



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

Date: July 9, 2013
To: Council Member Lisa Goodman, Chair, Community Development Committee
Subject: Approval to enter into a contract with Community Reinvestment Fund to the City's loan servicer

Recommendation

Approve entering into a contract with Community Reinvestment Fund to allow them to service City mortgage and home improvement loans and authorize the appropriate city officials to execute the contract.

Previous Directives: The City of Minneapolis has had a contract with an outside loan servicing company since 2003.

Prepared by: Mark S. Anderson, Senior Contract Management Specialist	
Approved by: Thomas Streitz, Director of Housing Policy and Development	_____
Charles T. Lutz, Deputy Director	_____
Presenter in Committee: Mark S. Anderson	

Reviews

- Permanent Review Committee (PRC): Approval X Date May 2, 2013
- Civil Rights Approval Approval X Date April 22, 2013

Financial Impact

- No financial impact
- Action is within the Business Plan

Supporting Information

In 2003 the Director of CPED made a business decision to go out with a Request for Proposal (RFP) to hire a loan servicing company for the City's mortgage and home improvement loans. Since that time virtually all the City's loans for home mortgage assistance and home improvement loans, including home improvement loans funded through the Department of Health and Family Support, have been serviced by Community Reinvestment Fund whose contract will now expire at the end of July.

CPED staff has prepared an RFP which was reviewed by the Permanent Review Committee prior to release. The RFP was released on April 26, 2013 and was due back May 24, 2013. Two companies responded to the RFP and they were Community Reinvestment Fund of Minneapolis, MN and NewOak Capital Advisors, LLC.

Community Reinvestment Fund (CRF)

As previously stated, CRF is the current company providing loan servicing for City of Minneapolis loans. Staff has been very pleased with CRF which has provided quality servicing and information about loans the loans they are servicing. Their reporting is clear, accurate and timely and their charges have been consistently reasonable. In fact, in 2012 our total payments to CRF for their services totaled just over \$15,000 for close to 1000 loans. In response to the RFP, CRF has proposed to continue these services for the same pricing as their current contract. The key charges are:

Loan setup charge	\$5.00 per loan setup
Servicing deferred loan (loans with no payments)	\$1.00 per month
Servicing loans with monthly payments	\$6.00 per month
Loan subordination charges	\$125.00 per request

CRF has their servicing office located in Minneapolis. The staff has had no customer complaints about the work that CRF has done.

NewOak Capital Advisors, LLC

NewOak Capital Advisors will utilize the services of a subcontractor, BSI Financial Services (BSI), for the routine servicing of the loans. BSI is a fully licensed minority owned business. They have been in business for 22 years and are approved to work with Fannie Mae, Freddie Mac, FHA, HUD and VA for servicing. The key charges that are a part of this contract are:

Loan setup charge	\$52.50 per loan setup
Servicing deferred loan (loans with no payments)	\$15.00 per month
Servicing loans with monthly payments	\$15.00 per month
Loan subordination charges	\$85.00 per request

We contacted two references for BSI:

Tina Olson, City of Pittsburg Finance Director – No response was received from this reference.

Dirk Swift, Transaction Manager - Our Home AZ Program, Arizona Department of Housing – Although Mr. Swift was given as a servicing reference for BSI, it appears that BSI is not actually servicing loans for Mr. Swift. Mr. Swift did indicate that BSI was working with this Arizona Department to provide financial conduit help and that BSI staff were knowledgeable, helpful and professional in all the other areas that they are working with together.

BSI's servicing offices are located in Irving Texas and Titusville Pennsylvania.

Staff Recommendation

Based upon our past ten years' experience with CRF and the information provided in both proposals, staff is recommending that the City of Minneapolis enter into a new contract with CRF for a term of ten (10) years and that the appropriate city officials be authorized to execute the contract. The Evaluation Committee determined that:

- CRF's services has done an excellent job for the City and they have had no customer complaints.
- In the RFP, under "Minimum Qualifications," it states, "While not required, consideration will be given during the selection process to contractors who have an office within the city limits of the city of Minneapolis." CRF is based locally and the loan servicing office is local as well, while BSI is servicing out of two offices in other states.
- CRF's fees are substantially lower than those of NewOak Capital Advisors, LLC / BSI.