

Memorandum



CITY OF DALLAS

DATE September 17, 2010

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

SUBJECT Mortgage Assistance Program (MAP) Update

On Monday, September 20, 2010, 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 handwritten signature in black ink, appearing to read 'A.C. Gonzalez', written over a circular stamp or mark.

A.C. Gonzalez
Assistant City Manager

Attachment

- 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
September 20, 2010



KEY FOCUS AREA: ECONOMIC VIBRANCY

Purpose

- To provide an update regarding the Mortgage Assistance Program (MAP)
- To recommend approval of the first of two contract renewals with Enterprise to service the MAP contract for 2010-11

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 may not have more than \$4,000 plus two 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 & debt expenses cannot exceed 45% at loan approval

MAP Accomplishments

- Since 1991, over 7,035 homebuyers have been assisted through the program
- Over the years, the MAP program has increased the property tax base by approximately \$15 million
- MAP program partners include 40 lenders, 32 title companies, 14 homebuyer counseling agents, and hundreds of real estate professionals

MAP Snapshot for 2009-10

- 235 loans closed and 33 loans registered
 - Ethnicity Data:
 - 9 Anglo
 - 76 African American
 - 146 Hispanic
 - 4 Other
 - Income Data:
 - 1 @ 30% or below AMFI
 - 64 between 31% and 50% AMFI
 - 170 between 51% and 80% AMFI

MAP Loans for 2009-10

District	Loans	District	Loans
1	28	8	37
2	5	9	13
3	48	10	2
4	24	11	3
5	29	12	2
6	16	13	2
7	25	14	1

MAP Snapshot for 2009-10

- Average sales price for MAP assisted units \$92,394
- Average subsidy for MAP City Wide assisted units \$13,212
- Majority of MAP recipients fall within 51% to 80% of Area Median Family Income
- Leverage of funds (private to public) is about 7:1

Comparable Programs

City & Program Details	Loan Terms	Funding Sources
<p>City of Dallas</p> <ul style="list-style-type: none"> •First time homebuyers •CHDO homebuyers •Foreclosure program buyers •Principal reduction, down payment, closing •Incomes at or below 80% AMFI 	<ul style="list-style-type: none"> •Forgivable Loan •Due & payable upon sale, refinance, lease and transfer •Lien terms <ul style="list-style-type: none"> \$13,500 – 10 years \$25,000 – 10 years (CHDO) \$25,000 – 10 years (foreclosure programs) 	<ul style="list-style-type: none"> •CDBG •HOME
<p>City Denton</p> <ul style="list-style-type: none"> •First time homebuyers •Lived in Denton for past 12 months •Less than \$10,000 in liquid assets •1.125% of purchase price from buyer •Principal reduction, down payment, closing •Incomes at or below 80% AMFI 	<ul style="list-style-type: none"> •Forgivable Loan •Due & payable upon sale, refinance, lease and transfer •Lien Terms <ul style="list-style-type: none"> \$5,000 – 5 years \$10,000 – 7 years \$14,900 – 10 years 	<ul style="list-style-type: none"> •CDBG •HOME •Federal Home Banks
<p>City of El Paso</p> <ul style="list-style-type: none"> •First time homebuyers •Principal reduction, down payment, closing •3% cap on closing cost assistance •Incomes at 60-80% AMFI 	<ul style="list-style-type: none"> •3% interest forgivable loan •Due & payable upon sale, refinance, lease and transfer •Lien Terms <ul style="list-style-type: none"> \$5,000 – 5 years 	<ul style="list-style-type: none"> •HOME

Comparable Programs

City & Program Details	Loan Terms	Funding Sources
<p>City Lubbock</p> <ul style="list-style-type: none"> •First time homebuyers •Ratios at 31% Front and 41% Back •Buyer contributes \$800 to closing Principal reduction, down payment, closing Incomes at or below 80% AMFI 	<ul style="list-style-type: none"> •Forgivable Loan •Due & payable upon sale, refinance, lease and transfer •Lien Terms <li style="padding-left: 20px;">\$10,000 – 5 years 	<ul style="list-style-type: none"> •HOME
<p>City of Ft. Worth</p> <ul style="list-style-type: none"> •First time homebuyers •Buyer is U.S. Citizen •Incomes at or below 80% AMFI •Principal reduction, down payment, closing 	<ul style="list-style-type: none"> •Forgivable Loan •Due & payable upon sale, lease and transfer •Lien Terms <li style="padding-left: 20px;">\$8,500 – 5 years (non-target) <li style="padding-left: 20px;">\$14,999 – 5 years (target) 	<ul style="list-style-type: none"> •HOME
<p>City of Galveston</p> <ul style="list-style-type: none"> •First time homebuyers Principal reduction, down payment, closing Buyer is U.S. Citizen •Incomes at or below 80% AMFI 	<ul style="list-style-type: none"> •Forgivable Loan •Due & payable upon sale, refinance, lease and transfer •Lien Terms <li style="padding-left: 20px;">\$14,500 – 5 years 	<ul style="list-style-type: none"> •HOME

Comparable Programs

City & Program Details	Loan Terms	Funding Sources
<p>City Houston</p> <ul style="list-style-type: none"> •Principal reduction, down payment, closing •Four (4) programs- <u>DAP</u>-Hurricane Ike & Dolly Relief Incomes at or below 80% AMFI <u>HAP</u>-City wide homebuyer assistance •Incomes at or below 80% AMFI Houston "<u>HOPE</u>" Neighborhoods •Incomes at or below 80% AMFI <u>Workforce Housing</u>- Revitalization areas •Incomes between 80%-120% AMFI 	<ul style="list-style-type: none"> •Forgivable Loan •Due & payable upon sale, refinance, lease and transfer •Lien Terms DAP: \$45,000 – 5 years HAP: \$19,500 – 5 years Hope: \$39,900 – 10 years Workforce: \$30,000 – 10 years 	<ul style="list-style-type: none"> •DAP: CDBG •HAP: HOME •Hope: HOME •Workforce: TIRZ Funds
<p>City of Austin</p> <ul style="list-style-type: none"> •First time homebuyers •Principal reduction, down payment, closing •Buyer is U.S. Citizen •Incomes at 60-80% AMFI 	<ul style="list-style-type: none"> •Forgivable Loan •Due & payable upon sale, refinance, lease and transfer •Lien Terms \$14,500 – 5 years 	<ul style="list-style-type: none"> •HOME

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

- Changes in underwriting criteria required Enterprise to reorganize their internal processing for the MAP
- Market conditions created a higher demand for down payment assistance programs
- Lenders have more stringent underwriting criteria with requirements for higher credit scores

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

Recommendations

- Approve the first of two renewal options with Enterprise for the administration of the MAP for 2010- 2011

Next Steps:

- October 13, 2010, City Council Action Item to authorize the first of two renewal options of the service contract with the Enterprise, a non-profit corporation, in the amount of \$3,127,470 for operation and administration of the Mortgage Assistance Program (MAP), including homebuyer education, for the period October 1, 2010 through September 30, 2011

Exhibit A

Area Median Family Income
for 2010

Area Median Family Income for 2010

% 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