

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

Date: April 20, 2010

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

Subject: Approval to extend the contract with the Minnesota Home Ownership Center to provide homeownership and foreclosure prevention counseling services

Recommendation:

Approve the following:

1. An exception to the procurement policy to allow the City to extend the contract with the Minnesota Home Ownership Center without following an RFP process;
2. Entering into a contract with the Minnesota Home Ownership Center for:
 - a) homeownership counseling (\$125,000);
 - b) foreclosure prevention counseling (\$445,000);
3. Authorize the extension of the contract together with the carryforward of any remaining funds covered under the 2009 contract.

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: Tom Streitz, Director of Housing Policy and Development _____
Charles T. Lutz, Deputy CPED Director _____
Presenters in Committee: Mark Anderson

Financial Impact

 X Action is within the Business Plan

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 Minnesota Home Ownership Center (HOC). The purpose of HOC was to create a unified approach to providing home ownership counseling services that would not only serve local government housing programs, but also programs offered by area banks and mortgage companies.

General operating and pre-purchase counseling

From 1992 through 2006, Minneapolis' annual contribution to the general operating fund of the HOC was \$50,000. In 2007 this funding was increased to \$100,000 and again in 2009 it was increased to \$125,000. At the request of the HOC director, staff recommends maintaining this funding at \$125,000 to continue the emphasis on education and training of homebuyers before they close on their home purchase. They have expanded their educational outreach to include the NSP programs and counseling potential buyers about the dangers surrounding the use of a contract for deed as a home purchase vehicle.

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. Pre-purchase education and counseling proves to be the best tool for preventing foreclosure.. As an example of the value of the pre-purchase counseling, borrowers using the *CityLiving* home program who have received this counseling have default and foreclosure rates that are approximately half of the national average.

In 2009, 1095 homeowners living in Minneapolis completed a Home Stretch workshop which is an increase of 23% over the prior year. In addition, 258 homeowners participated in pre-purchase personal counseling services which is an increase of 30% over the prior year.

Foreclosure Prevention 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 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 the recent past for Minneapolis has been Habitat for Humanity. HOC has expanded this program further to include PRG, Inc. for counseling of African immigrants and African Americans, NeDA for counseling of Spanish speaking groups, and NHS of Minneapolis for counseling of Hmong immigrants. HOC monitors the services provided and works with the partners on the development and application of the curriculum used during the counseling sessions.

Since 2006, the City's contribution toward these services has increased steadily and in 2009 the HOC received \$385,000 for foreclosure prevention counseling. Because of the continued high level of foreclosure activity and the ongoing demand for foreclosure prevention services staff recommends that the City provide \$395,000 for these services.

In 2009, Minneapolis had 1,329 clients who participated in foreclosure prevention counseling. The household breakdown is as follows:

Area Median Income Range	#	Percent of Households
0-50%	840	63%
51-80%	335	25%
81-100%	84	6%
Over 100%	70	6%

(Attached is a map of foreclosures prevented from October 2006 to October 2008.)

The funds for the HOC's administrative costs and the foreclosure prevention services have already been appropriated as part of the 2009 budget process.

Finally, a relatively small amount of funding from the 2009 contract remains unspent at this time. Staff wants to carry this amount forward to allow it to be spent as part of the 2010 contract. The reason these funds remain unspent at this time is that due to the timing of contract signatures (mid-year 2009), the newly funded organizations (PRG, NHS, NeDA) were not able to begin the hiring and training process until several months into 2009. As a result of the delay and ramp up they did not expend all funds allocated to them by December 31, 2009. All organizations are now fully staffed, developing strong relationships within their target cultural communities and establishing their organizations as the go-to source for information about foreclosure prevention.

The HOC plans to use the new and carried forward funding to accomplish these new tasks as part of the 2010 contract

- Continue to provide foreclosure counseling to owner-occupied households experiencing a housing crisis.
- Continued and new partnerships with leaders in cultural communities to establish ourselves as the trusted resource for homebuyers and homeowners.
- Funding for foreclosure counseling from the City of Minneapolis helped leverage "re—housing" grant sources that will be used to provide relocation cost assistance to owner-occupied households that experienced foreclosure. The goal of this program is to prevent homelessness and the costs homeowners and communities incur due to homelessness.
- City funding is also leveraging support for an outreach campaign to warn homeowners about a variety of scams, including for-profit loan modification companies. This campaign will target the hardest hit communities including immigrant and other communities of color.
- On the pre-purchase side HOC is developing a "triage" model that will route would-be homebuyers to the best services given their unique circumstances,

whether it is the Home Stretch workshop, one-on-one counseling or more in-depth financial literacy.

- The Center is also exploring opportunities to utilize technology more for pre-purchase services including additional online resources (like the recently added entry-cost assistance matrix), and interactive education tools.