the underlining land after demolition.

Land Bank Disposition Procedures

- Streamline and clarify the process for reviewing and approving the sale of Land Bank properties. The new process will involve purchase applications being submitted to the Land Bank Office, a recommendation to approve or disapprove by neighborhood planners in the City Planning Department, approval or disapproval by a small management committee, and processing of the legislative/Board of Control/closing processes by the Land Bank Office.
- Through an internal management committee, track the status of all Land Bank parcels.

4. Consolidate all CDC funding into one coherent program funded at sustainable levels

Given possible reductions in federal funding and increasing service demands, support of CDC operating budgets at current levels will be difficult to sustain. I recommend working with City Council immediately to determine realistic funding levels and equitable coverage strategies as the basis for a more efficient, less costly, and manageable CDC funding system in 2011. The new system should have the following features:

- Make CDC operating support decisions and contract obligations once a year, rather than on an irregular basis over the course of a year.
- Recognize the importance of CDCs in the fulfillment of neighborhood development strategies by making sure CDC services reach every neighborhood of the City.
- Work with private foundations and intermediaries to align their funding priorities with the City.

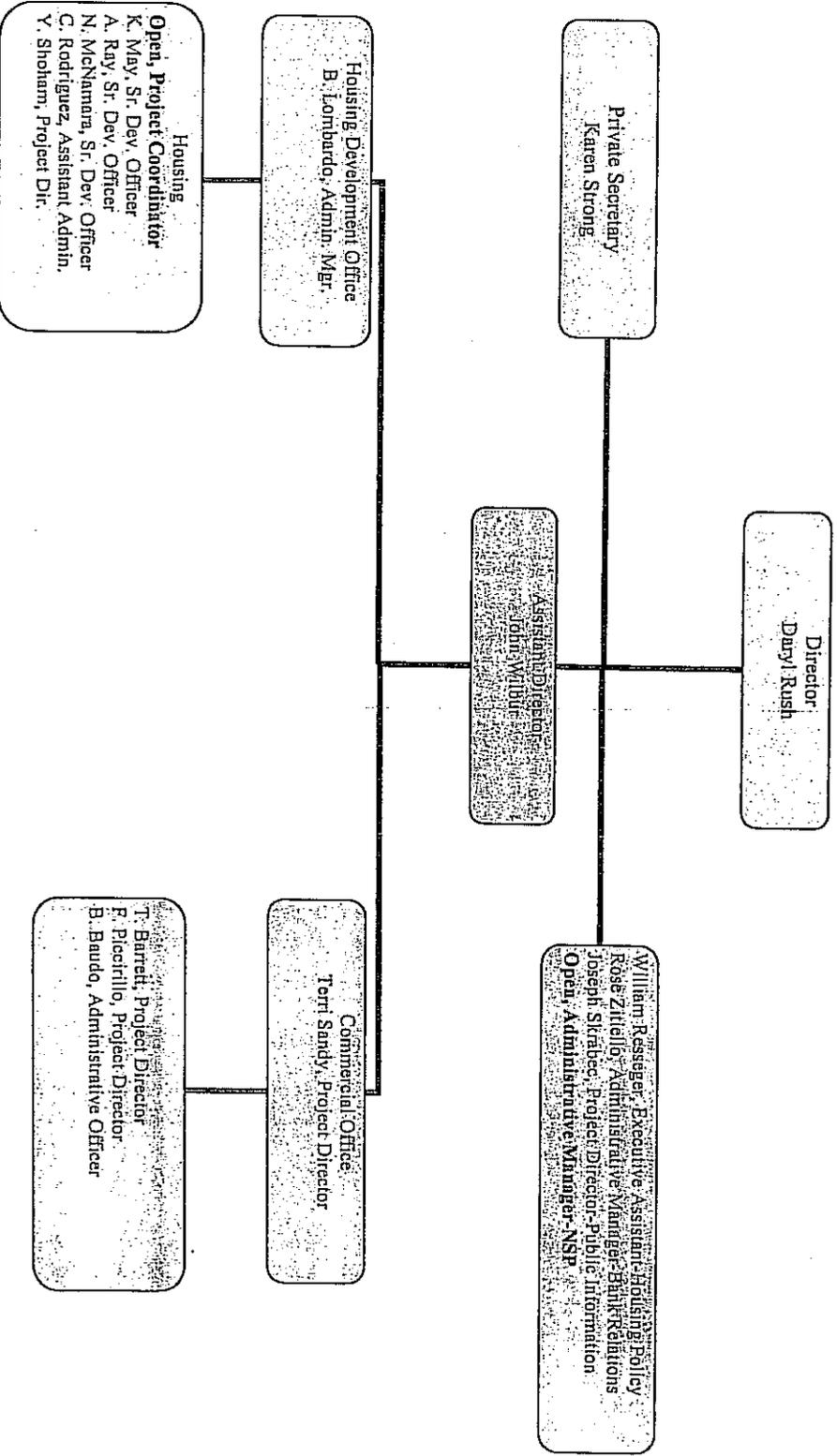
5. Merge Fair Housing and Consumer Affairs Programming

I recommend merging the Office of Fair Housing and the Department of Consumer Affairs into one office within the Community Development Department. This 5-6 person entity would be led by a Program Manager reporting to the CD Director.

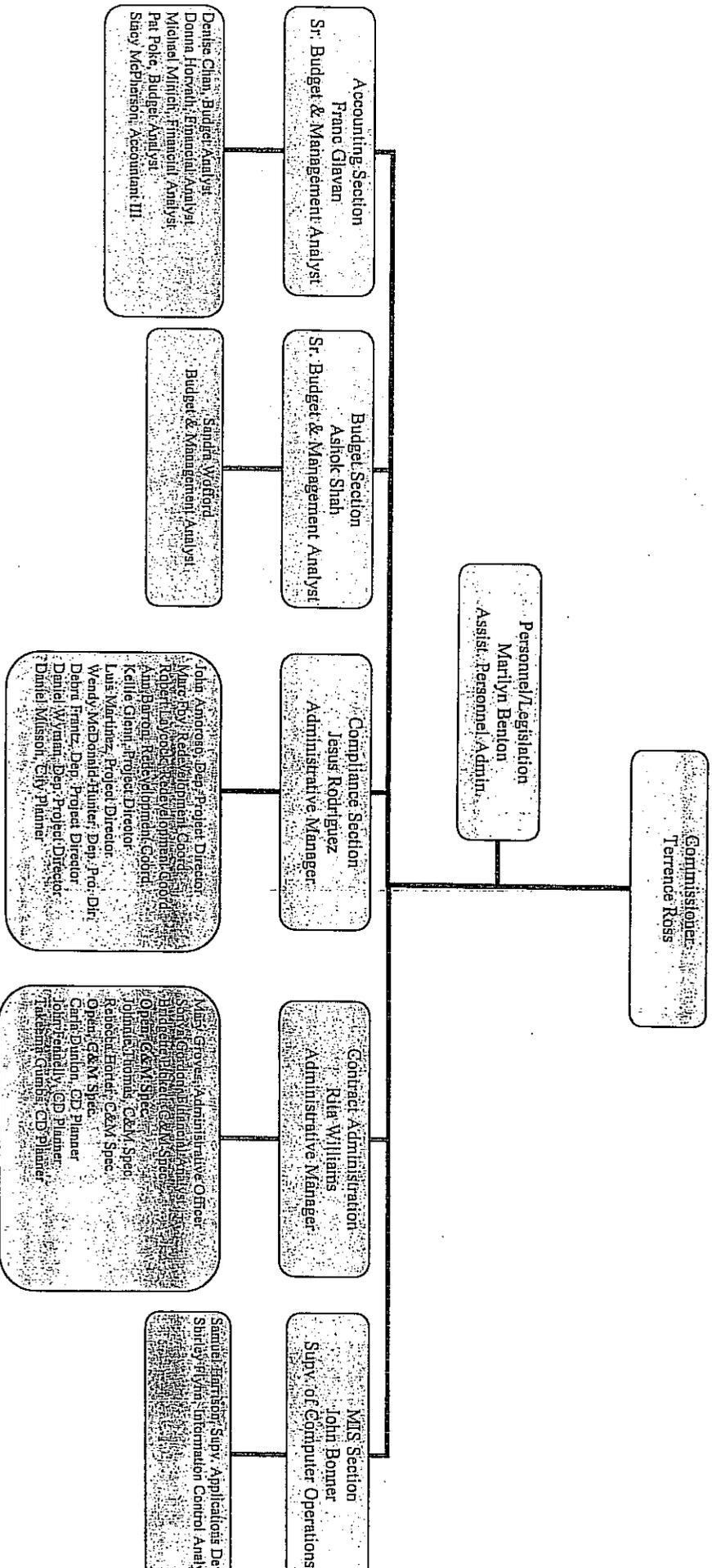
This office would be responsible for:

- Assuring compliance with federal fair housing regulations.
- Processing fair housing complaints per local ordinance.
- Administering affirmative fair housing programs.
- Providing foreclosure counseling, financial literacy, and homebuyer counseling services.
- Promoting consumer protection education and referral services, especially with respect to home purchasing, home repairs, retail services, and auto purchases.
- Negotiating and monitoring community reinvestment agreements with local banks.

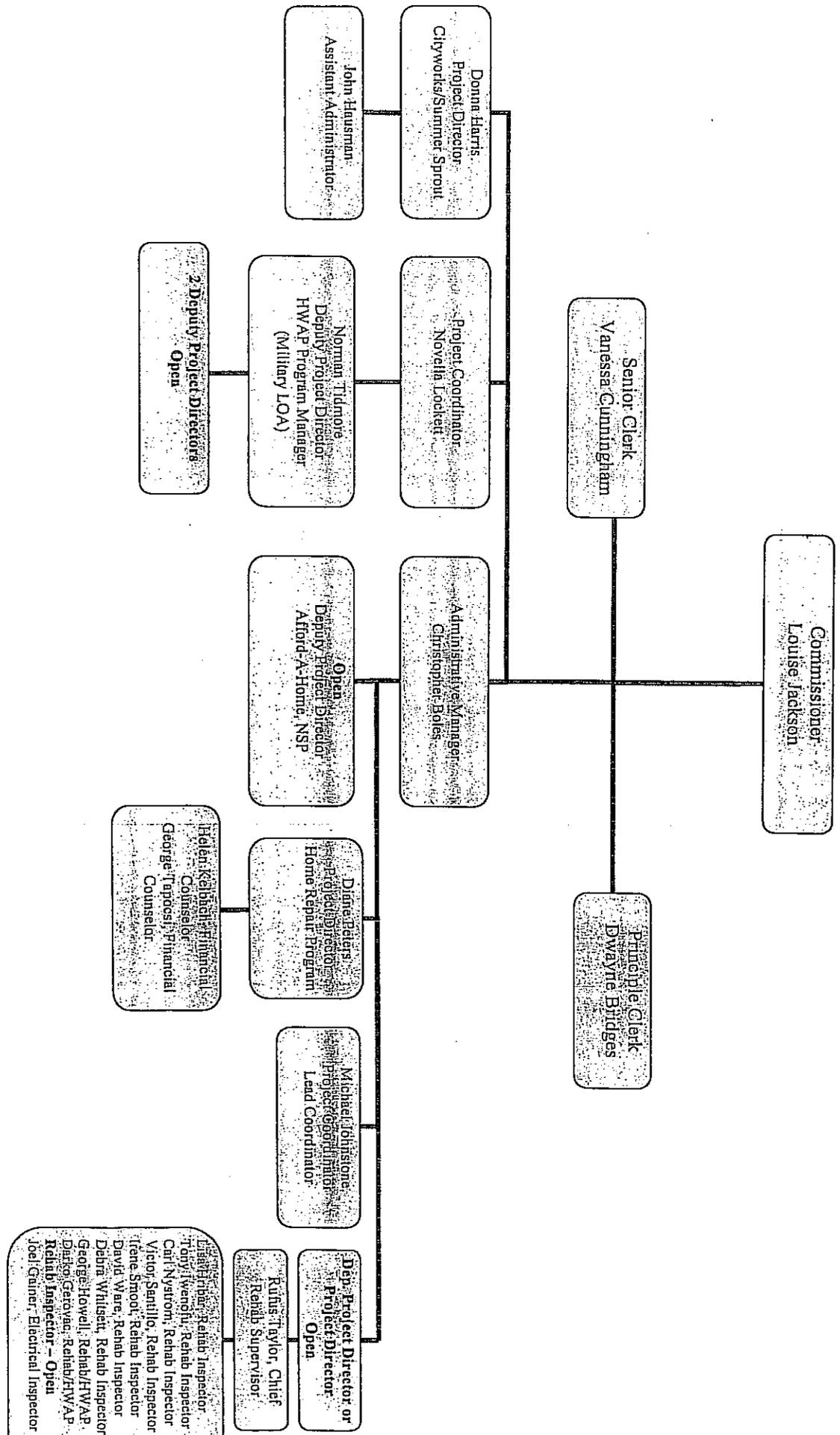
DEPARTMENT OF COMMUNITY DEVELOPMENT DIRECTOR'S OFFICE



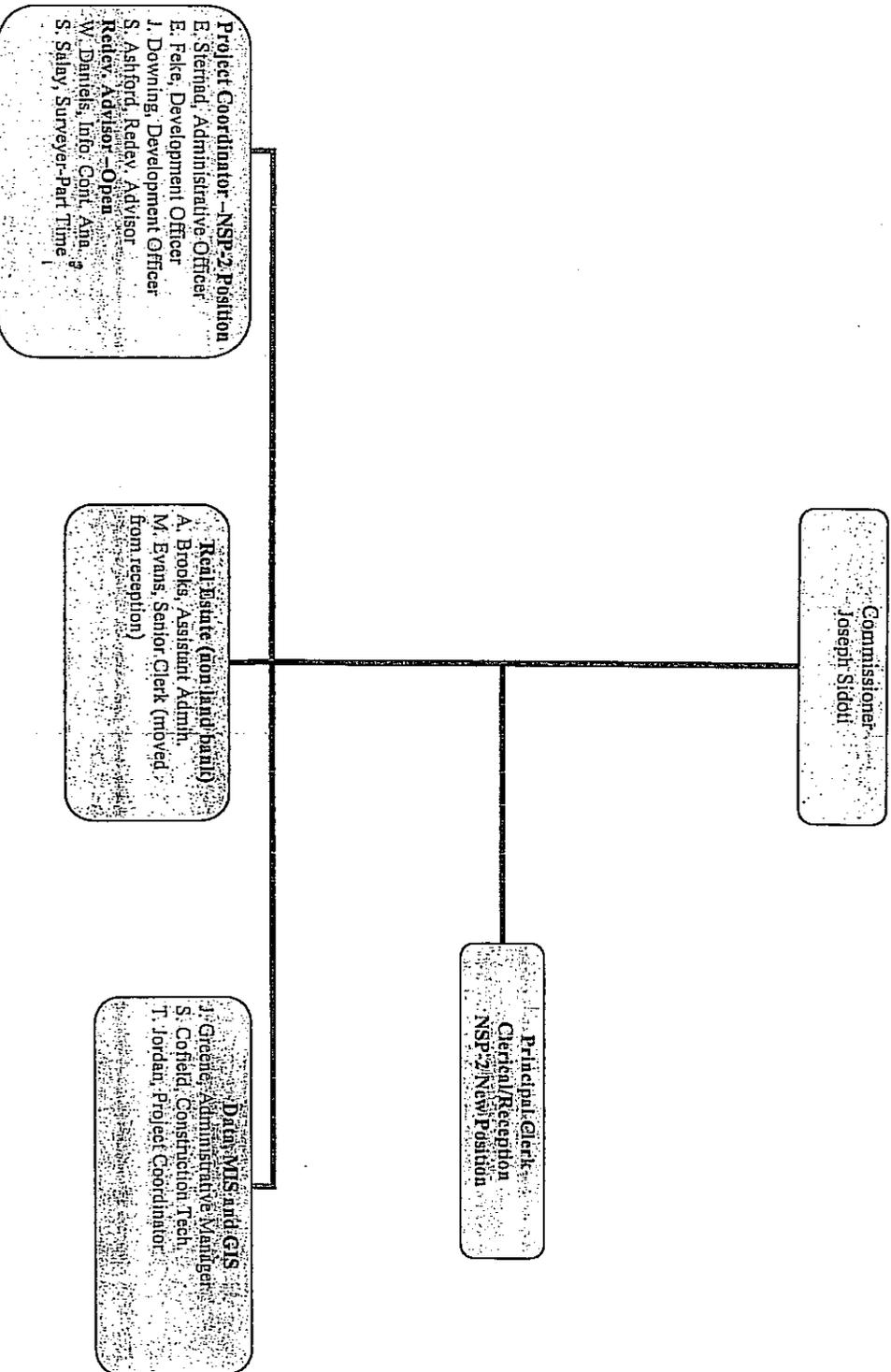
DEPARTMENT OF COMMUNITY DEVELOPMENT DIVISION OF ADMINISTRATIVE SERVICES



DEPARTMENT OF COMMUNITY DEVELOPMENT DIVISION OF NEIGHBORHOOD SERVICES



DEPARTMENT OF COMMUNITY DEVELOPMENT DIVISION OF REAL ESTATE



City of Cleveland
Department of Community Development
Afford-A-Home Program¹

Policies and Guidelines for Approvals of Afford-A-Home Second Mortgages

Afford-A-home provides second mortgages to qualified purchasers in order to make their home purchase more affordable. The following guidelines have been developed to determine whether or not the second mortgage will be approved. The approval is based on both value of the home acquired by the purchaser and the financial sustainability of the purchase.

I. Compliance with Rehabilitation Standards

- Developers will provide a rehabilitation specification with an itemization of each repair including dimensions, unit costs and cost estimate summaries by room, exterior and/or major systems.
- Final rehabilitation work completed, at a minimum, to HUD Housing Quality Standard as documented in the Department of Community Development Rehabilitation Handbook as evidenced by acceptable final inspection conducted by a Community Development Department Division of Neighborhood Services (DNS) inspector.
- Rehab completed to Cleveland Green Building Standards as evidenced by certification by a Home Energy Rating System (HERS) inspector or acceptable final inspection conducted by a DNS inspector.
- Lead Clearance as provided by a qualified Lead Risk Assessor.
- Close-out inspections completed by Building and Housing permit inspectors.
- Receipt by DNS of lien waivers and contractor affidavit.

¹ The City of Cleveland Reserves the right to change the Afford-A-Home Policies and Procedures at any time.

II. Review and Approval of Proposed Purchase Price (as compared to legitimate Total Development Costs)

- The City will not approve an AAH second mortgage for a property where the sales price exceeds the lower of allowed Total Development Costs or the appraised value of the property.
- This review requires DNS to determine the reasonableness of itemized Total Development Costs submitted by the Developer. This determination should use the following guidelines:
 - **Acquisition Costs**
 - Costs Allowed
 - Purchase Price
 - Closing costs associated with purchase
 - Guidelines
 - Actual costs evidenced by purchase contract and/or settlement statement
 - Homes previously supported by AAH or similar programs are not eligible
 - Related party transfer of property must not exceed the sellers cost of acquisition and carrying costs. A related party is defined as an organization, individual or entity participating in the financial benefits of the final development by fee; equity interest, as a member of a partnership or corporation; or is a family member of an owner or principle of the purchasing entity.
 - **Rehabilitation Costs**
 - Costs Allowed
 - Actual hard construction costs
 - In addition to the costs of repairs made to the home this may include:
 - Security
 - Yard upkeep
 - Debris Removal
 - Permit Fees
 - Guidelines
 - Costs supported by contract with builder, documentation of change orders
 - DNS inspector will
 - Verify initial condition of house

- advise on reasonableness of costs
 - perform post-construction inspection for completion of work to-specifications, and to applicable standards
- **Financing Costs**
 - Costs Allowed
 - Interest expense and financing fees incurred by developer for loans secured to finance the acquisition and construction of the project.
 - Guidelines
 - Declaration of cost, loan amount, lender, and interest rate.
 - Evidence of payments made or outstanding obligations.
- **Carrying Costs**
 - Costs Allowed
 - Real estate taxes, liability insurance utility costs, and hazard insurance
 - Guidelines
 - Should not exceed \$300 per month
 - Subject to verification through evidence of payment or outstanding obligation
- **Marketing/Sales Costs**
 - Costs Allowed
 - If a licensed broker is not used, an allowance to offset the developer's advertising and staff costs devoted to marketing rehabilitated homes.
 - If a licensed broker is used, the broker fee paid by developer.
 - Guidelines
 - When a licensed broker is not used, an allowance of 7% of the sales price for any sales and marketing costs.
 - When a licensed broker is used, the actual fee not to exceed 7% of sales price.
- **Professional Services**
 - Costs Allowed
 - HERS/LEED or Related Green Plan Fees paid to a third party

- Verifiable out of pocket expenses for plans and specifications paid to a third party specific to home being sold
 - Out of Pocket costs of required lead testing and assessment.
- **Closing Costs**
 - Costs Allowed
 - Costs associated with financing fees, property tax proration, out-of-pocket expenses associated with closing (title work, recordation, appraisals, etc.), and any costs attributed by the lender to the seller or buyer.
 - Property tax escrow contributed by developer.
 - Guidelines
 - DNS will obtain corroboration of costs from the title company serving as escrow agent for the sale.
- **Developer's Fee**
 - Costs Allowed
 - A fee charged to cover the Developer's operating costs.
 - Guidelines
 - An amount equal to 5% of total acquisition, rehabilitation, financing, carrying, marketing/sales, professional services, and closing costs (noted above). Fees to third parties or related parties for costs that are not otherwise specified in the guidelines above must be paid from this fee.
- **Developer's Profit**
 - Costs Allowed
 - A fair return on investment made and risk taken by the developer.
 - Non-profit organizations which receive operating support for housing and community development activities from the City of Cleveland are not eligible for this fee.
 - Guidelines
 - An amount equal to 9% of all other development costs defined as acquisition, rehabilitation, financing, carrying costs, marketing/sales, professional services and closing costs plus the developer's fee.

III. Eligibility and Affordability for Borrower

- Requirements

- Income Eligibility: The Afford-A-Home Program provides second mortgage assistance to families and individuals with incomes of 80% of Area Median Income (AMI) or less. This income qualification is adjusted annually by the U.S. Department of Housing and Urban Development and is based upon family size.
- There can be no outstanding claims such as outstanding judgments or bankruptcies.
- The financing for the home must be sustainable for the buyer.

- Guidelines

- Credit Rating of 600 or greater as reported by at least one of the three major credit rating companies.
- A buyer must provide a three percent down payment of ungifted funds; or make a contribution of not less than \$500 cash to the deal and attend a Home Buyer Counseling course that meets requirements of the HUD Neighborhood Stabilization Program (NSP). HUD NSP requires at least eight hours of in-person counseling.
- Monthly Housing Payment to Monthly Income Ratio. The total monthly housing cost (P&I + RE Taxes + Home Insurance) shall be equal to or less than 29% of Monthly Income.
- Total Fixed Debt to Income: Total Fixed Monthly Debt Payments (including PITI on home mortgage loan) shall be equal to or less than 41% of Monthly Income.
- Bank Loan to Appraised Value Ratio: The principal amount of the first mortgage bank loan shall be equal to or less than 90% of the appraised value of the home.
- Bank Loan + AAH Loan to Appraised Value Ratio. The principal amount of the bank loan plus the principal amount of the AAH second mortgage loan shall be equal to or less than 100% of appraised value or selling price whichever is less.