

Memorandum



DATE March 29, 2019

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**

On Monday, April 1, 2019, you will be briefed on the Dallas Homebuyer Assistance Program proposed changes. The briefing materials are attached for your review.

Summary

Housing and Neighborhood Revitalization (Housing) is proposing changes to the existing Dallas Homebuyer Assistance Program (DHAP), based on program performance since it was last changed in Fall 2017.

Background

The DHAP is designed to assist low- to moderate-income homebuyers with down payment, principal buy down and closing cost assistance for homes purchased in the City of Dallas. Eligible homebuyers' gross income must be between 60% and 80% of the Area Median Family Income (AMFI), adjusted for family size. DHAP participation is limited to the following:

- U.S. citizens and permanent residents purchasing a home as their primary residence,
- Completion of 8 hours of homebuyer education
- Satisfactory employment history for the past six months
- Lender's minimum requirements must be met
- Savings cannot exceed \$10,000 plus two month's gross income after closing
- Qualify for a conventional, FHA, or portfolio mortgage loan from a participating DHAP lender

Issue

While the overall structure of the program is working, there are some operational changes recommended to optimize program performance and ensure the goals of the Comprehensive Housing Policy are being met. Under the current program, loans can exceed \$100,000 increasing the purchasing power of homebuyers, but not addressing sustainability concerns. As property taxes, insurance and maintenance costs rise, there is no consideration given to how the homebuyer will afford to keep the house long-term. The purpose of offering high value DHAP loans

was to address fair housing concerns and encourage homebuyers to purchase in high opportunity areas, however there was no explicit incentive described in the program and based on the households served, DHAP is not achieving this goal. It also became apparent that a loan to value requirement is necessary to ensure lenders are fully invested in the purchase of DHAP-assisted homes. Under current program rules DHAP can exceed the homebuyer's primary mortgage placing the City's investment at greater risk. Lastly, DHAP does not address occupancy standards which help ensure homebuyers are purchasing appropriately sized homes.

Fiscal Impact

The program is funded with HOME and CDBG dollars. Changes to the program guidelines have no financial impact.

Proposed Changes

Housing staff recommend the following changes to address program concerns:

- Establish loan to value ratios with incentives included for high opportunity areas— 60% in high opportunity areas, 80% in the rest of the City.
- Establish assistance caps—\$60,000 in high opportunity areas, \$40,000 in the rest of the City.
- Existing front-end ratio could use additional flexibility to streamline the underwriting process—26-32%, the back-end ratio would remain at 43%.
- Establish property occupancy standards to ensure homes are appropriately sized for buyers—minimum: 2 persons per bedroom, 1 bedroom for single member households, maximum: minimum plus 1 bedroom. If the buyer purchases in excess of need required loan to value increases by 10%.
- Loan rates and terms—forgivable deferred loans with partial repayment triggers if residency or ownership transfer during the affordability period.

Staff Recommendation

Staff recommends that the Economic Development and Housing Committee approve the DHAP proposed changes. With Committee approval, the item will be placed on the City Council agenda for April 24, 2019.

Should you have any questions, please contact me at (214) 670-3619.



David Noguera, Director
Housing and Neighborhood Revitalization

c: Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizar Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
Directors and Assistant Directors

Dallas Homebuyer Assistance Program Update

**Economic Development &
Housing Committee
April 1, 2019**

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



Presentation Overview

- Background
- Budget and Operational Impact
- Issues
- Fiscal Impact
- Recommendations
- Next Steps



Background

- The Dallas Homebuyer Assistance Program (DHAP) is designed to assist low- to moderate-income homebuyers with down payment, principal buy down and closing cost assistance.
- Purchased property must be in the City of Dallas
- Eligible homebuyers' gross income must be between 60% and 80% of the Area Median Family Income (AMFI), adjusted for family size
- Eligible homebuyers must:
 - Be a U.S. citizen or permanent resident
 - Complete 8 hours of homebuyer education
 - Occupy the home as a primary residence
- The sales price of the home may not exceed \$241,000 for new construction and \$212,000 for existing structure/home



Background (cont.)

Homebuyer:

- Must have satisfactory employment history for the past six months
- Lender's minimum requirements must be met
- Savings--no more than \$10,000 plus two month's gross income after closing
- Qualify for a conventional, FHA, or portfolio mortgage loan from a participating DHAP lender
- No cash back at closing

Mortgage Qualification:

- No adjustable rate mortgages
- Mortgage to income ratio no less than 28% and no more than 30%
- Debt Ratio not to exceed 43% at loan approval

Budget & Operational Impact

Fiscal Year 2017-2018	Numbers
Total Applicants	230
Total Households Served	42
Withdrawn/Expired/Denied	188

Fiscal Year 2018-2019	Numbers
Total Applicants	45
Total Households Served	14
Withdrawn/Expired/Denied	31
To be Submitted	2

Fiscal Year 2017-2018	Budget
CDBG	\$1,320,341.50
HOME	\$451,952.50
TOTAL	\$1,772,294

Fiscal Year 2017-2018	Budget
CDBG	\$562,015.72
HOME	\$147,147.28
TOTAL	\$709,163

Budget and Operational Impact cont.

Fiscal Year 2018-2019		
Assistance by Council District	No. of Households Served	Total Amount of Assistance
Council District 1	11	\$ 704,271.00
Council District 2	3	\$ 100,741.00
Council District 3	2	\$ 154,445.00
Council District 4	5	\$ 132,464.00
Council District 5	1	\$ 17,000.00
Council District 6	2	\$ 104,300.00
Council District 7	7	\$ 239,045.00
Council District 8	11	\$ 320,028.00
Council District 9	0	\$ -
Council District 10	0	\$ -
Council District 11	0	\$ -
Council District 12	0	\$ -
Council District 13	0	\$ -
Council District 14	0	\$ -
	42	\$ 1,772,294.00

Fiscal Year 2019-2020		
Assistance by Council District	No. of Households Served	Total Amount of Assistance
Council District 1	3	\$ 162,641.00
Council District 2	1	\$ 39,750.00
Council District 3	0	\$ -
Council District 4	0	\$ -
Council District 5	0	\$ -
Council District 6	1	\$ 41,000.00
Council District 7	5	\$ 201,088.00
Council District 8	4	\$ 264,684.00
Council District 9	0	\$ -
Council District 10	0	\$ -
Council District 11	0	\$ -
Council District 12	0	\$ -
Council District 13	0	\$ -
Council District 14	0	\$ -
	14	\$ 709,163.00

Issues

- No cap on assistance, loans can exceed \$100,000.
- No property occupancy standard.
- DHAP does not have a loan to value requirement.
 - DHAP loans can exceed the Primary Mortgage.
 - Rising property taxes, insurance and maintenance costs impact homeownership sustainability.
- No incentive to purchase in high opportunity areas, most purchases are in high poverty areas.

7



Fiscal Impact

DHAP is funded with federal entitlement grants

- Community Development Block Grant
- HOME Investment Partnerships Program

The proposed changes will have no fiscal impact.

Recommendations

- Establish loan to value ratios:
 - High Opportunity Areas: 60%
 - Non-high Opportunity Areas: 80%
- Assistance determined by underwriting criteria:
 - Front end ratio of 26-32%
 - Back end ratio of 43%
- Establish property occupancy standards to ensure homes are appropriately sized for buyers.
 - Minimum: 2 persons per bedroom, 1 bedroom for single member households.
 - Maximum: Minimum plus 1 bedroom. If the buyer purchases in excess of need required LTV increases 10%.

Recommendations (cont.)

- Establish assistance caps
 - High Opportunity Areas: \$60,000
 - Non-high opportunity areas: \$40,000
- Loan Rates and Terms: Forgivable deferred loans with partial repayment triggers if residency or ownership transfer during loan term.



Next Steps

- Council Approval April 24, 2019
- Implementation June 1, 2019



Dallas Homebuyer Assistance Program Update

**Economic Development &
Housing Committee
April 1, 2019**

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

