



The City of Hollywood Lease/Purchase Program

Editorial Note: Lease Purchase programs will be playing a major role in the Neighborhood Stabilization Program, as homes are rehabilitated for prospective purchasers who may not be credit ready to buy. The City of Hollywood's program was not created for NSP, but the same practices apply.

By Kristina M. Fausel

The City of Hollywood set its sites on a Lease/Purchase program in 2005. The hope was to create a program to promote home ownership, provide education, establish pride in struggling neighborhoods and stabilize home deterioration caused by absentee landlords failing to maintain their properties.

Lender Partnerships

The lending parameters of this program focused our efforts on a local portfolio of banks that would be able to hold the mortgage until the assumption took place. Partnerships created with your local lending institutions are a very important relationship to retain. Bank Atlantic has partnered with the City of Hollywood, as well as other municipalities, for many years and has taken risks on programs that have improved the community and educated homeowners. Today, Bank Atlantic continues to give back with staff time and support on new innovative partnering programs with non-profits and government offices. The City of Hollywood would not have been successful without the true partnering of this lending institution.

Legal Agreements

The Lease Purchase agreement, tailored from a program located in Illinois by a not-for-profit Housing Service Agency, led the way to working out the legal agreement between the seller and the buyer. This agreement sketched out the basics and the Department of Housing

and Community Redevelopment added a few new twists to it. The Lease/Purchase agreement identified the income eligible borrower (Buyer/Lessee) and the Hollywood Housing Authority (Seller/Lessor). The Hollywood Housing Authority (HHA) played an important role during the development of the program. The HHA was tasked with maintaining the property, collecting rental funds and distributing them to the appropriate entities. The breakdown of the payment was as follows: the principal and interest went to the lender along with escrow for taxes and insurance, liability insurance was collected by the HHA and the City of Hollywood wanted to have at least one percent of the initial purchase price in savings by the time the mortgage was assumed. The eligible client would be qualified for a mortgage

at the time of the agreement and the HHA would provide a loan through the local lender for the same amount. The difference would be subsidized by SHIP and HOME funding provided to the HHA by the City of Hollywood.

Housing Repair and Maintenance Responsibilities

Once the property has been obtained by the HHA, the City of Hollywood's Housing Rehabilitation program would repair any necessary items to provide safe and sanitary living conditions to the eligible client. The Lease/Purchase agreement between the client and the



Kristina Fausel, with City of Hollywood, Laurel Coverly, Hollywood's first Lease/Purchase Client, and Tim Schwartz, with Hollywood Housing Authority



A Lease/Purchase home.

HHA stated that although any alterations to the property would need to have the approval of HHA, the client would need to keep and maintain the property during the lease period as if Buyer/Lessee were the owner, including normal repairs to the plumbing, electrical, heat/air systems and maintenance of the lawn and landscaping. This allowed the Buyer/Lessee to experience the maintenance issues that come with home ownership prior to the assumption of the mortgage and created awareness about the importance of saving and maintaining good credit.

This program is dedicated for the eligible client who wanted to get into a home and then work on the credit and income issues with the advantage of the current mortgage rates and the comfort of knowing there was still a landlord attached to the property in case something happened.

Home Ownership Readiness Program

With the original concept of promoting home ownership, education and restoring neighborhood pride, there was an additional component added to the program. The program established a short-term and a long-term set of items the Buyer/Lessee would have to complete to be eligible to assume the mortgage within the term of the lease. The two eligible clients selected the long-term agreement due to credit issues that needed attention and the desire to allow enough time to resolve those issues.

The long-term workshop schedule included bi-monthly credit/budget counseling one-on-one with the housing counselor at the City of Hollywood, participation in the Housing Rehabilitation workshop (due to the home repairs provided), two property maintenance workshops and four monthly Civic Associations meetings during the first 12 months of the lease. The second 12 months included the continuation of credit/budget counseling,

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two property maintenance workshops and six monthly Civic Association meetings. The final 12 months included the completion of credit/budget counseling along with the credit standards to be worthy of a first time home buyer for the lender, two property maintenance workshops, property taxes/homestead, insurance, predatory lending, identity theft and foreclosure prevention workshops (provided by the City of Hollywood), post closing counseling and eight monthly Civic Association meetings. In addition, the 36-month schedule also included the completion of three of the following: CERT Training, CPR Training, Crime Watch, Code Academy, Mayor's Dollar Wise Campaign for Financial Literacy, Earned Income Tax Credit and National Crime Night activities in the area in which their property was located. As you can see, participants need to be the type of individuals who want to be educated homeowners and be involved in the community. The selection of these clients is very important to the success of this program.

Six months prior to the assumption, the City of Hollywood delivers a package to the lender and receives an approval for the assumption. When the final assumption takes place the Buyer/Lessee will then assume the first, second and the Housing Rehabilitation liens placed on the property. All the City liens are zero percent interest and due when they sell, rent or refinance the property.

Conclusion

This program is labor intensive for both the staff and the Buyer/Lessee, but the program is proving to provide exactly what it was intended to provide from the beginning. The City of Hollywood has two Lease/Purchase clients and is currently working with a third interested candidate. The first client has completed her first 12 months and is now working on the second 12 months. Both clients have become knowledgeable about the City's activities, involved in their community through their Civic Associations and have engaged with their neighbors to provide information about the various activities and programs the City of Hollywood provides.

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***KRISTINA M. FAUSEL** is a Housing Counselor for the Department of Housing and Community Redevelopment, and the President of the Broward Housing and Community Development Task Force.*