

# Fund 143

## Homeowner and Business Loan Programs

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### **Mission**

The overall goal of the Homeowner and Business Loan Programs is to enhance the quality of life and economic base of the County by providing support for homeownership, for repair and upgrading of existing housing and for assistance to small and minority businesses. One focus provides a means and opportunity for low- and moderate-income households to become homeowners in the County through the Moderate Income Direct Sales (MIDS) program. The second focus provides affordable loans for housing improvement and rehabilitation to qualifying low-income homeowners or homeowners living in areas targeted for improvement, resulting in the elimination of health and safety code violations, enhancing the quality and appearance of existing housing and retaining existing affordable housing. The third focus provides business assistance and counseling services as well as direct loans to qualified minority businesses.

### **Focus**

Fund 143, Homeowner and Business Loan Programs, is comprised of three programs designed to meet the agency goal as detailed below:

- ◆ The Home Improvement Loan Program (HILP) provides loans to low- and moderate-income individuals to repair, modernize, or expand the living space for their families to help alleviate overcrowded conditions. Funds are also loaned to homeowners who are cited for health and housing code violations, and for replacement housing, if necessary. Grants are provided for low-income elderly or disabled residents through the Elderly Home Repair Program to make needed repairs and provide for handicapped accessibility, to prevent displacement, and to allow these individuals to live in safe and sanitary housing. County appropriated funds within the Homeowner and Business Loan Programs are used in conjunction with bank funds budgeted in Fund 945, Non-Appropriated Rehabilitation Loans, and federal funding in Fund 142, Community Development Block Grant, to increase the assistance available to County residents.
- ◆ The Moderate Income Direct Sales (MIDS) program is designed to provide affordable homeownership opportunities for low- to moderate-income families who otherwise could not afford to purchase a home. Established in 1978, this program funds second trust loans up to \$15,000. These loans are repaid when the home is resold. The second trust allows the sales price to be affordable to families who would not normally qualify for home ownership. As initially established, MIDS units acquired or constructed by the Fairfax County Redevelopment and Housing Authority (FCRHA) were sold to moderate income families, and the purchase was made possible by the provision of the second trust loans. The resale price of the unit is limited, and the FCRHA has the right of first refusal when the home is resold.
- ◆ The Small and Minority Business Loan program was initiated in FY 1996. Fund 143, Homeowner and Business Loan Programs, was expanded to include the receipt of federal funds for operation of the Small and Minority Business Loan program. The program provides loans to qualified small and minority businesses. Program funds are administered by the Community Business Partnership (formerly the South Fairfax Regional Business Partnership, Inc.) through an agreement with the Department of Housing and Community Development. Loan repayments from the business loans will be received as revenue in Fund 143, Homeowner and Business Loan Programs, and will be used to pay debt service on the Section 108 Loan 7.
- ◆ Program income from the HILP and MIDS programs will provide direct loans as well as administrative support for the five positions that administer the programs, consistent with the business plan approved by the FCRHA and the Board of Supervisors.

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- ◆ FY 2005 revenues are projected to be \$1,518,594, an increase of \$460,643 or 43.5 percent over the FY 2004 Adopted Budget Plan, with the actual results reliant upon economic conditions, participants' ability to repay rehabilitation loans and the real estate market environment for MIDS resale properties and second trusts. The Section 108 loans will be repaid according to scheduled payments. In addition to the funding in Fund 143, the HILP Program initiated a 2 percent loan origination fee as of July 1, 1996 on all loans settled by the program. The revenue generated by this program goes directly into Fund 940 to support staff costs associated with the program.

### Budget and Staff Resources

Agency Summary					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Expenditures:					
Operating Expenses	\$1,309,550	\$1,057,951	\$4,719,587	\$1,518,594	\$1,518,594
<b>Total Expenditures</b>	<b>\$1,309,550</b>	<b>\$1,057,951</b>	<b>\$4,719,587</b>	<b>\$1,518,594</b>	<b>\$1,518,594</b>

### FY 2005 Funding Adjustments

The following funding adjustments from the FY 2004 Revised Budget Plan are necessary to support the FY 2005 program:

- ◆ **Homeowners Improvement Loan Program (HILP)** (\$585,239)  
A net decrease in the amount of \$585,239 due to unexpended balances carried over from FY 2003 for emergency repairs to heat or water systems, collapsing floors and ceilings, leaking roofs and to alleviate health and building code violations.
- ◆ **Moderate Income Direct Sales (MIDS)** (\$1,385,871)  
A net decrease in the amount of \$1,385,871 due to unexpended balances carried over from FY 2003 for principal and interest payments as well as deferred purchase and resale of units to MIDS participants.
- ◆ **Small and Minority Business Loan Program** (\$1,229,883)  
A net decrease in the amount of \$1,229,883 based on the amortized repayment schedule for the U.S. Department of Housing and Urban Development Section 108 Loan 7 and carryover of expended balances for anticipated loans to qualified small and minority businesses.

### Board of Supervisors' Adjustments

*The following funding adjustments reflect all changes to the FY 2005 Advertised Budget Plan, as approved by the Board of Supervisors on April 26, 2004:*

- ◆ The Board of Supervisors made no adjustments to this fund.

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#### **Changes to FY 2004 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2004 Revised Budget Plan since passage of the FY 2004 Adopted Budget Plan. Included are all adjustments made as part of the FY 2003 Carryover Review and all other approved changes through December 31, 2003:*

- ◆ **Carryover Adjustments** **\$3,661,636**  
As part of the FY 2003 Carryover Review, the Board of Supervisors approved an increase of \$3,661,636 including an amount of \$3,954,610 due to the carryover of unexpended FY 2003 program balances offset by adjustments in the amount of \$292,974 based on projected program activity. FY 2004 revenues are increased \$1,274,709 due to the carryover of FY 2003 program balances for the Business Loan Program.

*The following funding adjustments reflect all approved changes to the FY 2004 Revised Budget Plan from January 1, 2004 through April 19, 2004. Included are all adjustments made as part of the FY 2004 Third Quarter Review:*

- ◆ The Board of Supervisors made no adjustments to this fund.

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### FUND STATEMENT

Fund Type H14, Special Revenue Funds

Fund 143, Homeowner and Business Loan Programs

	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$2,728,758</b>	<b>\$66,250</b>	<b>\$2,699,454</b>	<b>\$305,682</b>	<b>\$312,527</b>
Revenue:					
Program Income (MIDS) County Rehabilitation Loan	\$241,846	\$497,269	\$497,269	\$852,022	\$852,022
Repayments <sup>1</sup>	915,749	488,682	488,682	612,347	612,347
Business Loan Program	122,651	72,000	1,346,709	54,225	54,225
<b>Total Revenue</b>	<b>\$1,280,246</b>	<b>\$1,057,951</b>	<b>\$2,332,660</b>	<b>\$1,518,594</b>	<b>\$1,518,594</b>
<b>Total Available</b>	<b>\$4,009,004</b>	<b>\$1,124,201</b>	<b>\$5,032,114</b>	<b>\$1,824,276</b>	<b>\$1,831,121</b>
Expenditures:					
Rehabilitation Loans and Grants <sup>1</sup>	\$279,504	\$488,682	\$1,144,719	\$612,347	\$612,347
Water Extension and Improvement Projects	0	0	52,867	0	0
Program (MIDS)	929,056	497,269	2,237,893	852,022	852,022
Business Loan Program	100,990	72,000	1,284,108	54,225	54,225
<b>Total Expenditures</b>	<b>\$1,309,550</b>	<b>\$1,057,951</b>	<b>\$4,719,587</b>	<b>\$1,518,594</b>	<b>\$1,518,594</b>
<b>Total Disbursements</b>	<b>\$1,309,550</b>	<b>\$1,057,951</b>	<b>\$4,719,587</b>	<b>\$1,518,594</b>	<b>\$1,518,594</b>
<b>Ending Balance <sup>2</sup></b>	<b>\$2,699,454</b>	<b>\$66,250</b>	<b>\$312,527</b>	<b>\$305,682</b>	<b>\$312,527</b>

<sup>1</sup> In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of \$979 have been reflected as an increase to FY 2003 revenues and audit adjustments in the amount \$5,866 have been reflected as a decrease to FY 2003 expenditures. The audit adjustments have been included in the FY 2003 Comprehensive Annual Financial Report (CAFR). Details of the FY 2003 audit adjustments have been included in the FY 2004 Third Quarter Package.

<sup>2</sup> Projects are budgeted based on the total program costs. Most programs span multiple years, therefore, funding is carried forward each fiscal year, and ending balances fluctuate, reflecting the carryover of these funds.