

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor’s Legislative Team

at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**. Contact the Mayor’s Legislative team with questions

Date of Request: December 10, 2018

Please mark one: Bill Request or Resolution Request

1. Type of Request:

Contract/Grant Agreement Intergovernmental Agreement (IGA) Rezoning/Text Amendment

Dedication/Vacation Appropriation/Supplemental DRMC Change

Other: Authorize and approve the City’s sponsorship of the down payment assistance program to purchase a home.

2. Title: An ordinance (I) authorizing and approving the City’s sponsorship of the Metro Mortgage Assistance Plus Program (II) authorizing the execution of all Program Documents; (III) authorizing the appointment of a Master Servicer, Custodian, Administrator, Program Monitor and Program Advisor for the Program; (IV) allocating funds for down payment assistance; and (V) delegating the power to take all such actions as are necessary or appropriate to accomplish the foregoing.

3. Requesting Agency: Department of Finance, Capital Planning and Programming

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Michael Kerrigan - Finance	Name: Michael Kerrigan - Finance
Email: michael.kerrigan@denvergov.org	Email: michael.kerrigan@denvergov.org

5. General description or background of proposed request. Attach executive summary if more space needed:

Update to City’s existing down payment assistance program. Authorizes and approves the City’s sponsorship of the program, the forms of Program Administration Agreement, Purchase Agreement, Custody Agreement, Lender Agreements, Servicing Agreement, Legally Enforceable Obligation Letter, and Program Monitoring Agreement collectively the (“Program Documents”).

6. City Attorney assigned to this request (if applicable):

JoAnn Weinstein and Julie Mecklenburg

7. City Council District:

Citywide and Denver Metro Area

8. **For all contracts, fill out and submit accompanying Key Contract Terms worksheet**

N/A

To be completed by Mayor’s Legislative Team:

Resolution/Bill Number: BR18 1502

Date Entered: _____

EXECUTIVE SUMMARY

Council Ask:

Approve Program Documents to update Metro Mortgage Assistance Plus (“MMA+”) Program.

Current State:

The City started the MMA+ program in Spring 2013 and has administered the program on behalf of participating Metro Mayor Caucus jurisdictions ever since. MMA+ is a program that provides a grant of up to 4% of the loan amount to qualifying homeowners to satisfy down payment and closing cost requirements for the purchase of a home. Homeowners qualify for the program as long as they complete a homebuyer education course, make a new purchase of a home within the participating jurisdictions (no refinances allowed), meet standard loan qualifications (maximum debt to income ratio, minimum FICO credit scores), and have a household income less than \$125,860.

Through November 2018 the program has provided down payment assistance to 1,434 households, originated \$320 million of mortgages, and provided \$12.8 million in down payment assistance.

The program has experienced higher prepayments of existing loans initiating a cascade of events causing the program to be less effective. The higher prepayment speed impacts the value investors are willing to pay for the securities which in turn has caused the loan rates to increase in order to provide the 4% grant. The increased interest rate is not as competitive in the marketplace and thus program usage has greatly diminished. To counteract the repayment speed and bring the interest rate into alignment with the market, the program is converting from a grant to a forgivable 2nd mortgage.

Updated Program:

To address the program challenges, the City issued an RFQ to identify program partners who could provide innovative ideas for the program, suggest efficiencies and enhancements for the program, and maintain a strong focus on the borrowers.

The City sought responses from firms that could provide multiple services such as loan servicing, loan pipeline hedging, loan purchases, and loan sales. The City requested a single response from a lead firm. Since customarily the requested services are performed by multiple firms, the lead firm was encouraged to collaborate with other firms to provide the full scope of services. The City selected George K. Baum as the lead firm. George K. Baum included US Bank and eHousing as their partner firms to provide the full scope of requested services.

George K. Baum proposed a 2-phase approach for program adjustments. The phase 1 and phase 2 changes are anticipated to lower the mortgage rate to the borrowers, provide flexibility in assistance options, provide additional subsidy, and expand the program use. The phase 1 changes contemplated in the Program Documents include an update to program documentation with new parties; change from offering a grant to offering a forgivable 2nd mortgage which will result in lowering the mortgage interest rate to the borrower; adding 3%, 4%, and 5% DPA options; adding a provision for a cash subsidy from FreddieMac of \$1,500 for borrowers up to 80% of area median income, and \$2,500 for borrowers up to 50% of area median income.

Phase 2 changes are anticipated to increase the lender base by including national banks and credit unions and create opportunities for additional support from the City, other partners, and other jurisdictions. The City is working through phase 2 documentation and expects to bring forth an amendment to City Council in the future to address these inclusions.

To be completed by Mayor’s Legislative Team: