

# Down Payment Assistance Program

Department of Finance  
Capital Planning and Programming Division



# City Council Requested Action

**Bill #s:** 18-1501 & 18-1502

## Action and Recommendation:

18-1501: Approve project cost center change.

18-1502: Authorize and approve program documents to update the down payment assistance program.



# Existing MMA+ Program Review

- Program started spring 2013
- 28 metro area cities and counties participate in program
- 4% down payment assistance (“DPA”) grant available to people seeking to purchase a home.
- Buyers must meet standard loan qualifications (max. debt to income ratio, min FICO scores,) and participate in a homebuyer education course
- Maximum qualifying income \$125,860
- ~80 partner originating lenders
  
- Through end of Nov. 2018:
  - 1,450 Households helped
  - ~\$320 Million in mortgages originated
  - ~\$12.8 Million in down payment assistance provided



# Program Update

- City issued an RFQ to identify qualified program partners to refresh the down payment assistance program.
- The City sought responses exhibiting:
  - Innovations
  - Efficiencies
  - Enhancements
  - Strong borrower focus
- George K. Baum was selected based on:
  - Focus on providing lowest mortgage rate to borrower
  - Desire and plan to expand existing program
  - Knowledge of local market



# Program Update

Using a two phased approach to update the DPA program

- **Phase 1- Implement Changes & Efficiencies**
  - Change DPA from grant to a 0% interest forgivable 2nd mortgage
  - Provision of a cash subsidy by Freddie Mac, \$1,500 for borrowers up to 80% AMI, \$2,500 for borrowers up to 50% AMI
  - Update program documentation including agreements between partners
- **Phase 2- Additional Program Changes**
  - Increase lender base (regional banks and credit unions)
  - Evaluate potential for additional subsidy support from City for Denver loans and from other partners in their jurisdictions.

# Updated Program Details



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- 3%, 4%, & 5% down payment assistance provided
- 0% interest 2<sup>nd</sup> mortgage loan is forgivable after 3 years
  - 2<sup>nd</sup> loan is repaid on pro rata basis if home is sold or refinanced
- Home purchases only and no refinances
- No maximum purchase price

## Home Buyer Requirements:

- No first-time homebuyer requirement
- **Maximum** qualifying income of \$134,850 (150% of Denver AMI)
- Minimum 640 FICO credit score
- Homebuyer education required from HUD approved agencies



# Numerical Example of Using DPA

## Comparison of 1<sup>st</sup> Year Housing Costs Utilizing the City's DPA Program:

- \$300,000 Purchase Price
- 3.5% Down Payment Requirement
- 30 Year Mortgage

### Housing Cost Comparison after 1st Year\*

Housing Cost Type	Using City DPA Program		Not Using City DPA Program	
	Applicable %	\$ Amount Equivalent	Applicable %	\$ Amount Equivalent
Down Payment	3.5%	\$10,500	3.5%	\$10,500
Estimated Closing Costs	1%	\$2,895	1%	\$2,895
MMA+ Down Payment Assistance	4%	(\$11,580)	0%	\$0
1st Year of Mortgage Payments (Principal and Interest)	@ 6.125% Interest Rate	\$21,108	@ 5.125% Interest Rate	\$18,915
<b>Total 1st Year of Housing Costs</b>		<b>\$22,923</b>		<b>\$32,310</b>

\*All else equal

**1st Year of Housing Cost Savings from  
Utilizing the MMA+ DPA Program:**

**\$9,387**

# City Council Schedule



## Schedule:

- Dec. 19<sup>th</sup> - SAFEHOUSE Committee Presentation
- Dec. 25<sup>th</sup> - Mayor Council Canceled, proceed on consent
- Jan. 7<sup>th</sup> - 1<sup>st</sup> Reading
- Jan. 14<sup>th</sup> - 2<sup>nd</sup> Reading
- Jan. 18<sup>th</sup> - Ordinance Effective



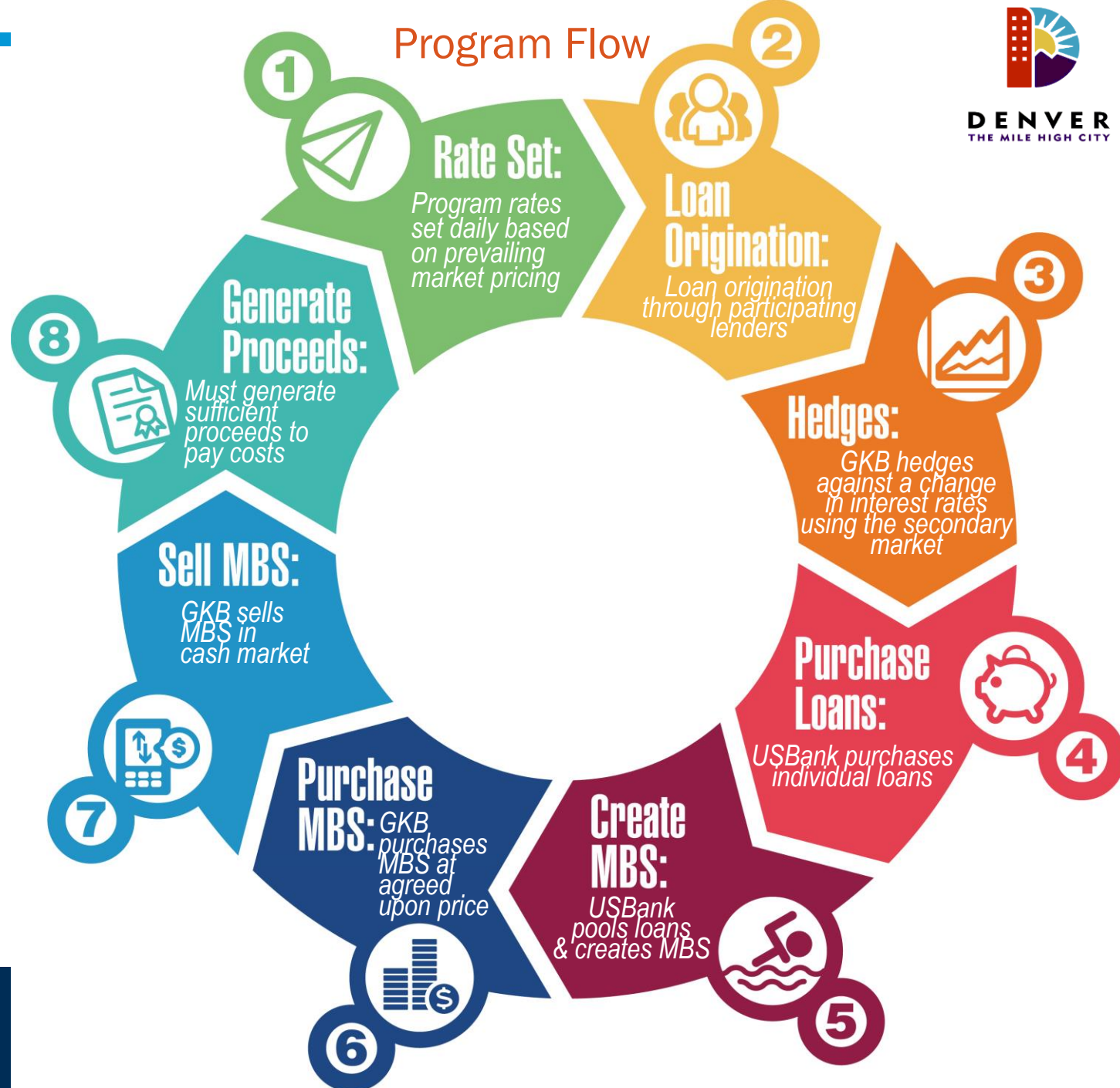


# APPENDIX



## TUTORIAL:

- 1. Program rates** set daily based on prevailing pricing in the market. Rates & guidelines posted on eHousingplus website.
- 2. Loan origination** through participating lenders. Borrowers use approved lenders.
- 3.** GKB **hedges** against a change in interest rates using the secondary market
- 4.** Master Servicer (USBank) **purchases loans**
- 5.** Master Servicer pools loans & **creates MBS**
- 6.** GKB **purchases MBS** at agreed upon price, CSG monitors the program
- 7.** GKB **sells MBS** in cash market
- 8.** Must **generate** sufficient **proceeds** to pay costs





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# Program Partners

- Sponsor - City and County of Denver



- Purchaser – George K. Baum and Company



George K. Baum & Company  
INVESTMENT BANKERS SINCE 1928

- Bond Counsel – Kutak Rock, LLP



- Financial Advisor – CSG Advisors



- Program Administrator – eHousing



- Servicer & Custodial Agent– USBank



- Local Lenders

- Mayor's Caucus Municipalities