

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

Date: January 27, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Phillips Partnership Second Mortgage Loan Program

Recommendation: Authorize City participation in and approve the execution of agreements with Project For Pride In Living, acting on behalf of the Phillips Partnership for a Second Mortgage Loan Program.

Previous Directives: No previous directives

Prepared by: Mark Anderson, Senior Contract Management Specialist

Approved by: Tom Streitz, Director, Housing Policy & Development _____

Chuck Lutz, Deputy CPED Director _____

Presenters in Committee: Mark Anderson

Financial Impact

- No financial impact

Community Impact

- City Goals- A Safe Place to Call Home – In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Supporting Information

Project For Pride In Living (PPL), acting on behalf of the Phillips Partnership, a non-legal entity collaboration among partners like the Allina, Children's Hospitals and Clinics, Wells Fargo, Hennepin County and the City of Minneapolis, has requested that the City of Minneapolis be the participating lender in a homeowner assistance program to provide second mortgage loans for buyers of owner occupied condominium and single family detached housing being purchased within the Midtown Phillips neighborhood. The Phillips Partnership through PPL will provide all of the funds for the second mortgage loans. The City will be the originating lender with the second mortgage loan promissory notes and mortgages made in the name of the City of Minneapolis. The second mortgage loans will help homebuyers finance their down-payment and closing costs up to a maximum loan amount of \$10,000. As proposed by

PPL, the second mortgage loans are similar in nature to the Minneapolis Advantage Program. Second mortgage loan repayments will revolve back into the Second Mortgage Loan Program to fund additional second mortgage loans.

PPL's reason for making this request is that they are seeking to permit FHA insured mortgage loans as a primary source of financing for owner-occupant homebuyers participating in the Second Mortgage Loan Program. This requires that an FHA approved lender originate the second mortgage loans. PPL is not an FHA approved lender. The City is an FHA approved lender. With the City originating the second mortgage loans, the Phillips Partnership Second Mortgage Loan Program could begin rapid implementation, including facilitating closings at the Midtown Exchange Condominium project.

If approved by the Council, the City and PPL, acting on behalf of the Phillips Partnership, will enter into an agreement that states that the Phillips Partnership and its partner, PPL, will be responsible for the Second Mortgage Loan Program funding, administration, loan origination and approval, loan servicing, and loan monitoring. The City will consult with and serve as the originating lender on the second mortgage loan documents for the Program. PPL, acting on behalf of the Phillips Partnership, will be required to indemnify the City from any liability associated with these loans or the Program. In addition, the City will require the payment of an upfront Program setup fee, a loan setup fee for each second mortgage loan, and a modest service fee as second mortgage loans are subordinated or satisfied in order to cover the City's administrative costs and any additional staff time that may occur during the life of the Phillips Partnership Second Mortgage Loan Program.