

From Jay Marcus 8.4.08

City First Homes (CFHomes) proposes to co-develop and sell 200 homes to low and moderate-income homeowners – 100 of which will be affordable to households earning less than 80% of median income. CFHomes will enter in co-development agreements with 5 developers of homes in Washington DC. As co-developer, CFHomes will co-own (as tenant in common) the property during construction and provide \$75,000 in reduced rate “equity” financing toward construction. CFHomes will also work with the co-developer to affect home design, size and (where appropriate) condo-fee structure to ensure the project meets of low and moderate-income households. For 50 of these 200 homes, CFHomes will co-develop with nonprofit developer’s to purchase and rehab REO housing stock in neighborhoods heavily impacted by foreclosures. CFHomes will also work to create a curriculum for its homeowners and work with local HUD approved homeowner counseling agencies to ensure a minimum 10 hours pre-purchase counseling and training and post-purchase support, training and delinquency intervention. CFHomes will also work with these nonprofit counseling agencies to identify and pre-qualify eligible homeowners.

At home sale, CDH will provide 3.49% \$75,000 40-year second mortgages – interest-only for the first 7 years and then amortizing over 33 years to the homebuyer. The loan will require that the homebuyer resell their home at an affordable reduced price – restricting their equity appreciation to 25% of the market appreciation. This formula is similar to those used by several land trusts as a means to ensure permanent affordability.

The 200 \$75,000 second mortgages (totaling \$15 million) will be financed through several means:

- \$2.34 million - 0%, forgivable loan from Washington DC (already committed)
- \$1.00 million – 4%, 10 year, NCB Capital Impact (strong letter of interest)
- \$.5 million – 5.5% 10 year, Living Cities PRI funding
- \$7.18 million – 6.5%, 30 year, Lender
- \$1.00 million – Other grant funds (for CF Homes operating)
- .25 million – Living Cities Grant
- \$5.25 million – Equity through sales of New Markets Tax Credit (tax credits from NCB Capital Impact and ECP)
- \$17.5 million (\$640,000 in reserves, \$1 million for CF Homes operating, and \$900,000 in fees, plus \$15 Million to invest in the 200 homes)

All of the non equity money will be invested in a Community Development Entity (CDE) that has an allocation of New Markets Tax Credit to enable that funding to “leverage” the New Markets Tax Credit equity. The CDE would then lend the money to CDH, who would then invest the money into each home.

Financing from Washington DC has already been committed. We expect to have tentative commitments of the other portions of financing in advance of applying for Federal Home Loan Bank AHP funds in April 2008.

About CFHOMES

CFHomes is a recently created affiliate of City First Enterprises, the nonprofit bank holding company of City First Bank a \$130 million CDFI and FHLB of Atlanta's 1,000th member bank. During the past ten years, CFE and its people have proven capable of thinking big and delivering results, including launching City First Bank, the \$130 million financial institution serving DC's low- and moderate-income neighborhoods, and City First Capital, the affiliate providing \$160 million in New Markets Tax Credits (NMTCs) for community development projects in the same neighborhoods. CFE's newest initiative, CFHomes, aims to make a similarly transformative impact on the District's affordable housing sector.