

AH Committee

From: Linda Munsell <Linda.Munsell@co.maui.hi.us>
Sent: Monday, November 29, 2021 12:31 PM
To: AH Committee; Alison N. Stewart
Cc: Gabe Johnson; Kate Griffiths
Subject: AH-14(6) Affordable Sales Price Guidelines
Attachments: AH-14(6) Affordable Sales Price Guidelines.pdf

Attached is the Department of Housing and Human Concerns presentation on the Maui County Affordable Sales Price Guidelines.

14 slides total, several of which provide examples only, so they will go quickly.



AFFORDABLE HOUSING COMMITTEE

AH-14(7) AFFORDABLE SALES PRICE GUIDELINES
November 29, 2021



AFFORDABLE SALES PRICE GUIDELINES

- Used to set the maximum sales price for a unit
 - Developer can set a price lower than the maximum
- Sales price guidelines set maximum sales prices **only**
 - They do not set limits on a family's mortgage
 - Or have anything to do with a family's application for a mortgage
- Sales prices guidelines are intended to set a sales price that should be affordable to families at their income level
 - Doesn't guarantee that a developer can build at that price



AFFORDABLE SALES PRICE GUIDELINES

- 2021 maximum sales prices are based on the following factors:
 - \$95,900 Median family income as established by HUD
 - 30-year fixed-rate mortgage loan
 - Interest rate is currently set at 4% (this matters)
 - 30% of gross monthly income for housing expenses
 - Principle and interest only
 - 5% down payment
- Maximum prices are adjusted up or down based on income levels
- Currently adjusted for Hana, Lana'i and Moloka'i



MAUI COUNTY COMPREHENSIVE AFFORDABLE HOUSING PLAN - RECOMMENDATIONS

- ▶ Maui County Comprehensive Affordable Housing Plan
 - ▶ Recommends adjusting the guidelines to accommodate federal no or low down payment requirements
 - ▶ Maximum monthly payment of 31%
including principle, interest, taxes, insurance (PITI), PMI* and HOA**
- ▶ Remove the separate guidelines for Hana, Lana'i and Moloka'i

* PMI (or other) - insurance for the lender on loans for buyers with less than 20% equity

** HOA – home owners association dues

COMPARING SALES PRICE GUIDELINES

	% INC	INC	DEVIATIONS	INT. RATE	HOW INTEREST RATE IS SET
Hawaii	28%	P&I		3.00%	Av 30-yr rate for the year prior
HHFDC	28%	P&I	38% max PITI, PMI & HOA		Antic. int. rate at the time of closing sale of units
Honolulu	33%	PITI	+ HOA	3.32%	Av 30-yr rate the week marketing plan is submitted
Kaua'i	28%	P&I	+ \$200 HOA	3.75%	Set at prevailing rate at the time of application
Maui	30%	P&I		4.00%	Floor rate; interest rate adjusted if rates incr
MCCHP			31% max PITI, PMI & HOA		

PRIVATE MORTGAGE INSURANCE

- Private Mortgage Insurance (if paid) – varies widely depending on:
 - credit score, debt to income ratios, & number of borrowers

PMI ASSUMPTIONS: 1 Borrower									
Debt to Income 45%	Credit = Fair (700-719)	Credit = Very Good (720- 739)	Credit = Excellent (740- 759)	Credit = Superior (760 +)	Debt to Income > 45%	Credit = Fair (700-719)	Credit = Very Good (720- 739)	Credit = Excellent (740- 759)	Credit = Superior (760 +)
80%	\$261.14	\$220.97	\$177.44	\$127.22		\$321.40	\$267.84	\$214.27	\$157.35
90%	\$293.81	\$248.61	\$199.64	\$143.14		\$361.61	\$301.34	\$241.07	\$177.04
100%	\$326.41	\$276.19	\$221.79	\$159.02		\$401.74	\$334.78	\$267.82	\$196.68
110%	\$359.08	\$303.83	\$243.99	\$174.93		\$441.94	\$368.28	\$294.63	\$216.37
120%	\$391.68	\$331.42	\$266.14	\$190.82		\$482.07	\$401.72	\$321.38	\$236.01
130%	\$424.35	\$359.06	\$288.34	\$206.73		\$522.27	\$435.23	\$348.18	\$255.70

PMI ASSUMPTIONS: 2 Borrowers									
Debt to Income 45%	Credit = Fair (700-719)	Credit = Very Good (720-739)	Credit = Excellent (740- 759)	Credit = Superior (760 +)	Debt to Income > 45%	Credit = Fair (700-719)	Credit = Very Good (720- 739)	Credit = Excellent (740- 759)	Credit = Superior (760 +)
80%	\$227.66	\$190.83	\$147.31	\$97.09		\$287.92	\$237.71	\$184.14	\$127.22
90%	\$256.14	\$214.70	\$165.74	\$109.24		\$323.94	\$267.44	\$207.17	\$143.14
100%	\$284.56	\$238.53	\$184.13	\$121.36		\$359.89	\$297.12	\$230.16	\$159.02
110%	\$313.04	\$262.40	\$202.56	\$133.50		\$395.90	\$326.85	\$253.19	\$174.93
120%	\$341.46	\$286.23	\$220.95	\$145.62		\$431.85	\$356.53	\$276.18	\$190.82
130%	\$369.94	\$310.10	\$239.37	\$157.77		\$467.87	\$386.26	\$299.22	\$206.73



PRIVATE MORTGAGE INSURANCE

- ▶ PMI (or other)
 - ▶ Insurance for the lender on loans with loan to value ratios of >80%
- ▶ Workforce housing units are sold to the buyer at less than market value
 - ▶ Currently much less than market value
 - ▶ If the mortgage is \leq 80% of the appraised value a buyer does not pay PMI
 - ▶ Fannie Mae guidelines on Loan to Value Ratios
 - ▶ May not be the same for FHA or USDA loans
- ▶ Housing Division receives a copy of the HUD-1 statement for every workforce housing unit sold or refinanced
 - ▶ Currently we're not seeing PMI on the purchase statements
 - ▶ Or the requests to refinance
- ▶ We are still evaluating the implications (consultation still needed)

TAXES AND INSURANCE - SF

- Using current Affordable Sales Price Guidelines
- 2021 property tax rates (\$200,000 owner occupied exemption)
- Estimated insurance costs
- Adding taxes and insurance (PITI) = 32.27% of income

AMI	AMI Income	Per Mo	Int Rate	Est. Home Value (purchase Price)	Taxable Value	Tax Rate/\$1,000	RP Tax	5% Down Payment	Mortgage Amount	Principal and Interest Payment /Mo	Estimated Home Owners Insurance %/Mo	RP Tax Per Mo	Total PITI Per Mo	Total as a % of Monthly Income	Av as % of Income
											0.26%				
80%	\$76,720	\$6,393	4%	\$422,900	\$222,900	\$2.41	\$537	\$21,145.00	\$401,755.00	\$1,918.04	\$92	\$44.77	\$2,054.43	32.13%	
90%	\$86,310	\$7,193		\$475,800	\$275,800	\$2.41	\$665	\$23,790.00	\$452,010.00	\$2,157.96	\$103	\$55.39	\$2,316.44	32.21%	
100%	\$95,900	\$7,992		\$528,600	\$328,600	\$2.41	\$792	\$26,430.00	\$502,170.00	\$2,397.44	\$115	\$65.99	\$2,577.96	32.26%	
110%	\$105,490	\$8,791		\$581,500	\$381,500	\$2.41	\$919	\$29,075.00	\$552,425.00	\$2,637.36	\$126	\$76.62	\$2,839.97	32.31%	
120%	\$115,080	\$9,590		\$634,300	\$434,300	\$2.41	\$1,047	\$31,715.00	\$602,585.00	\$2,876.83	\$137	\$87.22	\$3,101.48	32.34%	
130%	\$124,670	\$10,389		\$687,200	\$487,200	\$2.41	\$1,174	\$34,360.00	\$652,840.00	\$3,116.76	\$149	\$97.85	\$3,363.50	32.38%	32.27%

EXAMPLE AFFORDABLE SALES GUIDELINES - SF 28% PRINCIPLE & INTEREST MODEL

- Total payment for principle, interest, taxes and insurance = 30.09%
- Still in decision making – Administration has not yet made a recommendation

AMI	AMI Income	Per Mo	Int Rate	Est. Home Value (purchase Price)	Taxable Value	Tax Rate/ \$1,000	RP Tax	5% Down Payment	Mortgage Amount	Principal and Interest Payment /Mo	Estimated Home Owners Insurance %/Mo 0.26%	RP Tax Per Mo	Total PITI Per Mo	Total as a % of Monthly Income	Av as % of Income
80%	\$76,720	\$6,393	4%	\$394,700	\$194,700	\$2.41	\$469	\$19,735.00	\$374,965.00	\$1,790.14	\$86	\$39.10	\$1,914.76	29.95%	
90%	\$86,310	\$7,193		\$444,000	\$244,000	\$2.41	\$588	\$22,200.00	\$421,800.00	\$2,013.74	\$96	\$49.00	\$2,158.94	30.02%	
100%	\$95,900	\$7,992		\$493,400	\$293,400	\$2.41	\$707	\$24,670.00	\$468,730.00	\$2,237.79	\$107	\$58.92	\$2,403.62	30.08%	
110%	\$105,490	\$8,791		\$542,700	\$342,700	\$2.41	\$826	\$27,135.00	\$515,565.00	\$2,461.39	\$118	\$68.83	\$2,647.80	30.12%	
120%	\$115,080	\$9,590		\$592,000	\$392,000	\$2.41	\$945	\$29,600.00	\$562,400.00	\$2,684.98	\$128	\$78.73	\$2,891.97	30.16%	
130%	\$124,670	\$10,389		\$641,400	\$441,400	\$2.41	\$1,064	\$32,070.00	\$609,330.00	\$2,909.03	\$139	\$88.65	\$3,136.65	30.19%	30.09%



SALES PRICE GUIDELINES - MULTI-FAMILY

- Our MF workforce homes are selling without deed restrictions – why?
 - Product?
 - Our families don't want multi-family?
 - HHPS – multi-family ownership demand = 691 units
 - Price?
- Current guidelines are adjusted to accommodate HOA
 - 90% of the Single Family price



HOME OWNERS ASSOCIATION FEES

- ▶ HOA Fees – data from the most recent issue of the Maui Condo Book
 - ▶ MF units built in the last 20 years (no high end/no vacation or S/T rentals)
 - ▶ Range: \$241 - \$1,156 / month
 - ▶ Average: \$482 / month
 - ▶ MF units built in the last 5 years
 - ▶ Range: \$303 - \$414 / month
 - ▶ Average: \$359 / month

EXAMPLE AFFORDABLE SALES GUIDELINES - MF 28% PRINCIPLE & INTEREST MODEL

- Worst case model - HOA fees of \$450/month
- Adjusted model to 80% of SF price to accommodate HOA
- Total payment for principle, interest, taxes, insurance & HOA fees = 29.0%
- Models are still in discussion – Administration has not made a recommendation
 - This is the most extreme model under consideration

AMI	AMI Income	Per Mo	Int Rate	Est. Home Value (purchase Price)	Taxable Value	Tax Rate/ \$1,000	RP Tax	5% Down Payment	Mortgage Amount	Principal and Interest Payment /Mo	Est HO Insure %/Mo 0.15%	RP Tax Per Mo	HOA Dues	Total PITI Plus HOA Per Mo	Total as a % of Mo Income	Ave as % of Income
80%	\$76,720	\$6,393	4%	\$315,800	\$115,800	\$2.41	\$279	\$15,790.00	\$300,010.00	\$1,432.29	\$39	\$23.26	\$450	\$1,945.02	30.4%	
90%	\$86,310	\$7,193		\$355,200	\$155,200	\$2.41	\$374	\$17,760.00	\$337,440.00	\$1,610.99	\$44	\$31.17	\$450	\$2,136.56	29.7%	
100%	\$95,900	\$7,992		\$394,700	\$194,700	\$2.41	\$469	\$19,735.00	\$374,965.00	\$1,790.14	\$49	\$39.10	\$450	\$2,328.58	29.1%	
110%	\$105,490	\$8,791		\$434,200	\$234,200	\$2.41	\$564	\$21,710.00	\$412,490.00	\$1,969.29	\$54	\$47.04	\$450	\$2,520.60	28.7%	
120%	\$115,080	\$9,590		\$473,600	\$273,600	\$2.41	\$659	\$23,680.00	\$449,920.00	\$2,147.99	\$59	\$54.95	\$450	\$2,712.14	28.3%	
130%	\$124,670	\$10,389		\$513,100	\$313,100	\$2.41	\$755	\$25,655.00	\$487,445.00	\$2,327.14	\$64	\$62.88	\$450	\$2,904.16	28.0%	29.0%



AFFORDABLE SALES PRICE GUIDELINES

- ▶ Department is just beginning the consultation process
 - ▶ Mortgage brokers and lenders
- ▶ Affordable Sales Price Guidelines are adjusted every spring
- ▶ Any changes to the guidelines - Spring 2022 at the earliest
 - ▶ After consultation is complete



AFFORDABLE SALES PRICE GUIDELINES



Mahalo!