

City of Buffalo Urban Renewal Agency
Anti-Predatory Lending Policy
June 22, 2006

The Group recommends that the following criteria be applied as Uniform Underwriting Standards for all applicants to City of Buffalo Office of Strategic Planning sponsored homebuyer programs -

1. Applicants who wish to use a sub-prime product must have been rejected by a CRA lender for a prime or CRA product and must present documentation of rejection.
2. No payment of non-housing related debt as part of the mortgage, unless a financial hardship can be demonstrated.
3. Fixed rate mortgages will be the standard approved product with interest rate ceilings not to exceed 3% above the FHA rate posted on the date of the contract of sale, not to exceed 9.99% without further OSP review. Wherever possible, buyer should reduce the rate through the buydown of points as part of the closing costs.
4. Thirty-day simple interest, or interest only mortgages are not acceptable and mortgage terms may not provide for a balloon payment.
5. Monthly payment due dates must be clearly stated on the Truth in Lending Disclosure Statement and/or the loan documents.
6. Mortgage brokers must sign a statement that they are working on behalf of, and in the best interest of, the borrower, or the broker contract should indicate that the broker has a fiduciary duty to the borrower.
7. Taxes must be escrowed.
8. Insurance must be escrowed and the owner/purchaser must select the insurance carrier – Proposed annual payments will be reviewed to discourage overpricing.
9. Insurance policy terms will be reviewed for “single premium” or “equity stripping” features.
10. Disclosures should be provided in Spanish, or the native language appropriate to the buyer, if requested by the owner or purchaser.
11. No yield-spread premium is allowed.
12. Duplicative fees or unreasonable broker fees are not acceptable – e.g., broker fees NTE 2% and total fees NTE 6% of purchase price.
13. Total maximum debt to income rate may not exceed 50% - with maximum housing PITI NTE 35%.
14. Buyer must provide the name of his/her attorney to the OSP/sponsor to ensure that the attorney understands the subsidy or rehab program. The buyer’s attorney must be able to explain the program responsibilities to the buyer, including disclosure of all mortgage terms.