



## Legislation Text

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**File #:** Ordinance 17-2019, **Version:** 2

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Agenda Date: 07/02/2019

**Subject:**

Ordinance 17-2019: Second introduction of an ordinance approving the city's participation in the Metro Mortgage Assistance Plus Program and authorizing the execution of the Delegation and Participation Agreement

Prepared by: Tiffany Hooten, Finance Director
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**POLICY QUESTION:**

Does city council support the city's participation in the Metro Mortgage Assistance Plus Program (MMA+), also called MetroDPA, and execution of the Delegation and Participation Agreement officially supporting access to low interest mortgages and down payment assistance for qualifying residents earning up to 150% of the Area Median Income (AMI)?

**BACKGROUND:**

The MMA+ program was created by the City and County of Denver in 2013 as a replacement to a housing revenue bond program. The new program became necessary when housing bonds fell out of favor with investors following the housing and mortgage market crash in 2008. The City and County of Denver restarted the mortgage program along with a third-party administrator by providing borrowers with a 4% down payment assistance (DPA) grant along with a first mortgage at a slightly higher interest rate. The Metro Mayors Caucus (MMC) invited member jurisdictions to demonstrate support for the MMA+ program by resolution (the City of Littleton requires an ordinance due to the term of the agreement) and a Delegation and Participation Agreement. There is no financial obligation for participation in the program. The demonstrated support by ordinance is expected to extend the region's collaborative interest in the success of the MMA+.

The program faced changing market conditions over the past two years which resulted in decreased use of the program. A review of the terms found rapid refinancing of MMA+ grants caused high loan prepayment speeds which diminished the premium loan servicers are willing to pay, thereby increasing mortgage interest rates to cover the DPA. The MMA+ loan interest rates became more costly to the borrowers the program was designed to help.

Together with the fact that the metro area is facing affordable housing challenges, the City and County of Denver studied the changing DPA market and adjusted the MMA+ program to better serve metro area borrowers.

As a result, the City and County of Denver issued a Request for Proposals (RFP) to solicit experienced firms with new ideas to refresh the program and better meet borrowers' needs. George K. Baum, a national investment banking firm with a strong local presence, was selected based on its experience in cities and states across the country and its innovative ideas to enhance the program. Program changes that the City and County

of Denver will enact are designed to lower barriers to participation and provide lower interest rates to borrowers. These include:

- 3%, 4%, and 5% down payment assistance in the form of no-interest second mortgages that are forgivable after 36 months
- Greater and broader lender outreach to boost program visibility
- Inclusion of credit unions and small regional banks into the lender pool

An overview of the newly developed program is provided in Attachment A.

Littleton residents have already benefited from the earlier versions of the MMA+ program. Since the inception of the program through April 30, 2019, data for the program shows there have been 67 loans originated in Littleton for cumulative loan amounts of \$15,471,155 and \$612,833 in down payment assistance.

This program provides home financing based on:

- Maximum qualifying income of \$134,850 (150% AMI)
- Minimum 640 credit score
- Homebuyer education required from a U.S. Housing and Urban Development (HUD) approved agency
- No first-time homebuyer requirement
- Expanded home financing opportunity for Littleton residents

#### **PRIOR ACTIONS OR DISCUSSIONS:**

This item was discussed at the February 12, 2019 study session and was approved on first reading at the June 4, 2019 regular city council meeting.

#### **STAFF ANALYSIS:**

This program will allow the opportunity for down payment assistance to prospective home buyers when purchasing housing in the City of Littleton. The city has previously participated in this program. This is the revised mortgage assistance program which requires formal approval for participation. The city will provide information on the website to notify citizens of this program.

#### **OPTIONS/ALTERNATIVES:**

1. City council can support the program and sign the Delegation and Participation Agreement and assure that residents have access to the program.
2. City council can forego the opportunity to both support by ordinance and sign a Delegation and Participation Agreement with the City and County of Denver as an MMC participant and forfeit continued access to the program for residents.
3. City council can direct staff to monitor the implementation of the new MMA+ program and consider the opportunity after the new program has been established.

#### **FISCAL IMPACTS:**

N/A

#### **STAFF RECOMMENDATION:**

Staff recommends approval.

**PRESENTATIONS:**

**Staff Presenter(s):** Tiffany Hooten

**Additional Presenter(s):** N/A

**PROPOSED MOTION:**

I move to approve the ordinance approving the city's participation in the Metro Mortgage Assistance Plus Program, authorizing the execution of the Delegation and Participation Agreement.