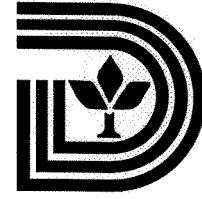


Memorandum



CITY OF DALLAS

DATE September 12, 2008

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dr. Elba Garcia, Vonciel Jones Hill, Angela Hunt, Linda Koop, Pauline Medrano

SUBJECT Mortgage Assistance Program (MAP)

On Tuesday, September 16, 2008, you will be briefed on Mortgage Assistance Program (MAP). A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to be 'A.C. Gonzalez'.

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
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
David O. Brown, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing Director
Jeanne Chipperfield, Budget Director, Office of Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

Mortgage Assistance Program (MAP)

A Briefing to the
Housing Committee

Housing Department
September 16, 2008



KEY FOCUS AREA: ECONOMIC VIBRANCY

Purpose

- To provide an update of the Mortgage Assistance Program (MAP)
- Recommend renewal of the second of two one-year contract terms for the period October 1, 2008 through September 30, 2009. The first year of the contract was 2006-07.

MAP Program Description

- The MAP provides homeownership opportunities to eligible first-time homebuyers through the provision of financial assistance in purchasing a home in Dallas
- Eligible homebuyers' income cannot exceed 80% of the Area Median Family Income, adjusted for family size, and must attend a homebuyer education class
- MAP provides principal reduction, down payment, and closing cost assistance
- MAP also provides up to \$1,500 for any minimum housing standard repairs needed to the home prior to closing

MAP Program Description (Continued)

- The MAP Program has priority categories (see Exhibit A for details of each):
 - City Wide Homeownership
 - Neighborhood Investment Program Homeownership
 - Cadillac Heights
 - Downtown Homeownership
 - Enterprise Homeownership Partners (EHOP) in Dallas for HUD Foreclosures
- Different categories have different criteria and different levels of assistance

Enterprise Community Partners, Inc.

- National Corporation 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 for the MAP program to operate
- In July 2006, the Housing Department issued a Request for Competitive Sealed Proposal (RFCSP) seeking proposers to administer the MAP for Fiscal Year 2006-07. Enterprise Community Partners, Inc., formerly known as The Enterprise Foundation, Inc. (“Enterprise”), was the recommended proposer and previous contractor.

Current Contract Services with Enterprise Community Partners, Inc.

- Provide initial gap financing at time of loan closing to eligible first-time homebuyer
- Coordinate home inspections and repairs
- Review mortgage underwriting and loan packages
- Coordinate closings and loan servicing
- Develop and implement homebuyer education
- Perform outreach and marketing activities
- Partner with lenders, realtors, title companies, education providers, and property inspectors to achieve program objectives

MAP Process

- Realtor brings borrower to eligible MAP lender
- Lender qualifies borrower for primary financing
- Lender registers loan with Enterprise for the MAP assistance electronically
- Lender completes and forwards loan package to Enterprise within registration period (30 days for existing homes & 120 days for new construction)
- Enterprise reviews the loan package for conformance to program guidelines and federal requirements

MAP Process (continued)

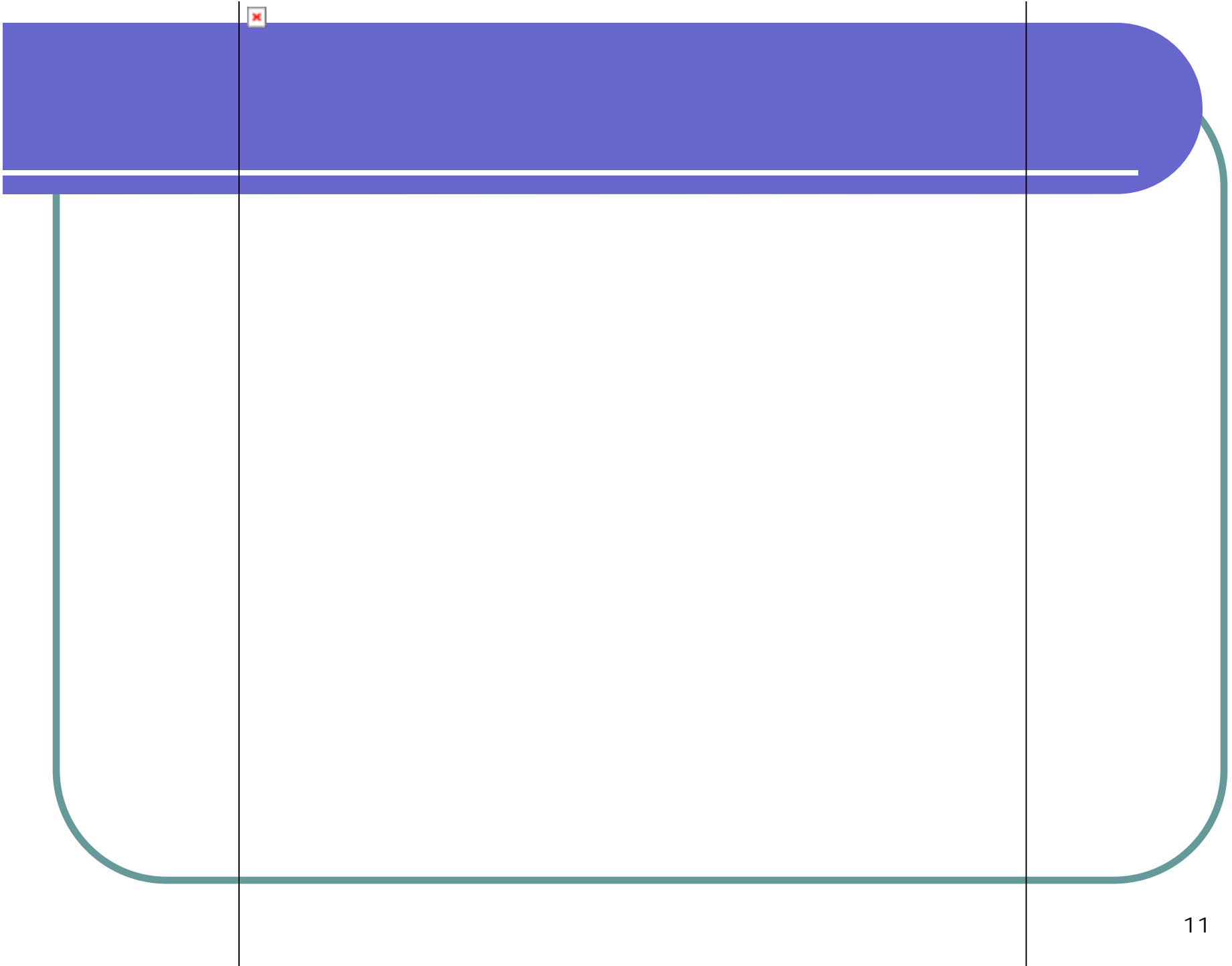
- Upon package approval, Enterprise prepares legal documents for securing the City's lien and coordinates closing with lender, title company, realtors, and homebuyers. When loan is closed, Enterprise funds the gap using their line of credit
- Enterprise submits loan package to City for reimbursement
- Enterprise monitors/ services a MAP loan portfolio of approximately 6,500 second lien loans

MAP Loan Requirements

- Borrower must have continuous, satisfactory employment history for the past six months
- Borrower's down payment must satisfy the MAP lender's minimum requirement
- Borrower may not have more than \$3,500 plus one month's gross income after closing.
- 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 expenses cannot exceed 45%

MAP Production for 2007-08

- 315 loans closed and 89 loans registered
 - Ethnicity Data:
 - 14 Anglo
 - 153 African American
 - 147 Hispanic
 - 1 Other
 - Income Data:
 - 9 @ 30% or below AMFI
 - 81 between 31% and 50% AMFI
 - 225 between 51% and 80% AMFI



MAP Production for 2007-08 (continued)

- Average sales price for MAP assisted units \$95,430
- Average subsidy for MAP assisted units \$10,956
- Average households income for MAP assisted units \$33,380
- The average foreclosure rate for MAP is 2.4% which is 4.3% below the 6.7% average annual forecloure rate is also 3.2% below the Dallas County 5.6% for all Subprime conventional loans during this period
- Leverage of funds is about 9:1

Recommendations

- Allow the City Manager to exercise the second of two (2) one-year contract renewals with Enterprise Community Partners, Inc. to administer the City's FY 2008-09 MAP Program

Next Steps:

- October 8, 2008, City Council Action Item to authorize the second of two twelve-month renewal options to the service contract with the Enterprise Community Partners, Inc., a non-profit corporation, in the amount of \$4,872,460 (\$4,372,460 program loan funds and \$500,000 administration/direct project costs) for operation and administration of the Mortgage Assistance Program (MAP), including homebuyer education, for the period October 1, 2008 through September 30, 2009

Exhibit A

Current MAP Program Statement

**FY08-09 PROGRAM STATEMENT
MORTGAGE ASSISTANCE PROGRAM (MAP)**

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 compliance.
- Provide principal reduction, downpayment, and closing cost assistance based upon household income as follows:

<u>Area Median Family Income (AMFI)</u>	<u>80% and below</u>
Subsidy Amount	Up to \$10,000
International Residential Code Repair	Up to \$1,500
Maximum Total Benefit	\$11,500

- 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 International Residential Code (IRC). IRC repair funds in an amount not to exceed \$1,500 shall be provided for IRC repairs and will be forgiven on a prorated basis over an eight (8) year term.

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.

- Homebuyer must successfully complete homeownership education from an approved counseling agency.
- The City Manager, or his designee, is authorized to grant waivers to the Mortgage Assistance Program guidelines, as set forth in this Program Statement, without further City Council authorization on a case by case basis.

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.

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
- The requirement that homes must be located in the Dallas city limits 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

- 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.

DOWNTOWN MORTGAGE ASSISTANCE PROGRAM

Program Purpose: To provide homeownership opportunities to low to moderate income, homebuyers through the provision of financial assistance in purchasing a condominium or townhouse in the Central Business District.

Program Description: Provides principal reduction, downpayment, and closing cost assistance based upon household income as follows:

Area Median Family Income (AMFI) **80% and below**

Subsidy Amount 50% of Sales Price up to
\$100,000

- Principal reduction, downpayment, and closing cost assistance will be provided in the form of a lump sum payment at closing in exchange for the execution of lien and deed restriction on the property in perpetuity, with the note due in full if sale occurs. Upon sale or transfer of the unit, one half of the appreciated value will also be repaid to the City.
- All properties purchased under this program must meet federal and local requirements for international residential code compliance.
- Assistance is available 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 Central Business District.
- Homebuyer must successfully complete homeownership education from an approved counseling agency and may not currently own a home in the city of Dallas.
- The City Manager, or his designee, is authorized to grant waivers to the Mortgage Assistance Program guidelines, as set forth in this Program Statement, without further City Council authorization on a case by case basis.

Enterprise Homeownership Partners (EHOP) in Dallas

Program Purpose: To provide homeownership opportunities to low income homebuyers through the provision of financial assistance in purchasing a home under the EHOP Program.

Program Description: Provides principal reduction, downpayment, and closing cost assistance based upon household income as follows:

Area Median Family Income (AMFI)

80% and below

Subsidy Amount

up to \$25,000

- 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 for subsidy up to \$14,999 and a ten (10) year term for subsidy of \$15,000 to \$25,000 to be amortized yearly over the term of the loan.
- All properties purchased under this program must meet federal and local requirements for international residential code compliance.
- Assistance is available 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.
- Homebuyer must successfully complete homeownership education from an approved counseling agency.
- The City Manager, or his designee, is authorized to grant waivers to the Mortgage Assistance Program guidelines, as set forth in this Program Statement, without further City Council authorization on a case by case basis.