

**MORTGAGE ASSISTANCE PROGRAM (MAP)
CONTRACT RENEWAL
for FY2005-06**

**A Briefing to the
ECONOMIC DEVELOPMENT &
HOUSING COMMITTEE**

September 20, 2005

PURPOSE

To brief the Economic Development & Housing Committee on the status of the Mortgage Assistance Program (MAP), Program Statement revision, and the renewal of the second of two one-year contract terms for the period October 1, 2005 through September 30, 2006.

PROGRAM DESCRIPTION

- The Mortgage Assistance Program (MAP) provides homeownership opportunities to eligible first-time homebuyers through the provision of financial assistance in purchasing a home in the city limits of Dallas.
- Household income cannot exceed 80% of the area median income adjusted for family size to be eligible for this program.
- MAP provides principal reduction, downpayment, and closing cost assistance.
- MAP may provide funds for Housing Quality Standards (HQS) repairs.
- The Enterprise Foundation, Inc. administers the MAP program for \$550,000 in administrative cost and provides for \$5,409,401 in MAP program subsidies.

ENTERPRISE FOUNDATION, INC.

CURRENT CONTRACT SERVICES:

- Provide initial gap financing at time of loan closing to eligible first-time homebuyers (reimbursed by City) up to the \$1,500,000 line of credit.
 - Eligible borrower receives \$5,000-\$12,000 for downpayment, closing costs and principal reduction based on household income
 - Borrower may also receive up to \$1,500 for repairs needed to pass HQS inspection
 - Coordinate home inspections and repairs
 - Review mortgage underwriting and loan packages
 - Coordinate loan closings and loan servicing
 - Develop and implement homebuyer education component
 - Perform outreach and marketing activities
 - Partner with lenders and realtors to achieve program objectives

MAP PROCESS

- Realtor brings borrower to eligible MAP lender
- Lender qualifies borrower for primary financing
- Lender registers loan with Enterprise Foundation for the downpayment and closing cost assistance
- Lender completes and forwards loan package to Enterprise Foundation within the 30 day (for existing home) or 120 day (for new construction) registration period
- Enterprise Foundation reviews loan package
- Upon package approval, Enterprise Foundation prepares legal documents for securing the City's lien and coordinates closing with lender, title company, realtors and homebuyers
- When the loan is closed, Enterprise Foundation funds using their \$1,500,000 line of credit
- Enterprise Foundation submits loan package to City for reimbursement
- Enterprise Foundation monitors/services a MAP loan portfolio of 5,000 second lien loans

MAP PRODUCTION STATUS

FY03-04 units assisted: 497 units

Ethnicity Data:

White	17
African American	122
Hispanic	356
Other	2

Household Income:

0 – 30%	24
31 - 50%	199
51 - 80%	274

Public Funds Expended

\$4,871,309

Private Funds Leveraged

\$43,317,372

MAP PRODUCTION STATUS

FY04-05 units assisted: 473 units, thru July 31, 2005 (first contract renewal)

Ethnicity Data:

White	18
African American	148
Hispanic	305
Other	2

Household Income:

0 - 30%	48
31 - 50%	228
51 - 80%	197

Public Funds Expended

\$4,820,069

Private Funds Leveraged

\$40,508,848

RECOMMENDATIONS

- To recommend that the City Manager exercise the second of two (2) one-year contract renewals with The Enterprise Foundation, Inc., to administer the City's FY05-06 first-time homebuyer program, known as the Mortgage Assistance Program (MAP).
- To amend the MAP Program Statement to reach more eligible homebuyers and make the program more user friendly with a two tier subsidy rather than three subsidy levels:

Non NIP Areas

- Revise the MAP subsidy level (from a \$5,000, \$7,500, \$12,000 subsidy) to a two tiered program as follows:

<u>Area Median Family Income (AMFI)</u>	<u>MAP Amount</u>
60% and below	\$10,000
61%-80%	\$ 5,000

- In addition \$1,500 may be provided for HUD Housing Quality Standard (HQS) repairs to existing property.

RECOMMENDATIONS (Cont'd)

NIP Area

- Continue providing current subsidy as follows:

<u>Area Median Family Income (AMFI)</u>	<u>MAP Amount</u>
80% and below	\$12,000

- First-time homebuyer criteria do not apply
- Homeowner must be an owner-occupant

NEXT STEPS

- Schedule for City Council consideration on October 12, 2005
- City of Dallas and The Enterprise Foundation, Inc. execute MAP contract for FY05-06

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT

Program Purpose: To provide homeownership opportunities to low income, first- time homebuyers through the provision of financial assistance in purchasing a home.

Programs Description:

- Provides (i) downpayment, and closing cost assistance or (ii) principal reduction to low income first-time homebuyers. All properties purchased under this program must meet federal HUD requirements for HQS compliance.
- ~~Provide **downpayment and closing cost assistance** not to exceed **\$5,000** for households at 80% and below AMFI, provided as a soft second deferred payment loan. This program may not be combined with the Principal Reduction Program.~~
- ~~Provide **principal reduction** on a sliding scale based upon household income as follows:~~

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT (Cont'd)

<u>Area median Income (AMFI)</u>	<u>50% and Below</u>	<u>51-67%</u>
Subsidy Amount	up to \$12,000	up to \$7,500
HQS Repair	up to \$1,500	up to \$1,500
Maximum Total Benefit	\$13,500	\$9,000

- Provide downpayment and closing cost assistance based upon household income as follows:

<u>Area median Income (AMFI)</u>	<u>60% and Below</u>	<u>61-80%</u>
<u>Subsidy Amount</u>	<u>up to \$10,000</u>	<u>up to \$5,000</u>
<u>HQS Repair</u>	<u>up to \$1,500</u>	<u>up to \$1,500</u>
<u>Maximum Total Benefit</u>	<u>\$11,500</u>	<u>\$6,500</u>

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT

(Cont'd)

- Downpayment, closing cost assistance and principal reduction will be provided in the form of a lump sum payment at closing in exchange for the execution and placement of deed restrictions on the property for an eight (8) year term, to be amortized yearly over the term of the loan.
- All properties assisted with MAP funds must meet Federal Housing Quality Standards (HQS). HQS repair funds in an amount not to exceed \$1,500 shall be provided for HQS repairs and will be forgiven on a prorated basis over a five (5) year term.

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT

(Cont'd)

Additional Program Requirements for the Downpayment and Principal Reduction Programs:

- A first-time homebuyer is defined as a person who has not owned a home in 3 years, a displaced homemaker, or a single parent.
- Assistance is available citywide through participating lenders.
- Home sales prices may not exceed the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act and homes must be located in the Dallas city limits.
- Maximum borrower out-of-pocket contribution of \$5,000.
- Fifty percent (50%) of funding reserved for loans for newly constructed homes.
- Homebuyer must successfully complete homeownership education from an approved counseling agency.

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT

(Cont'd)

NEIGHBORHOOD INVESTMENT PROGRAM (NIP)

In NIP target areas, the following exceptions shall apply:

- The maximum MAP subsidy shall be up to \$12,000 for all income levels (up to 80% AMFI)
- First-time homebuyer criteria do not apply; however, the homeowner must be an owner-occupant

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT

(Cont'd)

CADILLAC HEIGHTS NEIGHBORHOOD POLICE ACADEMY PROJECT PROVISIONS

For households displaced by acquisition of land for the Police Academy facility in the Cadillac Heights Neighborhood the following shall apply:

- The maximum MAP subsidy shall be up to \$15,000 for all income levels
- First-time homebuyer criteria do not apply; however, must be an owner-occupant
- The maximum borrower out-of pocket contribution limit of \$5,000 does not apply

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT

(Cont'd)

CADILLAC HEIGHTS NEIGHBORHOOD POLICE ACADEMY PROJECT PROVISIONS

- The requirement that homes must be located in the Dallas city limits does not apply
- The requirement that fifty percent (50%) of funding reserved for loans for newly constructed homes does not apply
- Funds for comparable replacement homes purchased anywhere will be in the form of grant assistance with no deed restrictions
- If the homebuyer purchases a replacement home in Dallas that is greater in price than a comparable replacement home, MAP funds may be used as a loan toward the cost in excess of a comparable replacement home

EXHIBIT A

FY05-06 MAP PROGRAM STATEMENT

(Cont'd)

CADILLAC HEIGHTS NEIGHBORHOOD POLICE ACADEMY PROJECT PROVISIONS

- A first lien mortgage on comparable replacement homes is not required

- City Manager is authorized to establish guidelines and procedures to administer this program in accordance with this Program Statement and applicable Federal and local regulations