

Memorandum



CITY OF DALLAS

DATE September 2, 2011

TO Housing Committee Members: Carolyn R. Davis, Chair, Scott Griggs, Vice-Chair, Dwaine Caraway, Linda Koop, and Pauline Medrano

SUBJECT Mortgage Assistance Program (MAP) Update

On Tuesday September 6, 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 handwritten signature in black ink, appearing to read 'Tly - AS' followed by a long horizontal line.

Ryan S. Evans
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa A. Rios, Acting City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
C. Victor Lander, Administrative Judge, Municipal Court
A.C. Gonzalez, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Interim 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 6, 2011



KEY FOCUS AREA: ECONOMIC VIBRANCY

Purpose

- To provide an update regarding the Mortgage Assistance Program (MAP)
- To recommend approval of changes to the program to focus resources toward enhancing the tax base

MAP Program Purpose

- To provide homeownership opportunities to low to moderate income homebuyers through the provision of financial assistance in purchasing a home

Current MAP Assistance Categories

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

Current MAP Program Guidelines

- MAP provides principal reduction and closing cost assistance
- Homes purchased must be within the city of Dallas
- Eligible homebuyers' gross income cannot exceed 80% of the Area Median Family Income (AMFI), adjusted for family size
- Eligible homebuyers must:
 - Be a U.S. citizen or permanent resident
 - Complete a homebuyer education class in order to qualify
 - Agree to occupy the home as a primary residence
- The home purchased must meet Minimum Acceptable Property Standards (MAPS) and must be inspected prior to purchase
- The sales price of the home may not exceed National Housing Act 203 (b) limits

Current 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

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

MAP Snapshot for 2010-11

- 115 loans closed and 56 loans registered
 - Ethnicity Data:
 - 2 Anglo
 - 27 African American
 - 83 Hispanic
 - 3 Other
 - Income Data:
 - 7 @ 30% or below AMFI
 - 40 between 31% and 50% AMFI
 - 68 between 51% and 80% AMFI

MAP Loans 10/1/2010 to 8/18/2011

District	Loans	District	Loans
1	17	8	24
2	3	9	4
3	27	10	1
4	11	11	0
5	5	12	1
6	8	13	2
7	11	14	1

MAP Snapshot for 2010-11

- Average sales price for MAP City Wide assisted units \$91,959
- Average subsidy for MAP City Wide assisted units \$14,378
- Average sales price for CHDO assisted units \$99,205
- Majority of MAP recipients fall within 51% to 80% of Area Median Family Income
- Leverage of funds (private to public) is about 8:1

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 20 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
- In FY 2011-12, Enterprise will enter the third year of its current three year contract with the City

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

Note: Carryover from 2010-11 budget estimated to be \$300,000

Current Lending Environment

- Required credit scores minimum of 640
- Downpayment Requirements
 - 3.5% for FHA
 - 5%-10% for Conventional Loans
 - Increasing amounts if borrower does not have minimum credit score
- Mortgage Brokers minimal
- Large Lenders not making as many loans

Challenges

- Entitlement funding was cut at the federal level for FY 2011-12 and is expected to be cut again in FY 2012-13
- Property tax base has been falling with lower valuations of existing property
- Need to incentivize new construction for economic development
- Need to incentivize innercity development

Proposed MAP Program Purpose

- Add the following priority to the MAP Program
 - To incentivize the new construction of homes for enhancement of the property tax base

Proposed Program Changes

- Change “Categories” of assistance to:
 - Existing Homes
 - Maximum of \$10,000 of assistance
 - Set aside up to \$500,000 of FY 2011-12 to this category
 - New Construction
 - Maximum of \$25,000 of assistance
 - Set aside up to \$2,000,000 of FY 2011-12 to this category
 - Foreclosure projects (i.e. Neighborhood Stabilization and Enterprise Housing Opportunities Program) are grandfathered into this category
 - Administration & Direct Delivery Costs
 - Up to \$500,000 as per three year proposal
- Each organization, including its affiliates, is limited in its access to total funding up to 50% of the available funding for each category. Mid-year reviews and adjustments may be made between categories as warranted.

Recommendations

- Approve changes to the MAP Program Purpose and the Categories of Assistance

Next Steps:

- September 28, 2011- City Council consideration of MAP Program changes and renewal of the third year contract with Enterprise Community Partners
- October 1, 2011- Enterprise Community Partners will begin training of participants and registrations for funding will begin

Exhibit A

Area Median Family Income
for 2011

Area Median Family Income for 2011-12

% Income	Family Size				
	1	2	3	4	5
30%	\$14,550	\$16,600	\$18,700	\$20,750	\$22,450
50%	\$24,200	\$27,650	\$31,100	\$34,550	\$37,350
80%	\$38,750	\$44,250	\$49,800	\$55,300	\$59,750
100%	\$48,370	\$55,280	\$62,190	\$69,100	\$74,628

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	\$38,750	\$3,229	\$969/mo	\$1,292/mo	\$1,453/mo
2	\$44,250	\$3,688	\$1,106/mo	\$1,475/mo	\$1,660/mo
3	\$49,800	\$4,150	\$1,245/mo	\$1,660/mo	\$1,868/mo
4	\$55,300	\$4,608	\$1,382/mo	\$1,843/mo	\$2,074/mo