



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

**Date:** June 20, 2006

**To:** Council Member Lisa Goodman, Community Development

**Subject:** Approval of a modification of guidelines for American Dream Downpayment Initiative (ADDI) program

**Recommendation:** Approve a change in the ADDI program guidelines to allow the funds to be used with other loan products other than CityLiving

**Previous Directives:** In May of 2004 the City Council approved the guidelines for the program

**Prepared by:** Mark S. Anderson

**Phone:** 673-5289

**Approved by:**

Chuck Lutz, Deputy Director CPED \_\_\_\_\_

Elizabeth Ryan, Director of Housing Policy & Development \_\_\_\_\_

**Permanent Review Committee (PRC)** Approval  Not Applicable

**Note:** To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

**Presenter in Committee:** Mark S. Anderson, Sr. Contract Management Specialist

**Financial Impact (Check those that apply)**

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the  Capital Budget or  Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

**Community Impact (use any categories that apply)**

Neighborhood Notification:

City Goals: Foster the development and preservation of a mix of quality housing types that is

available, affordable, meets current needs, and promotes future growth

Comprehensive Plan:

Zoning Code:

Other:

**Background/Supporting Information:**

In May of 2004 the City Council approved the initial guidelines for the American Dream Downpayment Initiative (ADDI) Affordability Loan. This loan provides downpayment and closing cost assistance to help lower income households to purchase their first home.

One of the guidelines for this program requires the borrower to be purchasing their home using the *CityLiving* Home Program. Since the ADDI program began there have been occasions where a borrower may not qualify for or desire to use the *CityLiving* Home Program, but instead chooses to use other private financing. Even though they may choose other financing, they could benefit from the ADDI program if it were available because they often need the extra assistance ADDI provides to have sufficient cash to close the loan transaction.

Without the extra help, in order to finance the closing costs with their primary mortgage, a lender may move the borrower into a less desirable sub-prime loan product that has higher closing costs and a higher interest rate. With the ADDI assistance, the borrower could remain with a prime loan product that has a normal interest rate and more affordable closing costs that any well qualified borrower could obtain.

In order to reach out to as many people as possible seeking to own their first home, staff is recommending that the guidelines for the ADDI program be modified to allow its use with any prime mortgage product. This will allow borrowers to use the ADDI program in combination with private financing.