

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 6/7/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Lead Staff: Cherie Shoquist, Principal Project Coordinator, X 5078
Presented by: Cherie Shoquist
File Type: Action
Subcategory: Loan

Subject:

Homeownership Opportunity Minneapolis Down Payment and Closing Cost Assistance Program

Description:

- 1) Approving the 2016 Homeownership Opportunity Minneapolis (HOM) program to provide down payment and closing cost assistance to Minneapolis homebuyers.
- 2) Authorizing appropriate City staff to execute lending contracts and/or disbursement and related agreements for City of Minneapolis funds for the HOM program.
- 3) Approving contracts with Greater Metropolitan Housing Corporation and BuildWealth Minnesota not to exceed a combined total of \$75,000 for the costs of administering the loans.

Previous Actions:

On February 13, 2015, the City Council approved the Homeownership Opportunity Minneapolis (HOM) program to provide down payment and closing cost assistance to Minneapolis homebuyers. ([15-00146](#)) The HOM funds are included in the 2016 City of Minneapolis Budget.

Ward/Address:

All Wards

Background/Analysis:

Staff requests that the City Council approve the Homeownership Opportunity Minneapolis program which will provide down payment and closing cost loan assistance with the goal of increasing the number of homeowners of color in Minneapolis. This is part of a comprehensive effort to reduce the racial disparity in homeownership rates. The program is funded with \$400,000 from the City of Minneapolis General Fund.

Overview of Program Guidelines Changes:

- The loan was previously a forgivable loan that is now zero percent interest loan that is 100% repayable at the end of the life of the first mortgage or when the homeowner ceases to occupy the home as a primary residence.
- Required Counseling and Education:
 - Homebuyers must complete homebuyer education through HomeStretch™ (sponsored by the Minnesota Homeownership Center), Framework® (online

homebuyer education available at www.hocmn.org), or Realizing the American Dream (provided by the Minneapolis Urban League).

- Homebuyers must complete financial education and counseling and homeownership counseling through a designated service provider.

The financial education and counseling in addition to homebuyer education and counseling are a new requirement to enhance the homebuyer's success in sustaining homeownership.

The City will contract with the Greater Metropolitan Housing Corporation (GMHC) and BuildWealth Minnesota to originate and underwrite program loans in compliance with the City's HOM Program Guidelines. GMHC will accept and process applications at its Housing Resource Centers and BuildWealth Minnesota will accept and process applications in their North Minneapolis office. The fee for loan administration is \$1,000 per loan closed. GMHC and BuildWealth Minnesota were selected through an informal request for interest solicitation. The fee was determined to be reasonable based on the fee the State of Minnesota pays to GMHC and BuildWealth Minnesota for the same services.

GMHC and BuildWealth Minnesota will accept applications from homebuyers that receive homebuyer and financial education and counseling services from a select network of Minneapolis organizations that provide outreach and engagement to and work within the following communities of color, although any potential homebuyer is eligible to receive such education and counseling and participate in the HOM Program:

- African American
- East African
- Southeast Asian
- Latino
- Native American

Homebuyers that complete homebuyer and financial education and counseling and have identified a home to purchase in Minneapolis will be eligible to apply for HOM Down Payment and Closing Cost Assistance.

Financial Review:

No additional appropriation required, amount included in current budget.