

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 7/26/2016
From: Community Planning & Economic Development
Lead Staff: Mark S. Anderson, Senior Contract Management Specialist
Presented by: Mark S. Anderson
File Type: Action
Subcategory: Contract/Agreement

Subject:

Approval to enter into a ten year contract with Community Reinvestment Fund to provide loan servicing for City mortgage and home improvement loans with a contract amount not to exceed \$150,000.

Description:

Approving a contract with Community Reinvestment Fund (CRF) to provide loan servicing for City mortgage and home improvement loans, for the period from August 1, 2016 through July 1, 2026, in an amount not to exceed \$150,000.

Previous Actions:

The City has executed contracts for these services with CRF since 2003. The last City Council approval occurred on July 19, 2013.

Ward/Address:

All Wards

Background/Analysis:

In 2003 the City outsourced the loan servicing for its mortgage assistance and home improvement loans in an effort to reduce administrative costs. As of the end of 2015, the loan portfolio was made up of 428 mortgage assistance and 419 home improvement loans. In addition, a change in the NRP program has identified approximately 192 NRP loans which will now be under the City's servicing contract. This brings the total loans being serviced to 1,039. The total cost of servicing has ranged between \$11,000 and \$12,000 in the most recent years, not including the NRP loans.

The first contract was with Community Reinvestment Fund and the term of that contract was ten years. At the end of that contract period, a new Request for Proposal (RFP) was conducted, and that contract was again awarded to Community Reinvestment Funds. That contract was limited to three years by the Permanent Review Committee (PRC) and is scheduled to expire on July 31, 2016. In anticipation of that contract expiring, a new RFP was brought to the PRC for approval and at that meeting staff presented a case to extend the term of the contract back out to ten years. A ten year term provides more consistency and less confusion for the borrowers whose loans they are servicing. In addition, it offers a potential to obtain lower bids because of the longer guaranteed term. The PRC concurred with the staff recommendation and approved this longer term.

On May 26, 2016 the new RFP was released and the City received two responses which came from Community Reinvestment Fund (CRF) and United Adjustment Corporation (United). The following are the proposed charges for each organization:

Proposed Service	CRF	United
Loan set-up fee	\$10 per loan	\$75 per loan
Servicing fee – amortizing loan	\$7 per month	\$50 per month
Servicing fee – deferred forgivable loan	\$1.50 per month	\$25 per month
Servicing fee – deferred repayable loan	\$1.50 per month	\$45 per month
Loan satisfaction fee	\$25 per loan	\$65 per loan
Administrative charge for verification of loan compliance for occupancy	\$60 per hour	No charge indicated
Fee for requests for loan forgiveness of all or a portion of City's debt	No charge indicated, but may come under above category response	\$100 per loan
Loan subordination fee	\$175 per loan	\$75
Document replacement fee – copy	No charge	No charge indicated
Document replacement fee – certified	\$10 per document	\$50 per document
Final processing – loan charge offs	\$25 per loan	No charge indicated
Additional project work	\$60 per hour	
Customized reports requested	\$150 per hour	No charge indicated
Default management	\$75 for junior manager \$100 for senior manager	No charge indicated
Foreclosure work	Actual costs	Actual costs
Property management	Actual costs	Actual costs

Based upon the proposals that were submitted, the Review Committee determined that both organizations have the qualifications to provide these services which makes cost the deciding factor. The predominant costs to the City will be in the first five categories of the above table. In those five categories, CRF has proposed significantly lower charges than the charges proposed by United.

CRF has performed well under their past two contracts and staff expects that CRF will continue to meet expectations for the quality of their service. Staff is, therefore, recommending that this contract be awarded to CRF. Staff will ensure that the contract has a clause that will allow it to be cancelled for any reasonable cause such as changes in servicing charges in the marketplace that could significantly save the City money.

Financial Review:

Select financial statement.

Approved by the Permanent Review Committee.