KEY FOCUS AREA:	Economic Vibrancy
AGENDA DATE:	September 26, 2012
COUNCIL DISTRICT(S):	All
DEPARTMENT:	Housing/Community Services
CMO:	Ryan S. Evans, 670-3314
MAPSCO:	N/A

SUBJECT

Authorize **(1)** an amendment to the Mortgage Assistance Program (MAP) for FY 2012-13 to: (a) change categories of assistance to include existing homes and Community Housing Development Organizations, and (b) authorize the City Manager, or a designee, to review portfolio loans for appropriate affordability compliance and release those loans that have met those compliance requirements; and **(2)** an extension of the FY 2011-12 MAP contract with Enterprise Community Partners through December 31, 2012 - Financing: No cost consideration to the City

BACKGROUND

The Mortgage Assistance Program (MAP) is funded with U.S. Department of Housing and Urban Development (HUD) annual allocations. MAP provides principal reduction, down payment, and closing cost assistance to eligible first-time homebuyers to purchase a home in the City of Dallas. MAP provides homeownership opportunities for residents of the City of Dallas earning at or below 80% of area median family income.

Historically, the Housing Department has contracted with Enterprise Community Partners to administer the program. In the Spring of 2012, Enterprise Community Partners, Inc., notified the City of Dallas that it would not seek to renew its contract with the City of Dallas. Beginning October 1, 2012, the Housing Department will operate the MAP Program with few changes.

This Council action will approve the policies that will be used for the MAP Program during FY 2012-13. In FY 2012-13, eligible homebuyers purchasing existing homes may receive up to $8,500 in principal reduction and closing cost assistance with a 5-year forgivable loan. Eligible homebuyers purchasing a home constructed by a Certified Community Housing Development Organization (CHDO) may receive up to $20,000 in principal reduction and closing cost assistance with a 10-year forgivable loan.

BACKGROUND (Continued)

This action also requests that the City Manager or a designee be authorized to review portfolio loans for appropriate affordability compliance and release those loans that have met those compliance requirements. Since the Enterprise Community Partners will no longer be servicing the MAP loans which have been created over the years, the Housing Department will be managing those loans. Finally, this action provides an extension of the FY2011-12 MAP contract with Enterprise Partners through December 31, 2012, for wrap up and completion of reports, billings, and assignments related to program.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 24, 2009, the City Council approved the FY09-10 Consolidated Plan Budget for the Mortgage Assistance Program by Resolution No. 09-1635.

On October 28, 2009, the City Council approved the recommendation to execute a twelve-month service contract, with two twelve-month renewal options, with Enterprise Community Partners, Inc. for the Mortgage Assistance Program.

On October 13, 2010, the City Council approved the recommendation to execute the first of two twelve-month renewal options with Enterprise Community Partners, Inc. for the Mortgage Assistance Program.

September 28, 2011, the City Council approved the recommendation to execute the second of two twelve-month renewal options with Enterprise Community Partners, Inc. for the Mortgage Assistance Program.

On August 20, 2012, the Housing Committee of the City Council was briefed on the MAP program changes for FY 2012-13.

FISCAL INFORMATION

No cost consideration to the City.

September 26, 2012

WHEREAS, homeownership is a high priority of the City of Dallas; and,

WHEREAS, the MAP provides assistance to eligible homebuyers; and

WHEREAS, on June 27, 2012, the City Council approved the final FY 2012-13 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds; and,

WHEREAS, the City now desires to authorize continuation of the Mortgage Assistance Program for the period October 1, 2012 through September 30, 2013,

NOW THEREFORE,

BE RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager, upon approval as to form by the City Attorney, is authorized to amend the Mortgage Assistance Program (MAP) for FY 2012-13 to: (a) change categories of assistance to include existing homes and Community Housing Development Organizations, and (b) authorize the City Manager, or a designee, to review portfolio loans for appropriate affordability compliance and release those loans that have met those compliance requirements; and 2) an extension of the FY 2011-12 MAP contract with Enterprise Community Partners through December 31, 2012.

Section 2. That following approval as to form by the City Attorney, the City Manager is authorized to execute such instruments as may be necessary to carry out the program in accordance with the MAP Statement (Exhibit A attached).

Section 3. That the City Controller is authorized to encumber and disburse funds in accordance with the MAP Program Statement.

Section 4. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

EXHIBIT A

FY ~~11-12~~ 12-13 PROGRAM STATEMENT
MORTGAGE ASSISTANCE PROGRAM (MAP)

Program Purpose:

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

- To incentivize new construction of homes for enhancement of the property tax base.

General Provisions:

- Homes must be located in the Dallas city limits.

- Homebuyer must successfully complete homeownership education from an approved counseling agency.

- Borrower may obtain a conventional, FHA, or portfolio loan through an approved lender. High cost or sub-prime loans, adjustable rate mortgages (ARM), interest only loans are not allowed. Borrower may also pay cash.

- For this program, low to moderate income is defined as a household with calculated income at 80% or less of the Area Median Family Income, adjusted for family size.

- Sufficient income and household size documentation to certify eligibility per HUD guidelines is required.

- Borrower must be a U.S. citizen or a permanent resident, and possess a valid social security card.

- Borrower must occupy the property as a primary residence.

- All properties purchased under this program must meet federal and local requirements including Minimum Acceptable Property Standards (MAPS) and international residential code.

- Home sales prices may not exceed the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act.

- Homebuyer mortgage affordability must meet front-end debt ratio of 35% and back-end debt ratio of 45%.

- The maximum amount of assistance to be used to pay Borrower's closing costs is $4,000. Cash back at closing and discount points paid by the Borrower are not allowed.

- ~~Other partners including: lenders, title companies, inspectors, and homebuyer education providers must register and be approved by the City's Mortgage Assistance administrator.~~

- The City Manager, or his designee, is authorized to implement the Mortgage Assistance (MAP) program as per this Program Statement, execute any documents necessary to implement this program, and 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.

- Under exceptional cases, loan guarantees may be granted for Community Housing Development Organizations (CHDOs) that provide permanent mortgage financing and have the financial capacity to payback the MAP loan in the event of default. Guarantees must receive Housing/Community Services Director approval.

- <u>The City Manager, or a designee, is authorized to review portfolio loans for appropriate affordability compliance and release those loans that have met those compliance requirements.</u>

Categories of Assistance:

<u>Category #1:</u> Available Funding ~~$500,000~~ <u>$340,000</u>– Homebuyer Assistance for Existing Homes

- Provide (i) principal reduction and (ii) closing cost assistance to low to moderate income homebuyers for existing homes

- An existing home is defined as a home which was previously occupied by another homeowner

- Subsidy amount up to ~~$10,000~~ <u>$8,500</u>

- Principal reduction and closing cost assistance will be provided in the form of a lump sum payment at closing. In exchange for the assistance, the homebuyer must execute and place a lien and deed restrictions on the property for a five (5) year term for the amount of principal reduction assistance provided.

- The lien is amortized and forgiven over a five year period.

- All properties assisted with MAP funds must meet Minimum Housing Standards (MHS). As part of the total subsidy, MHS repair funds cannot exceed $1,500.

Category #2: **Available Funding $~~2,000,000~~ $1,760,000– Homebuyer Assistance for Newly Constructed <u>Community Housing Development Organization (CHDO)</u> Homes**

- Provides (i) principal reduction and (ii) closing cost assistance to low to moderate income homebuyers for newly constructed homes

- An newly constructed <u>CHDO</u> home is defined as a home which has not been previously occupied by another homeowner <u>and constructed by a City of Dallas Certified CHDO</u>

- Subsidy amount up to $~~25,000~~ <u>$20,000</u>

- Principal reduction and closing cost assistance will be provided in the form of a lump sum payment at closing. In exchange for the assistance, the homebuyer must execute and place a lien and deed restrictions on the property for a ten (10) year term for the amount of principal reduction assistance provided.

- The lien is amortized and forgiven over a ten year period.

- ~~Foreclosure projects under the Neighborhood Stabilization Program (NSP) and EHOP Program are eligible under this category.~~

- Each organization, including affiliates, is limited in its access to total funding up to 50% of the available funding for this category (i.e. 50% of $~~2,000,000 or~~ $1,000,000 <u>or $500,000</u>).