

Memorandum



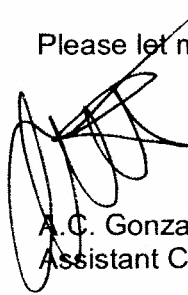
DATE May 13, 2011

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Angela Hunt, Ann Margolin, Pauline Medrano

SUBJECT Mortgage Assistance Program (MAP) Update

On Monday May 16, 2011, you will be briefed on Mortgage Assistance Program (MAP) Update. A copy of the briefing is attached.

Please let me know if you have any questions.



A.C. Gonzalez
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
C. Victor Lander, Administrative Judge, Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Jerry Killingsworth, Housing/Community Services Director
Helena Stevens-Thompson, Assistant to the City Manager

Mortgage Assistance Program (MAP) Update

A Briefing to the
Housing Committee

Housing/Community Services Department
May 16, 2011



KEY FOCUS AREA: ECONOMIC VIBRANCY

Purpose

- To provide an update regarding the Mortgage Assistance Program (MAP)
- To recommend approval of one change to the program to allow for loan guarantees by non-profit agencies

MAP Categories

- Citywide Homebuyer Assistance
 - Up to \$12,000
 - Up to \$1,500 for minor repairs
 - 10 year affordability requirement
 - Second lien loan
- Community Housing Development Organizations
 - Up to \$25,000
 - 10 year affordability requirement
 - Second lien loan
- Foreclosure Program Support
 - Up to \$25,000
 - 15 year affordability requirement
 - Second lien loan

MAP Program Guidelines

- The MAP provides homeownership opportunities to eligible homebuyers through the provision of financial assistance in purchasing a home in the city of Dallas
- MAP provides principal reduction and closing cost assistance
- MAP is offered citywide unless otherwise noted
- Eligible homebuyers' income cannot exceed 80% of the Area Median Family Income (AMFI), adjusted for family size
- Eligible homebuyers must complete a homebuyer education class in order to qualify
- The home purchased must meet Minimum Acceptable Property Standards (MAPS)
- MAP funding is budgeted annually within the Community Development Block Grant and the HOME Investment Partnership Program

MAP Loan Guidelines

- Borrower must have continuous, satisfactory employment history for the past six months
- Borrower's down payment must satisfy the MAP lender's minimum requirements
- Borrower must qualify for a conventional, FHA, or portfolio mortgage loan from a participating MAP lender
- No adjustable rate mortgages
- Borrower cannot receive cash back at closing
- Debt Ratio for housing & debt expenses cannot exceed 45% at loan approval

MAP Accomplishments

- Since 2000, over 4069 homebuyers have been assisted through the program
- Over the years, the MAP program has increased the property tax base by approximately \$10 million
- MAP program partners include 22 lenders, 19 title companies, 7 homebuyer counseling agents, and hundreds of real estate professionals

MAP Snapshot for 2010-11

- 58 loans closed and 40 loans registered
 - Ethnicity Data:
 - 0 Anglo
 - 12 African American
 - 43 Hispanic
 - 3 Other
 - Income Data:
 - 4 @ 30% or below AMFI
 - 24 between 31% and 50% AMFI
 - 30 between 51% and 80% AMFI

MAP Loans 10/1/2010 to 3/31/2011

District	Loans	District	Loans
1	9	8	11
2	2	9	3
3	11	10	0
4	5	11	0
5	2	12	1
6	5	13	1
7	8	14	0

MAP Snapshot for 2009-10

- Average sales price for MAP assisted units \$91,544
- Average subsidy for MAP City Wide assisted units \$17,601
- Majority of MAP recipients fall within 51% to 80% of Area Median Family Income
- Leverage of funds (private to public) is about 7.5:1

Enterprise Foundation, Inc.

- Enterprise is a National Nonprofit Corporation that provides investment capital and technical expertise to create decent, affordable homes and revitalize communities
 - With \$500 million in assets and \$160 million in equity, Enterprise invests in communities at a rate of \$1 billion per year
 - There are 16 offices across the country
 - They provide a \$1.5 million line of credit to the Dallas office to facilitate the closing of MAP loans
- The Enterprise Dallas Office has serviced the City of Dallas' MAP contract for over 15 years

Current Contract Services with Enterprise Community Partners, Inc.

- Review mortgage underwriting and loan packages in accordance with City of Dallas guidelines
- Submit MAP loans to the City for review, approval, and reimbursement
- Coordinate closings and loan servicing (approx. 7,000 loans)
- Coordinate and ensure homebuyer education
- Perform training, outreach, and marketing activities
- Partner with lenders, realtors, title companies, education providers, and property inspectors to achieve program objectives

Market Challenges

- Lenders have more stringent underwriting criteria with requirements for higher credit scores
- Changes in lender required down payment has created a larger gap for MAP to assist
- Market conditions have created a greater need for MAP in nonprofit developments

Budget for 2010-2011

Community Development Block Grant	\$3,039,470
HOME Investment Partnership Program	<u>\$ 90,000*</u>
Total	<u>\$3,129,470</u>

*\$90,000 in administration costs

Proposed Budget for 2011-12

Community Development Block Grant	\$1,342,473
HOME Investment Partnership Program	<u>\$1,440,000</u>
Total	<u>\$2,782,473</u>

*\$40,000 in administration costs

Proposed Policy Change

- Currently, homebuyer cannot have debt in excess of 45% of their income once the new home purchase expenses are calculated
 - This policy decreases the chances that the homebuyer will not be able to pay their bills
 - Most lenders will not exceed this debt limit
- Habitat for Humanity has requested the City of Dallas allow them to exceed this debt ratio and in return, they would guarantee that the MAP assistance would be repaid in the event of a foreclosure

Recommendations

- Approve one change to the program to allow for non-profit agencies to guarantee the repayment of MAP funds when the homebuyer's debt ratio exceeds 45%

Next Steps:

- June 22, 2011- City Council consideration of a MAP Program Statement change to allow for the guarantee of a MAP loan by a nonprofit agency when a homebuyer exceeds a 45% debt ratio

Exhibit A

Area Median Family Income
for 2011

Area Median Family Income for 2010-11

% Income	Family Size				
	1	2	3	4	5
30%	\$14,343	\$16,392	\$18,441	\$20,490	\$22,129
50%	\$23,905	\$27,320	\$30,735	\$34,150	\$36,882
80%	\$38,248	\$43,712	\$49,176	\$54,640	\$59,011
100%	\$47,810	\$54,640	\$61,470	\$68,300	\$73,764
120%	\$57,372	\$65,568	\$73,764	\$81,960	\$88,517

Exhibit B

AMFI and Affordability
of Housing

Low-to-Moderate Income Buyer

Family Size	80% of AMFI	Income per Month	30% of income paid for housing	40% of income paid for housing	45% of income paid for housing
1	\$38,248	\$3,187	\$956/mo	\$1,274/mo	\$1,434/mo
2	\$43,712	\$3,642	\$1,092/mo	\$1,457/mo	\$1,639/mo
3	\$49,176	\$4,098	\$1,229/mo	\$1,639/mo	\$1,844/mo
4	\$54,640	\$4,553	\$1,366/mo	\$1,821/mo	\$2,049/mo