



**Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED**

Date: May 1, 2012  
To: Council Member Lisa Goodman, Chair, Community Development Committee  
Referred to: Council Member Betsy Hodges, Ways and Means/Budget Committee  
Subject: Approval to enter into a 2012 Minnesota Home Ownership Center contract and to extend any remaining funds from 2011

**Recommendation:**

Approve the following:

1. An exception to the procurement policy to allow the City to contract with the Minnesota Home Ownership Center without following an RFP process;
2. Enter into a contract with the Minnesota Home Ownership Center in the amount of \$350,000 for the following:
  - a) homeownership counseling (\$95,000);
  - b) foreclosure prevention counseling (\$255,000);
  - c) approve the transfer of any unspent funds, if any, from their 2011 contract to this new contract.
3. Amend the 2012 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01SRF – Residential Finance (01SRF-8900220) appropriation by \$350,000 from the available fund balance;
4. Authorize the appropriate City staff to enter into a new contract with Minnesota Home Ownership Center and authorize appropriate staff to sign the necessary documents.

**Previous Directives:** The City has had an annual contract with the Home Ownership Center (HOC) for home ownership counseling services since 1992. It has also provided funding for foreclosure prevention through HOC since 1999.

Prepared by:	Mark S. Anderson, Senior Contract Management Specialist	
Approved by:	Thomas Streit, Director of Housing Policy and Development	_____
	Charles T. Lutz, Interim CPED Director	_____
Presenter in Committee:	Mark S. Anderson	
Funding source and appropriation language reviewed by	Development Finance	_____

**Financial Impact**

Action requires an appropriation increase to the Capital Budget or Operating Budget

Dept Name: Community Planning and Economic Development

Fund Name: 01SRF - Residential Finance

Amount: \$ 350,000

**Supporting Information**

The Minnesota Home Ownership Center (HOC) is a unique organization that was created in 1992 by the Cities of Minneapolis and St. Paul, the Family Housing Fund, and area lenders. The HOC was created to develop and maintain a pre-purchase home ownership counseling curriculum which is now known as Home Stretch. The experience of the HOC in this area is well recognized and HOC now oversee services statewide.

Subsequent to HOC's development of the Home Stretch counseling curriculum and services, the HOC expanded its services to include counseling for homeowners who are at risk of or are now experiencing a home foreclosure.

Both the pre-purchase counseling and the foreclosure prevention counseling services are offered by the HOC through a network of counseling agencies whose knowledge and expertise is well recognized by the lending and real estate communities.

General operating and pre-purchase counseling

The 2011 budget for these services was approved at \$95,000 and the HOC requests that this amount remain the same in an effort to continue to direct as much of the available resources to foreclosure prevention. The HOC will continue to seek and is hoping to locate other grant funding to help maintain the overall level of service to Minneapolis.

The benefit to the City of providing resources for pre-purchase education and counseling is that it proves to be the best tool for ultimately preventing foreclosures. As an example of the value of the pre-purchase counseling, borrowers using the City's *CityLiving* home program are required to attend a Home Stretch educational workshop and some subsequently choose to attend personal financial counseling through the Home Stretch counseling agencies. Those who attend Home Stretch workshops have default and foreclosure rates that are approximately half of the national average.

In 2011, 662 homeowners living in Minneapolis completed a Home Stretch workshop. In addition, 254 homeowners participated in pre-purchase personal counseling.

Since 2004 the HOC has offered the Home Stretch workshops not only in English, but they have expanded the training to include Spanish and Hmong.

Foreclosure Prevention Counseling

In 2011 the city provided \$320,000 to go toward these services through the HOC. The new funds recommended in this report would reduce that amount to \$255,000 for 2012. The HOC contracted network of counseling agencies for foreclosure prevention counseling include:

- Habitat for Humanity – English speaking
- Hmong American Partnership – Hmong speaking
- PRG, Inc. – African immigrants and African Americans
- NeDA – Spanish speaking

In 2011, Minneapolis had 905 clients who participated in foreclosure prevention counseling which is a 1.5% increase over 2010. The household breakdown is as follows:

Area Median Income Range	Percent of Households
0-50%	55%
51-80%	26%
81-100%	7%
Over 100%	8%
Income unknown	4%

Attached to this report is a map for 2011 showing foreclosures prevented in Minneapolis.

Planned usage for this new funding

The HOC plans to use the new funds and any funds carried forward to accomplish the following tasks as part of the 2012 contract.

- Continue to provide foreclosure counseling to owner-occupied households experiencing a housing crisis.
- Continue to monitor federal, investor and servicer programs providing alternatives to foreclosure so homeowners are aware of all available options.
- Continue and create new partnerships with leaders in cultural communities to establish the HOC as the trusted resource for homebuyers and homeowners.
- Funding for foreclosure counseling from the City of Minneapolis has and will help leverage "re-housing" grant sources that will be used to provide relocation cost assistance to owner-occupied households that experienced foreclosure. The goal of this program is to prevent homelessness and the costs homeowners and communities incur due to homelessness.
- City funding is also leveraging support for an outreach campaign to warn homeowners about a variety of scams, including for-profit loan modification companies. This campaign will target the hardest hit communities including immigrant and other communities of color.

On the pre-purchase side HOC developed and implemented a "triage" model that routes potential homebuyers to the most appropriate services given their unique circumstances, whether it is the Home Stretch workshop, one-on-one counseling or more in-depth financial literacy.

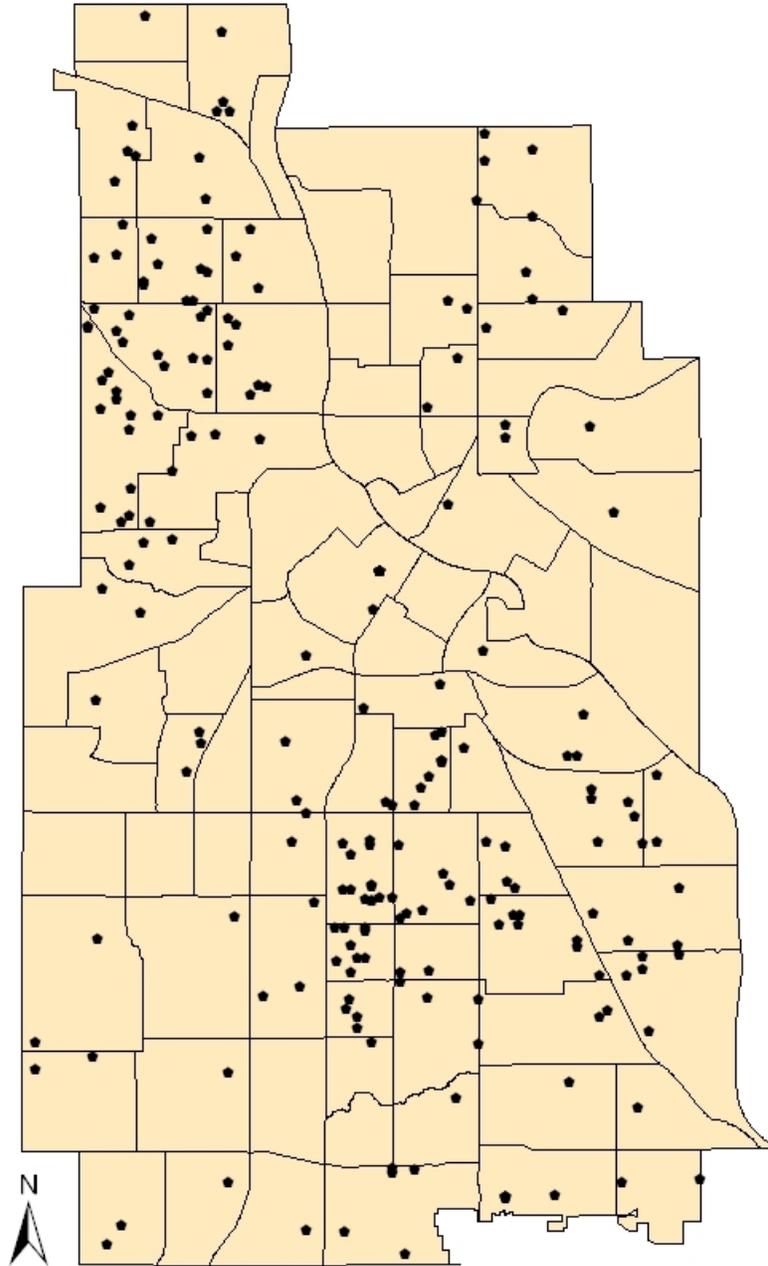
- The Center is also exploring opportunities to utilize technology more for pre-purchase services including additional online resources (like the entry-cost assistance matrix), and interactive education tools.

Finally, the HOC expects to fully expend all of the funds remaining in the 2011 contract, however, if any funds remain unspent staff requests authorization to carry any remaining funds forward to allow it to be spent as part of the 2012 contract.

Request for not issuing an RFP

The City normally requires that a request for proposal be issued for the purposes of establishing services to Minneapolis residents. The City Council previously requested that staff research this issue to determine if other organizations would compete for providing the services on behalf of the City. As we acknowledged in prior reports a survey of the counseling agencies that provide these services clearly demonstrates that none of them have the capacity to do this work. All of the organizations unanimously supported continuing to provide the services through the HOC. Therefore, staff is recommending that the City waive the required RFP process in this case.

## 2011 Minneapolis Foreclosures Prevented



Map created February 2012 by the Minnesota Homeownership Center.  
Data provided by organizations in the Homeownership Advisors Network.  
Number of foreclosures prevented: 223

