

CITY OF WASHINGTON

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MEMORANDUM

TO: Mayor Manier and City Council
FROM: Joanie Baxter, Controller 
DATE: March 29, 2019
SUBJECT: Ordinance – First Time Homebuyers' Program

Attached is an ordinance authorizing the use of the annual volume cap for the Assist 2019 – First Time Homebuyers' Program. As you may recall, the City has participated in this program over the last eighteen years, which provides qualifying first-time homebuyers, assistance with obtaining a mortgage by offering a 30-year fixed-rate mortgage with a 3% - 7% contribution toward down payment and closing costs. An option for utilizing mortgage credit certificates (MCC) is also included. The private activity bonding authority granted to the City is based on \$105 per capita and equals \$1,765,155 for 2019. This ordinance is necessary to show the intent of the City in regard to the allocation of tax-exempt private activity bonding authority and must be approved prior to May 1.

During 2018, 23 loans were made to Washington home buyers (in 61571 zip code) totaling more than \$2.4 million and thus this program continues to be very successful in the greater Washington area.

The ordinance is scheduled for First Reading on April 1, 2019 with Second Reading and approval scheduled for April 15, 2019.

ORDINANCE NO. ____

**AN ORDINANCE APPROVING THE TRANSFER OF VOLUME CAP IN
CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, AND
RELATED MATTERS.**

WHEREAS, the City of Washington, Tazewell County, Illinois (the "*Municipality*") is a municipality and a home rule unit of government under Section 6 of Article VII of the 1970 Constitution of the State of Illinois; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the "*Code*"), provides that the Municipality has volume cap equal to \$105 per resident of the Municipality in calendar year 2019, which volume cap may be allocated to certain tax-exempt private activity bonds; and

WHEREAS, the Illinois Private Activity Bond Allocation Act, 30 *Illinois Compiled Statutes* 2008, 345/1 *et seq.*, as supplemented and amended (the "*Act*"), provides that a home rule unit of government may transfer its allocation of volume cap to any other home rule unit of government, the State of Illinois or any agency thereof or any non-home rule unit of government; and

WHEREAS, it is now deemed necessary and desirable by the Municipality to transfer its entire volume cap allocation for calendar year 2019 to the City of Aurora, Kane, DuPage, Will and Kendall Counties, Illinois (the "*Issuer*") to be applied toward the issuance of single family mortgage revenue bonds by the Issuer (the "*Bonds*") or for such other purpose permitted by this Ordinance;

NOW, THEREFORE, Be It Ordained by the City Council of the City of Washington, Tazewell County, Illinois, as follows:

SECTION 1. That, pursuant to Section 146 of the Code and the Act, the entire volume cap of the Municipality for calendar year 2019 is hereby transferred to the Issuer, which shall issue the Bonds using such transfer of volume cap, without any further action required on the part of the Municipality, and the adoption of this Ordinance shall be deemed to be an allocation of such volume cap to the issuance of the Bonds or other private activity bonds.

SECTION 2. That the Municipality and the Issuer shall maintain a written record of this Ordinance in their respective records during the term that the Bonds or any other such bonds to which such volume cap is allocated remain outstanding.

SECTION 3. That the Mayor, the City Clerk and all other proper officers, officials, agents and employees of the Municipality are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents and certificates as may be necessary to further the purposes and intent of this Ordinance.

Assist

Homeownership Program

Utilizing a two-pronged approach to assist homebuyers, the program is sponsored by communities throughout the state to promote home ownership. The home buyer assistance feature of the Assist program provides families with funds to pay all or most of their closing costs and down payment, enabling families with good credit but little available capital to buy their home. The mortgage credit certificate ("MCC") feature reduces the homebuyer's ongoing cost of borrowing whenever market conditions result in uncompetitive interest rates for loans funded in the tax-exempt bond market.

Overview

- Communities join together through an Inter-governmental Cooperation Agreement
- Home rule communities may contribute private activity bond volume cap to support either a tax-exempt bond issuance or the MCC feature
- Non-home rule communities apply for volume cap from the State
- No financial contribution or commitment required from any participant
- Any Illinois municipality can participate

Loan Funding

- Loans are funded with proceeds of tax-exempt bonds or through the direct sale of taxable mortgage-backed securities based on the sale method providing the lowest interest rate
- The bonds and securities are sold at a premium, a price greater than their face amount, which provides funding for the home buyer assistance
- Proceeds are used to make the home loans and fund the assistance
- The bonds and securities are not a debt of the municipalities or paid from any participating community's funds, and are secured only with loans on the homes purchased
- The City of Aurora acts as issuer on behalf of all the communities

Loan Description

- 30 year fixed rate loans
- FHA/VA/RDA (640 minimum credit score) and Conventional (660 minimum credit score) loans are available
- Assist pays 3% to 7% cash grant to qualifying home buyers to fund closing costs and down payment assistance.



Assist

Homeownership Program

Qualifying Homebuyers

- Will occupy the home as their residence
- Meet income and purchase price guidelines

Mortgage Credit Certificates

- MCC's are a federally authorized program created as an alternative to tax-exempt housing bonds to reduce effective interest costs for qualifying homebuyers
- MCC's allow the homebuyer to qualify for a federal income tax credit equal to a percentage of the interest paid on their home loan each year
- MCC holders still qualify for a regular deduction of the remaining interest paid on their home loan

	Without MCC	With MCC
Mortgage Amount	\$100,000	\$100,000
Mortgage Interest Rate	4.50%	4.50%
Monthly Mortgage Payment (first year interest = \$4,467.00)	\$506.69	\$506.69
MCC Rate	N/A	35%
Monthly Credit Amount (First Year Average) (35% of \$4,467.00 is first year credit)	N/A	\$130.29
"Effective" Monthly Mortgage Payment	\$506.69	\$376.40

Assist Advantages

- Provides additional home ownership opportunities in each community
- Home ownership provides added stability in a community
- Serves the large segment of potential home buyers who qualify for loans but lack funds for a down payment and closing costs
- Strategic alliance with lenders throughout the state
- Customized marketing in each municipality
- No out-of-pocket expense to any community to participate





INCOME AND PURCHASE PRICE LIMITS

COUNTY NAME	INCOME LIMITS						PURCHASE PRICE LIMITS	
	Targeted		Non-Targeted					
	1 or 2 People	3 or More	People	1 or 2 People	3 or More	People	Targeted	Non-Targeted
BOONE	NA	NA	NA	\$77,900	\$89,585	\$89,585	NA	\$312,353
COOK	\$101,520	\$118,440	\$118,440	\$84,600	\$97,290	\$97,290	\$414,117	\$338,823
CHAMPAIGN	\$93,480	\$109,060	\$109,060	\$77,900	\$89,585	\$89,585	\$354,281	\$289,866
DEKALB	\$93,480	\$109,060	\$109,060	\$78,058	\$89,759	\$89,759	\$414,117	\$338,823
DUPAGE	NA	NA	NA	\$84,600	\$97,290	\$97,290	NA	\$338,823
KANE	\$101,520	\$118,440	\$118,440	\$84,600	\$97,290	\$97,290	\$414,117	\$338,823
KENDALL	NA	NA	NA	\$95,700	\$110,055	\$110,055	NA	\$338,823
LAKE	\$101,520	\$118,440	\$118,440	\$84,600	\$97,290	\$97,290	\$414,117	\$338,823
MADISON	\$93,480	\$109,060	\$109,060	\$77,900	\$89,585	\$89,585	\$354,281	\$289,866
McLEAN	\$109,920	\$105,340	\$105,340	\$91,600	\$105,340	\$105,340	\$354,281	\$289,866
ST. CLAIR	\$93,480	\$109,060	\$109,060	\$77,900	\$89,585	\$89,585	\$354,281	\$289,866
SANGAMON	\$94,200	\$109,900	\$109,900	\$78,500	\$90,275	\$90,275	\$354,281	\$289,866
WILL	\$101,520	\$118,440	\$118,440	\$84,600	\$97,290	\$97,290	\$414,117	\$338,823
WINNEBAGO	\$93,480	\$109,060	\$109,060	\$77,900	\$89,585	\$89,585	\$381,764	\$312,353
OTHER PROGRAM AREAS	\$93,480	\$109,060	\$109,060	\$77,900	\$89,585	\$89,585	\$354,281	\$289,866



PARTICIPATING COMMUNITIES

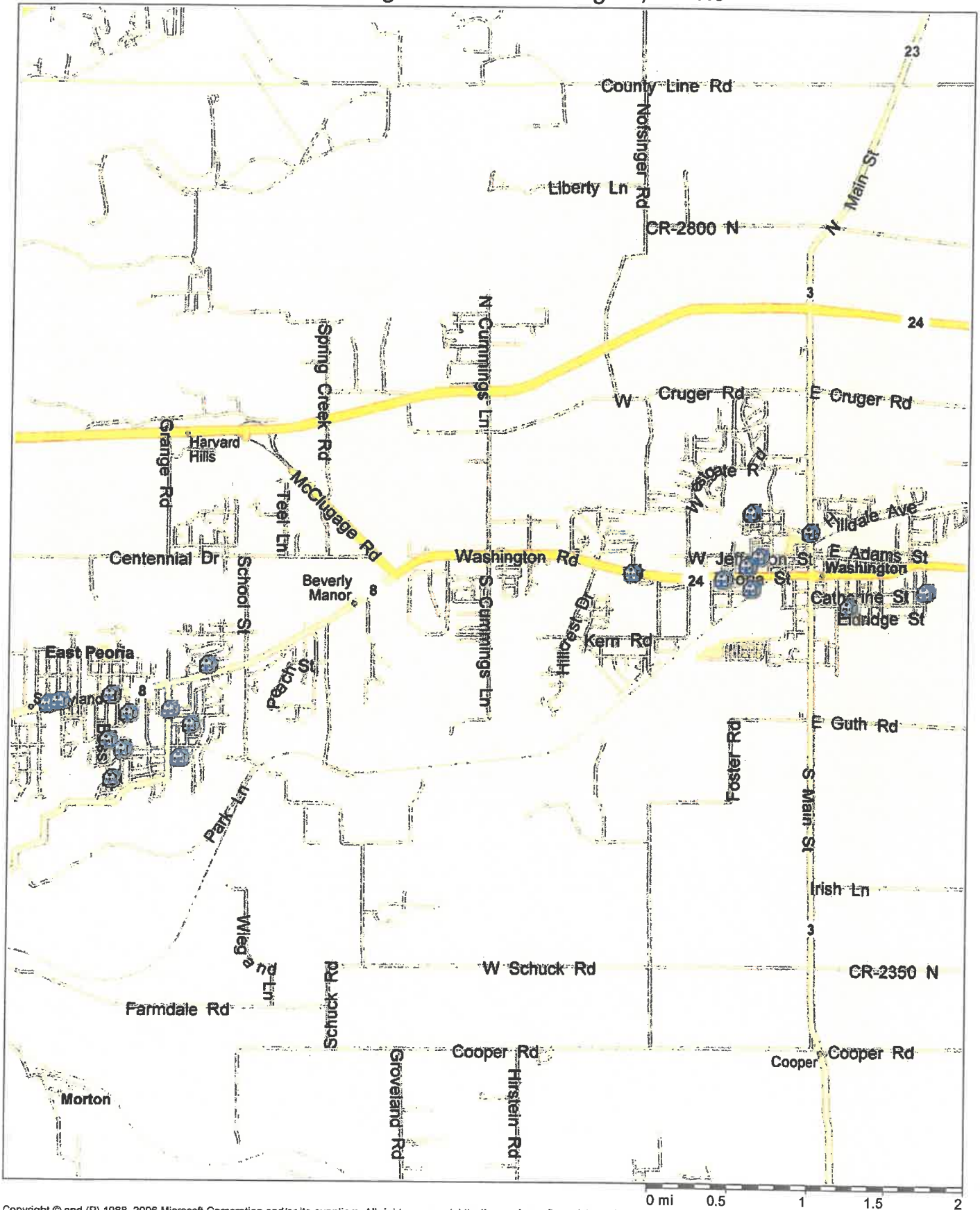
City of Aurora
 Village of Bartonville
 City of Belleville
 City of Belvidere
 Village of Bridgeview
 City of Champaign
 City of Charleston
 City of Collinsville
 City of Crest Hill
 Village of Creve Coeur
 City of Decatur
 City of East Moline
 City of East Peoria
 City of Edwardsville
 Village of Godfrey
 City of Joliet

Village of Justice
 City of LaSalle
 City of Lockport
 City of Loves Park
 Village of Machesney Park
 Village of Marquette Heights
 City of Mattoon
 Village of Mendota
 Village of Minooka
 Village of Montgomery
 City of Naperville
 City of Pekin
 City of Peoria
 Village of Peoria Heights
 City of Peru
 Village of Plainfield

City of Princeton
 City of Rochelle
 City of Rockford
 Village of Rockton
 Village of Romeoville
 City of Schaumburg
 Village of Shorewood
 City of South Beloit
 City of Springfield
 City of Urbana
 City of Washington
 City of Wood River
 Village of Yorkville

County of Boone
 County of Champaign
 County of Coles
 County of Cook
 County of DeKalb
 County of Kankakee
 County of Kendall
 County of Lake
 County of Macon
 County of Madison
 County of McLean
 County of Ogle
 County of Peoria
 County of Rock Island
 County of Tazewell
 County of Winnebago

Assist Originations in Washington, Illinois



CITY OF WASHINGTON, TAZEWELL COUNTY, ILLINOIS
Illinois Assist Down Payment Assistance Program Loan Originations

	CITY	STATE	ZIP	LOAN AMOUNT
1 .	Washington	IL	61571	\$87,878.00
2 .	Washington	IL	61571	\$64,804.00
3 .	Washington	IL	61571	\$103,098.00
4 .	Washington	IL	61571	\$108,007.00
5 .	Washington	IL	61571	\$137,286.00
6 .	Washington	IL	61571	\$107,516.00
7 .	Washington	IL	61571	\$109,971.00
8 .	Washington	IL	61571	\$135,009.00
9 .	Washington	IL	61571	\$85,424.00
10 .	Washington	IL	61571	\$83,125.00
11 .	Washington	IL	61571	\$134,425.00
12 .	Washington	IL	61571	\$92,625.00
13 .	Washington	IL	61571	\$78,059.00
14 .	Washington	IL	61571	\$123,471.00
15 .	Washington	IL	61571	\$87,300.00
16 .	Washington	IL	61571	\$111,836.00
17 .	Washington	IL	61571	\$128,381.00
18 .	Washington	IL	61571	\$129,609.00
19 .	Washington	IL	61571	\$127,546.00
20 .	Washington	IL	61571	\$104,760.00
21 .	Washington	IL	61571	\$84,200.00
22 .	Washington	IL	61571	\$80,514.00
23 .	Washington	IL	61571	<u>\$98,187.00</u>
Total:				<u>\$2,403,031.00</u>
Average:				<u>\$104,479.61</u>