

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: July 29, 2019

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: Approval of updated documents for metroDPA down payment assistance program

2. Title: An ordinance (I) authorizing and approving the City's sponsorship of the metroDPA Program; (II) authorizing the execution of all Program Documents; (III) authorizing the appointment of a Servicer, Escrow Agent, Administrator, and Program Monitor 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

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Andrew Johnston - Finance	Name: Andrew Johnston - Finance
Email: andrew.johnston@denvergov.org	Email: andrew.johnston@denvergov.org

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

This request is for enhancements to the existing metroDPA Program. The metroDPA program is the homeownership assistance program that provides up to 6% down payment assistance to low- and moderate-income people purchasing homes. The program is sponsored by Denver and available to members of the Metro Mayors Caucus plus any other jurisdictions who choose to join. The ordinance will approve a suite of documents enabling a broader base of lenders to offer the metroDPA Program. Currently lenders must have a relationship with US Bank, and the new format will authorize the inclusion of lenders who wish to retain loan servicing such as banks and credit unions.

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

JoAnn Weinstein and Bradley Neiman

7. City Council District:

All Districts. This is a regional program sponsored by Denver and made available to all jurisdiction who choose to participate.

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

EXECUTIVE SUMMARY

The down payment assistance program is a regional program created in 2013 and was originally named MMA+ (Metro Mortgage Assistance Plus). Denver administers the Program on behalf of participating Metro Mayors Caucus members, as well as any other governmental jurisdictions choosing to participate. In 2018, a competitive process was undertaken to choose a new lead administering firm and George K. Baum & Company (GKB) was selected.

Upon retention, GKB 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 were presented to city council in December 2018 and were made effective in February 2019. Phase 1 is about establishing an updated Program and included: 1) an update to Program documentation; a change from offering a grant to instead offering a forgivable second mortgage, resulting in lowering the mortgage interest rate charged to the borrower; 2) adding 3%, 4%, and 5% down payment assistance options; and 3) adding a provision for a down payment 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 is focused on making the updated Program easier for homeowners to access through increasing the number and variety of organizations that can utilize the down payment assistance Program. The Phase 2 changes include: 1) increasing the lender base to include additional banks and credit unions; 2) allowing for additional servicers; and 3) creating opportunities for additional support from the City, other partners and other jurisdictions.

The updated Program offers up to 6% down payment assistance to homebuyers who qualify under standard FHA, VA, Conventional or USDA lending guidelines. The Program benefits homebuyers who meet standard loan qualification guidelines and lack the ability to save enough for a sufficient down payment on a new home. For example, a borrower purchasing a \$300,000 home with an FHA loan will need 3% down payment and about 2% for closing costs equaling a total of 5% cash to close. This amounts to \$15,000 cash needed to close for a \$300,000 home and is provided as part of this Program. The down payment assistance is in the form of a three-year forgivable second mortgage. The second mortgage has no scheduled payments, and each month the homebuyer makes a payment on the first mortgage, 1/36th of the second mortgage is forgiven.

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Borrowers must take a home buyer education course and then with their lender choose a down payment option that meets their individual situation. The actual down payment assistance is created by the mortgage interest rate being about .375% to .875% higher than the daily market rate for a 30-year fixed rate mortgage. This interest rate range is lower since the implementation of Phase 1. Adjustable rate mortgages are not allowed under the metroDPA Program.

The ordinance approves updated documentation to the metroDPA Program that allows for the following:

- Ability for banks and credit unions to offer the metroDPA Program
- Ability to add new mortgage servicers
- Authorize the use of program funds to fund/reimburse down payment assistance and pay Program costs.
- Designate the Chief Financial Officer or Executive Director of the Office of Economic Development to execute documents relating to the metroDPA Program.

Calendar of City Council Activities

Date	Activity
Monday, July 29 th	Finance to submit ordinance request to approve service plan
Tuesday, August 6 th or 7 th	Ordinance presentation in FinGov or BIZ Committee (1:30pm either day)
Tuesday, August 13 th	Ordinance at Mayor Council
Thursday, August 15 th	Deadline for Ordinance to be filed by CAO
Monday, August 19 th	Ordinance at City Council for Introduction
Monday, August 26 th	Ordinance at City Council for Final Consideration
Friday, August 30 th	Ordinance effective