

Memorandum



CITY OF DALLAS

DATE September 29, 2017

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Dallas Homebuyer Assistance Program Update**

On Monday, October 2, 2017, you will be briefed on the Dallas Homebuyer Assistance Program (DHAP) proposed changes, as a result of the U. S. Department of Housing and Urban Development (HUD) HOME Investment Partnership Program (HOME) monitoring findings. The briefing materials are attached for your review.

Summary

Housing and Neighborhood Revitalization (H&NR) is proposing changes to the existing Dallas Homebuyer Assistance Program, formerly known as Mortgage Assistance Program, in response to HOME monitoring findings made by HUD in April 2017. HUD required H&NR to stop committing HOME funds to the program until corrective modifications were incorporated including underwriting guidelines and homebuyer loan agreement templates. After several months of draft revisions with HUD staff, HUD has approved the DHAP revisions and has allowed H&NR to reinstate the program contingent on Council approving the changes.

Background

The DHAP has been in existence for over 25 years. It offers homeownership opportunities for all applicants desiring to reside in the City of Dallas area earning at or below 80% of Area Median Family Income (AMFI), currently \$73,400. Prior to 2012, the program was administered by Enterprise Community Partners on behalf of the City of Dallas. Since then, the City of Dallas has been directly responsible for processing DHAP loans, providing eligible homebuyers with assistance in the form of: 1) principal reduction, 2) down payment, and 3) closing cost, towards the purchase of a home.

In recent years, the program offered two categories of assistance:

- \$14,000—existing homes
- \$20,000—new construction

The DHAP is funded with annual HUD entitlement grant allocations of Community Development Block Grant (CDBG) and HOME Investment Partnership Program.

Issue

HUD's HOME findings and corrective actions are summarized as follows:

(a) Written Agreements with Homebuyers

The City of Dallas Homebuyer Agreement did not include all HOME program requirements. The new agreement includes a recapture clause, which must be signed by the borrower in conjunction with the Deed and Note.

(b) Underwriting Guidelines

The City of Dallas did not have underwriting guidelines and had to create underwriting guidelines that complied with HOME requirements.

Alternatives

Staff closely worked with consultants since May 2017 to develop and cure the program deficiencies and update the necessary guidelines, loan documents, and tools needed for the implementation of the program. Subject to not receiving the Committee's approval and recommendation of the proposed DHAP changes to the City Council, DHAP will remain on hold.

Fiscal Impact

The program is funded with \$859,663 of CDBG funds and \$642,129 of HOME funds for a total of \$1,501,792 this upcoming 2017-2018 Fiscal Year.

Departments/Committee Coordination

On August 9, 2017, the City Council approved the Fiscal Year 2017-18 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 17-1171.

Following approval by HUD of the proposed program changes, H&RN conducted a stakeholder conference call on September 22, 2017. Over 100 partners, including; but not limited to, lenders, title companies, nonprofits, and real estate agents took part in the teleconference overview. The questions raised during and after the call were assembled and made available to all the participants.

Upon receiving Council approval of this item a formal lender training has been tentatively scheduled for October 27, 2017.

Staff Recommendation

Staff recommends approval of the DHAP program changes to be in compliance with HUD requirements. With the Committee's approval, the item will be placed on the City Council agenda for October 25, 2017.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

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| <p>c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billerae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager</p> | <p>Jon Fortune, Assistant City Manager
Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors</p> |
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Dallas Homebuyer Assistance Program Update

**Economic Development &
Housing Committee
October 2, 2017**

**David Noguera, Director
Housing and Neighborhood Revitalization
City of Dallas**



Presentation Overview

- Background/History
- Purpose
- Issues
- Proposed Program Changes
- Fiscal Impact
- Coordination
- Next Steps



Background/History

- The Dallas Homebuyer Assistance Program (DHAP) is designed to assist low- to moderate-income Dallas homebuyers with principal reduction, down payment, and closing cost assistance.
- The program has been in existence for over 25 years and has served over 7,900 homebuyers at or below 80% of Area Median Family Income (AMFI), currently \$73,400.
 - Prior to 2012, DHAP was administered by Enterprise Community Partners, on behalf of the City of Dallas.
- In April 2017, the Regional HUD office identified several HOME Investment Partnership Program monitoring findings which required the DHAP program be suspended until modifications were implemented.

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Purpose

To provide an update of the Dallas Homebuyer Assistance Program changes needed to comply with the HUD HOME requirements, which in turn will:

- Enable homeownership opportunities in the Dallas area;
- Ensure the financial viability and sustainability of future homeowners;
- Generate recapture proceeds for additional homeownership assistance to other income eligible households; and
- Strengthen the City of Dallas' homeownership portfolio.

Issues

1) Written Agreement

- All HUD HOME provisions included in agreement must be signed by the borrower;
- Recapture policy included.

2) Underwriting Guidelines

- Homebuyer underwriting guidelines created to provide for gap funding.

Proposed Program Changes

Existing	Recommended
<p>DHAP Eligibility: Affordability limits are for households 80% or below AMFI</p>	<p>DHAP Eligibility: Affordability limits will be set between 40% to 80% AMFI ¹</p>
<p>DHAP Terms:</p> <ul style="list-style-type: none"> - Provide assistance for \$14,000 or \$20,000 - Missing HOME terms in Agreement, and forgivable note 	<p>DHAP Terms:</p> <ul style="list-style-type: none"> - Provide assistance based on need and borrower debt capacity - HOME terms Agreement with non-forgivable note and with recapture provision
<p>Home Inspections: DHAP provides up to \$1,500 for Minimum Housing Standards repairs prior to closing</p>	<p>Home Inspections: Home repair assistance of \$1,500 will be discontinued</p>

Footnote:

1: HUD approved terms; future underwriting modifications are subject to their approval

Program Changes (cont'd)

Existing	Recommended
<p>Underwriting:</p> <ul style="list-style-type: none"> - Savings, 2 month's gross income plus up to \$4,000 in liquid assets - \$0 required investment - Housing to Income Ratio must not be greater than 35% - Total DTI Ratio may not exceed 45% 	<p>Underwriting:</p> <ul style="list-style-type: none"> - Savings, minimum of 2 month' s housing expenses, and not to exceed \$10,000 in liquid assets - \$1,000 minimum investment¹ - Housing to Income Ratio must <i>not be greater than 30%</i>¹ - Total DTI Ratio may <i>not exceed 43%</i>¹

Footnote:

1: HUD approved terms; future underwriting modifications are subject to their approval

Example

	Existing	Recommended	Assumptions
Sales Price ¹	\$ 224,000.00	\$ 224,000.00	Existing HOME Sales Price Limit
1st Mortgage Needed	\$216,160.00	\$ 216,160.00	FHA loan product, 96.5% Loan to Value
Annual Income ²	\$ 44,040.00	\$ 44,040.00	Family of Four @ 40% AMI
Monthly Income	\$ 3,670.00	\$ 3,670.00	
Housing Expense	\$ 1,284.50	\$ 1,101.00	35% Existing Housing ; 30% cap Recommended
Taxes & Insurance	\$ (280.00)	\$ (280.00)	2.5% taxes, 1% insurance
Monthly Debt Capacity	\$ 1,004.50	\$ 821.00	Monthly income available for mortgage financing
1st Mortgage Qualified	\$187,119.88	\$152,937.21	30 year Loan, 5% interest
Down Payment	\$ 7,840.00		3.5% Sales Price
Closing Costs	\$ 7,484.80		4% of 1st Mortgage Amount
Total - Cash Needed	\$ 44,364.91		
EXISTING DHAP Assistance	\$ 20,000.00	AS NEEDED See below	
Borrower Responsibility	\$ 24,364.91		
Down Payment		\$ 5,825.00	3.5% is \$6825, applied min. \$1,000 dpmt from Borrower
Closing Costs		\$ 6,117.49	4% of 1st Mortgage Amount
RECOMMENDED DHAP Assistance	Underfund	(\$75,165.28)	May be higher, does not account for total DTI

Footnotes:

1: U.S. Dept of HUD 2017 Sales Price Limits for Dallas, TX Metro Area

2: U.S. Dept. of HUD 2017 Income Limits for Dallas, TX Metro Area

Fiscal Impact 2017-2018

- Combined \$1,501,792
 - CDBG - \$859,663
 - HOME - \$642,129



Coordination

- September 21 & 28, 2017 - Stakeholder Outreach
 - Extended to over 100 partners
- October 25, 2017 - Council consideration
- October 27, 2017 - Lender Training
- October 30, 2017 - Program Implementation

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Housing Committee
October 2, 2017**

**David Noguera, Director
Housing and Neighborhood Revitalization
City of Dallas**

