From:	Charles Tate
To:	Brenda Evans
Cc:	Bradley Sweazy; Nicole Sweazy; Robert McNeese
Subject:	LHC Board "Discussion" on HOME Initiative -- Tate - also CDBG FHLB Medicaid AT Waiver
Date:	Thursday, July 11, 2013 5:49:01 AM

Brenda,

Per your request during the "Discussion" by the LHC Multifamily Committee concerning "Issuance of a HOME Initiative" session in reference to HOME and CDBG funds, here is a summary of the items I mentioned, with a copy to Brad, Nicole and Robert McNeese given the thoughts conveyed:

1. Small Landlord Rehab of 30% or 50% AMI widow SS pensioner or SSI disabled tenant.

Picture the 80 year old rural landlord whose kids have moved away and who continues to rent a house after 20 years to the same widow or disabled person for very little. The house is now in need of long overdue repairs. The landlord does not want to evict the person, yet cannot justify putting good money after bad, and has no clue about how to do paperwork. Hire the plumber, yes; Environmental Phase I, what's that?

Brad's points well taken if use of CDBG funds eliminate hurdles (I think he mentioned minimum housing standards, and I would hope other hurdles can be minimized or eliminated: market study, appraisal, environmental reports for these mostly pre 1978 homes.) I can connect you directly to someone who had a heart and was a long-time rural City Council member if you need a sounding board.

These funds would have to be a Soft Second, given the $300/month and $25/month ($300/year) underwriting assumptions for Operating Expenses and Replacement Reserves, and the picture I have of a small house that rents for about $300 or $350 per month.

2. 30% or 50% AMI Widow homeowner. Same picture as above, but this time the home is owned by a widow who receives $1,000 or so per month income. In this context, the improvements can be reflected in a mortgage and recaptured by LHC upon sale of the home -- which Guy Williams aptly likened to a reverse mortgage. (I would imagine widow can perfect a mortgage not only on her half interest in the community property, but her deceased spouse's half interest over which she has usufruct -- but am not sure.)

3. TBRA. Our State is trying to encourage its young citizens to go to 2 year junior colleges and vocational technical schools that offer welding, etc. Meanwhile, due to State budget constraints (self inflicted or not), our State schools have consolidated programs regionally, which has the net effect of placing these programs farther an farther from the kids we are particularly keen to have involved in them.

Rural Kids who opt for LSU, SU, Southeastern, etc can obtain financial aid to cover room and board expenses.

Not so for rural (or urban) kids who wish to take the advice of State leaders and go to the closest welding, plumbing, auto repair program, which might be 20 or 60 miles away.

Confirm this if you would like (LOSFA), but financial aid is not available to cover such kids, even if they participate full time in a 2 year program of the type we know we need them to go to. (Nicole might recall the back flips I tried to do for a young homeless lady, a victim of abuse trying to escape a bad situation for whom there was no space in Faith House -- part of my motivation for getting with Faith House III, funded in part with LHC HOME funds.)

TBRA is the only way to go to get them and us from here to there, and I think specifically only TBRA of the type LHC uniquely can supply: statewide. (I believe other TBRA originates locally, which does not do me much good if I am a kid in a rural community who needs to get out of my disadvantaged home to attend a welding program an hour away, when I have no car and no access to inter-city public transit and little prospect of getting on the Section 8 waiting list let alone waiting 2 years for my name to come up.)

I would imagine the most direct route for LHC to get from here to there on TBRA would be to do an MOU with the LTC System, which already vets such students for financial need, and LHC deriving income as Co Program Administrator, but I leave that to you. Suffice to say count me in as a volunteer on this.

4. FHLB. Great to have heard that LHC is becoming engaged with FHLB. We have been advocating for this for 5 years. I know of at least 3 programs FHLB has that hold great interest. (1) Unlike other lenders, they can give a 30 year rate lock. We have long tried to get conventional banks to go with a FHLB CIP (I think) rate lock, add a point or so for their trouble, and eliminate interest rate risk for all parties, but everyone of them have said they make more money using their own reserves and doing shorter term balloon loan. 7/10/13 rate on a 30 year loan: 4.269% (2) We have had pretty terrific success in drawing down AHP funds grant of maybe $7,000 per unit, maximum $500,000 per project. To do so requires having a Bank sponsor. I am not sure whether LHC would be able to act as such a Sponsor, but the AHP funds can certainly be used to stretch your own resources. (Caveat: AHP grants only come up once a year, with April deadlines and summer awards, so there could be some significant timing issues.) AHP funds can also be used for Homeownership, but it has been a long time since I have looked at their Homeownership rules. (4) FHLB has funds available -- SNAP maybe? -- that can be used for Home Mods. I think they might require a match, but maybe HOME/CDBG funds can be used for such a match?

5. Home Modifications. Home modifications to facilitate accessibility. Home Mods (Ramps, Doors, Kitchens, Bathrooms) run $5,000 to $25,000. Landlords derive little benefit from these in the context of rentals, and in the case of homeowners they often cannot afford them.

So far this sounds like Items 1 and 2 above, but let me add this component: Recipients of Medicaid Waivers for $3,000 to $7,000 worth of permanent financing. Possibilities: HOME/CDBG Gap Financing when costs exceed Medicaid Waiver caps. Second, and huge: Only small contractors are interested in this work and cannot carry the projects for the 3 - 5 months while waiting on Medicaid Reimbursement.

I think I am correct in saying that these Medicaid Waivers for Home Modifications save the State (Medicaid) a lot of money in comparison to the costs associated with that particular individual's option, the Medicaid funded nursing home stay. Hence, I believe this represents an area where our housing solution can save the State lots of General Fund matching money (which they apparently get from LHC any way!).

If LHC has funds that can be used for mission-consistent interest bearing loans to fill this gap (directly or indirectly), then the rest can fall in place. In my role as volunteer Chairman of the Board for LATAN (http://www.latan.org/), I have been working with the Feds and DHH and have come up with the following scenario for LATAN's small Revolving Loan Fund: No funds available until Medicaid supplies Contractor (pre-cleared by the Division of Administration and DHH) with a Purchase Order after approval of scope, and then on a basis of maybe 66% LTV.   Terms: Application Fee plus maybe 5% interest. If LHC would like to discuss collaborating on this, let me know and I can arrange in my capacity of volunteer Chair. We have a part-time loan officer and a great relationship with the folks at DHH.

Great day and sign me up if you need any help,

Charles Tate
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