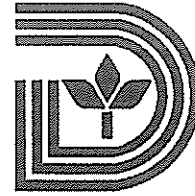


Memorandum



CITY OF DALLAS

DATE November 5, 2010

TO Members of the Budget, Finance & Audit Committee:
Jerry R. Allen (Chair), Ann Margolin (Vice Chair), Vonciel Jones Hill, Angela Hunt,
Delia D. Jasso, Ron Natinsky and David A. Neumann

SUBJECT **Dallas Housing Finance Corporation 2011 Mortgage Credit Certificate Program/Single Family Mortgage Revenue Bond Program**

The purpose of this briefing memorandum is to provide the Budget, Audit and Finance Committee with information on the proposed Dallas Housing Finance Corporation (DHFC) 2011 Mortgage Credit Certificate Program and Single Family Mortgage Revenue Bond Program. On November 1, 2010, the Housing Committee was briefed on this DHFC Single Family Program. This item is scheduled for the November 10, 2010 City Council agenda.

BACKGROUND

On October 19, 2010, the Dallas Housing Finance Corporation (DHFC) approved an application to the Texas Bond Review Board for \$50 Million to be taken from its 2010 Private Activity Bond Allocation to be split as follows:

The first \$25 Million will be converted into a Mortgage Credit Certificate (MCC) Program (\$25 Million times .25) in Mortgage Credit Certificate (MCC) Authority of \$6,250,000 divided by .35 which equals a total mortgage drawn down amount of \$17,857,071 providing approximately 179 MCC Certificates to qualified first-time homebuyers based on the average home price of \$100,000.

The MCC Program will assist low and moderate income first-time homebuyers by providing 35% of the mortgage interest paid each year, up to \$2,000 per year or \$166.67 per month, as extra cash available to the borrower, over and above their normal income tax allowance for interest and real estate taxes paid, that can be provided to the borrower during the life of the loan or up to 30 years.

These Certificates are not an obligation of the City of Dallas.

The second \$25 Million out of the \$50 Million of the Bond Review Board's remaining 2010 Private Activity Bond Allocation will be used for one of the following:

To authorize a Traditional Single Family Tax-exempt Bond Mortgage Program, but only if marketing conditions warrant such a program, with a down payment component of approximately 31/2% of the Loan Amount with a below market interest rate; otherwise.

The \$25 Million will be converted to MCC authority to launch an additional MCC program in 2012 or earlier with a mortgage draw down amount of \$17,857,071 similar to the 2009 and 2011 MCC programs.

Mortgage Credit Certificate Program

First Southwest Company will act as the official administrator of the Mortgage Credit Certificate Program.

1% will be collected at closing as each of the loans close

On the estimated \$17,857,071 maximum mortgage volume and upon full origination, this 1% will be equal to \$178,571

The following is the proposed project financing fee schedule.

The \$178,571 fee will be paid out as follows:

First Southwest Company @ 65% of total or \$116,000
Vinson @ Elkins @ 17% of total or \$30,000
Joe Nathan Wright @ 4% of total or \$7,571
Housing Finance Corporation @ 14% of total or \$25,000

Eligibility Requirements

The requirements for the MCC Program are:

Applicant must be a first-time homebuyer, not bought or sold a home in the last three years.

Income levels cannot exceed the I.R.S. guidelines for a family of two or less, the income cannot exceed \$67,600 and for families of 3 or more, the income cannot exceed \$77,740.

To use the MAP Single Family Program with the MCC Program, the borrower must have more restricted maximum incomes that do not exceed 80% or below the area-wide median income and meet all other MAP requirements, including but not limited to, the homebuyer training.

Schedule

November 10, 2010

City Council consideration of the 2001
Mortgage Credit Certificate Program

A summary of the Traditional Single Family Mortgage Revenue Program is attached for your information.

If you have any questions, please contact me at 214-670-7804.



A.C. Gonzalez
Assistant City Manager

Attachment

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

TRADITIONAL SINGLE FAMILY MORTGAGE REVENUE PROGRAM

How the Traditional/Standard Single Family Program Works

- The DHFC issues tax-exempt mortgage revenue bonds that are typically sold to an institutional investor such as Fannie Mae or Freddie Mac
- The proceeds from the bonds are made available to participating lenders that have paid a fee for an allocation
- The lender uses its allocation to make mortgage loans to low and moderate-income homebuyers
- The homebuyers' mortgage payments pay off the bonds purchased by the institutional investor

Financing Plan for Traditional/Standard Single Family Program

- The Single Family Program will be a standard bond program with one constant fixed rate of interest throughout the program
- The 30-year mortgage rate is priced on the closing date of the bonds based on current market conditions
- The Program will provide approximately 3.5% down payment assistance for first-time homebuyers who earn up to 100% of area median family income
- It is anticipated that either Fannie Mae or Freddie Mac will be the institutional investor