

# Fund 40360

## Homeowner and Business Loan Programs

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### Mission

The overall goals of the Homeowner and Business Loan Programs are to enhance the quality of life and economic base of the County by providing support for homeownership, to repair and upgrade existing housing, and to assist small and minority businesses. One focus is to provide a means and opportunity for low- and moderate-income households to become homeowners in the County through the First-Time Homebuyers Program operated by the FCRHA and offering units through the Moderate Income Direct Sales (MIDS) Program and Fairfax County's Affordable Dwelling Unit (ADU) Ordinance. The second focus is to provide 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 is to provide business assistance and counseling services as well as direct loans to qualified minority businesses.

### Focus

Fund 40360 (formerly Fund 143), Homeowner and Business Loan Programs, is comprised of three programs designed to meet the agency mission as detailed below:

- ◆ The First-Time Homebuyers Program is designed to provide affordable homeownership opportunities for low- to moderate-income families who otherwise could not afford to purchase a home. The Moderate Income Direct Sales (MIDS) program as established in 1978, acquired or constructed units sold by the FCRHA to moderate income families, with second trust loans provided to make the loan amount affordable. The resale price of the unit is limited, and the FCRHA has the right of first refusal when the home is resold. Since 1993, the FCRHA has been marketing units that are provided under provisions of Fairfax County's Affordable Dwelling Unit Ordinance. These units also serve low- and moderate-income households who are first-time homebuyers earning at least \$25,000. Homes range in price from \$70,000 to \$180,000. Restrictive covenants apply that limit the sales price, and require owners to occupy the home. Homes purchased currently have a 30-year control period. The FCRHA has the right of repurchase or the right to assign the purchase to a new homebuyer. Applicants for both ADU units and MIDS units are required to participate in homeownership education classes and obtain a pre-conditional approval from a lender to participate in drawings to receive these homes.
- ◆ 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 Fund 40360, Homeowner and Business Loan Programs, are used in conjunction with federal funding in Fund 50800, Community Development Block Grant, to increase the assistance available to County residents.

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- ◆ The Small and Minority Business Loan program was initiated in FY 1996, and Fund 40360, Homeowner and Business Loan Programs, was expanded to include the receipt of federal funds for the operations of this program which 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 40360, Homeowner and Business Loan Programs, and will be used to pay debt service on the Section 108 Loan 7.

Program Income from HILP and MIDS programs will provide direct loans, consistent with the business plan approved by the FCRHA and the Board of Supervisors.

FY 2014 revenues are projected to be \$2,431,943 with the actual results reliant upon economic conditions, participants ability to repay rehabilitation loans and the real estate market environment for MIDS and ADU resale properties and second trusts. The Section 108 loan will be repaid according to scheduled payments. In addition to the funding in Fund 40360, the HILP Program initiated a two 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 81000, FCRHA General Operating to support staff costs associated with the program.

### Budget and Staff Resources

| Category                  | FY 2012<br>Actual  | FY 2013<br>Adopted | FY 2013<br>Revised  | FY 2014<br>Advertised | FY 2014<br>Adopted |
|---------------------------|--------------------|--------------------|---------------------|-----------------------|--------------------|
| <b>FUNDING</b>            |                    |                    |                     |                       |                    |
| Expenditures:             |                    |                    |                     |                       |                    |
| Operating Expenses        | \$2,163,674        | \$3,910,249        | \$11,813,027        | \$2,431,943           | \$2,431,943        |
| <b>Total Expenditures</b> | <b>\$2,163,674</b> | <b>\$3,910,249</b> | <b>\$11,813,027</b> | <b>\$2,431,943</b>    | <b>\$2,431,943</b> |

### FY 2014 Funding Adjustments

The following funding adjustments from the FY 2013 Adopted Budget Plan are necessary to support the FY 2014 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on April 30, 2013.

- ◆ **Moderate Income Direct Sales Program** (\$1,532,479)  
A decrease of \$1,532,479 is due to lower expenditures for a decreased number of units purchased and resold.
- ◆ **Home Improvement Loan Program** \$55,881  
An increase of \$55,881 is due to higher expenditures for loan repayments and administrative costs based on a previous three-year average of activity.
- ◆ **Small and Minority Business Loan Program** (\$1,708)  
A decrease of \$1,708 is due to lower expenditures for U.S. Department of Housing and Urban Development Section 108 Loan 7 repayments based on the repayment schedule.

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### **Changes to FY 2013 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2013 Revised Budget Plan since passage of the FY 2013 Adopted Budget Plan. Included are all adjustments made as part of the FY 2012 Carryover Review, FY 2013 Third Quarter Review, and all other approved changes through April 23, 2013.*

- ◆ **Carryover Adjustments** **\$7,902,778**  
As part of the *FY 2012 Carryover Review*, the Board of Supervisors approved funding of \$7,902,778 due to carryover of unexpended FY 2012 balances anticipated for the FY 2013 Moderate Income Direct Sales (MIDS) Program, County Rehabilitation Loans and Grants Program, and Business Loan Program.

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### FUND STATEMENT

#### Fund 40360, Homeowner and Business Loan Programs

|   | FY 2012<br>Actual  | FY 2013<br>Adopted<br>Budget Plan | FY 2013<br>Revised<br>Budget Plan | FY 2014<br>Advertised<br>Budget Plan | FY 2014<br>Adopted<br>Budget Plan |
|---|--------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| <b>Beginning Balance</b>                    | \$3,336,124        | \$3,263,353                       | \$3,563,128                       | \$3,263,353                          | \$3,263,353                       |
| Revenue:                                    |                    |                                   |                                   |                                      |                                   |
| Program Income (MIDS)                       | \$2,211,244        | \$3,688,639                       | \$9,476,335                       | \$2,156,160                          | \$2,156,160                       |
| County Rehabilitation Loan Repayments       | 169,070            | 175,660                           | 1,279,516                         | 231,541                              | 231,541                           |
| Business Loan Program                       | 10,364             | 45,950                            | 757,401                           | 44,242                               | 44,242                            |
| <b>Total Revenue</b>                        | <b>\$2,390,678</b> | <b>\$3,910,249</b>                | <b>\$11,513,252</b>               | <b>\$2,431,943</b>                   | <b>\$2,431,943</b>                |
| <b>Total Available</b>                      | <b>\$5,726,802</b> | <b>\$7,173,602</b>                | <b>\$15,076,380</b>               | <b>\$5,695,296</b>                   | <b>\$5,695,296</b>                |
| Expenditures:                               |                    |                                   |                                   |                                      |                                   |
| Moderate Income Direct Sales Program (MIDS) | \$1,835,557        | \$3,688,639                       | \$8,838,736                       | \$2,156,160                          | \$2,156,160                       |
| Rehabilitation Loans and Grants             | 281,195            | 175,660                           | 2,034,583                         | 231,541                              | 231,541                           |
| Business Loan Program                       | 46,922             | 45,950                            | 939,708                           | 44,242                               | 44,242                            |
| <b>Total Expenditures</b>                   | <b>\$2,163,674</b> | <b>\$3,910,249</b>                | <b>\$11,813,027</b>               | <b>\$2,431,943</b>                   | <b>\$2,431,943</b>                |
| <b>Total Disbursements</b>                  | <b>\$2,163,674</b> | <b>\$3,910,249</b>                | <b>\$11,813,027</b>               | <b>\$2,431,943</b>                   | <b>\$2,431,943</b>                |
| <b>Ending Balance<sup>1</sup></b>           | <b>\$3,563,128</b> | <b>\$3,263,353</b>                | <b>\$3,263,353</b>                | <b>\$3,263,353</b>                   | <b>\$3,263,353</b>                |

<sup>1</sup> Projects are budgeted based on the total program costs and most programs span multiple years. Therefore, funding is carried forward each fiscal year and ending balances fluctuate, reflecting the carryover of these funds.