

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

Date: February 27, 2007
To: Council Member Lisa Goodman, Chair, Community Development Committee
Subject: Approval to enter into a contract with the Home Ownership Center to provide homeownership and foreclosure prevention counseling services

Recommendation:

Approve the following:

1. An exception the procurement policy to allow the City to enter into a contract with the Home Ownership Center without following an RFP process
2. Entering into a contract with the Home Ownership Center for:
 - a) homeownership counseling(\$100,000),
 - b) foreclosure prevention counseling (\$300,000), and
 - c) a foreclosure prevention loan fund (\$100,000)

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 Anderson, Senior Contract Management Specialist Approved by: Elizabeth Ryan, Director Housing Policy & Development _____ Presenters in Committee: Mark Anderson

Financial Impact

_____ No financial impact

Supporting Information

In 1992 the Cities of Minneapolis and Saint Paul joined together with the Family Housing Fund and area banks and mortgage companies to create the Home Ownership Center (HOC). The purpose of this center was to provide a unified approach to providing home ownership counseling services that would serve not only local government housing programs, but also programs offered by area banks and mortgage companies.

From 1992 through 2006, Minneapolis' annual contribution to the general operating fund of the HOC was \$50,000. Operating costs for providing the programs and services has increased over the past 16 years and in response to the increasing costs, staff is now recommending that this funding level be increased to \$100,000 which would match Saint Paul's contribution.

The goal of the home ownership counseling services has been to provide more opportunities to area residents to realize the dream of home ownership. It was important that lenders not only help them to purchase a home, but also make sure that their ownership was successful over time. This goal has largely been achieved for those receiving this counseling. Seeing the success of the pre-purchase home ownership counseling, the Cities examined the possibility of providing services that would address post-purchase foreclosure prevention for homeowners who were experiencing a financial crisis. The Foreclosure Prevention Program is what was created from that effort.

In addition to providing home ownership counseling services, the HOC is the central organization that coordinates foreclosure prevention counseling services on behalf of Minneapolis, Saint Paul, and the State funded services throughout greater Minnesota. The foreclosure prevention counseling services are provided through HOC's partners which in Minneapolis are presently Northside Residents Redevelopment Council in north Minneapolis and Habitat for Humanity in south Minneapolis. HOC monitors the services that are provided and works with the partners on the development and application of the curriculum used during the counseling sessions.

Since the program's inception, Minneapolis has provided \$250,000 as an annual contribution to cover foreclosure prevention counseling services to Minneapolis homeowners. In 2006, in addition to the \$250,000, the City provided \$100,000 to help the counseling agencies address a surge in the demand for these services and the related costs. Because of the continued high level of foreclosure activity and the ongoing demand for foreclosure prevention services, staff now recommends that Minneapolis increase its annual support for this program to \$300,000. This would be a 20% increase over previous annual funding.

Staff is also recommending that the City provide an additional \$100,000 which would be used to finance loans to help bring the mortgagors current on their mortgage payments. Several factors are considered before a loan is offered by the counseling agency.

- The homeowner must have overcome the circumstances that caused them to go into foreclosure such as the loss of a job, a medical emergency, or some other crisis event.
- The mortgagors must have obtained all the funds they possibly can from other sources such as a neighborhood group, foundations, the County, and family members. This would also include possible financial concessions from the mortgagor's lending institution.
- The homeowners must have successfully completed financial counseling. This will typically mean they understand the process of household budgeting and the need to make their payments in a timely manner.
- They must have sufficient stable income coming into the household so that the monthly payments are determined to be affordable.

These loans are provided at zero percent interest. They are fully repayable, require no monthly payment, and are due when the borrower no longer owns or when they cease to occupy the home as their principal place of residence. Loan repayments are recycled back into the loan pool to allow the counseling agency to fund future loans.

The funds for the HOC's administrative costs, the foreclosure prevention services, and the loan have already been appropriated during the 2007 budget process.