

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-068

SYNOPSIS -

AGENDA:
FEBRUARY 21, 2000

Approval of the Neighborhood Finance Corporation (NFC) First Time Homebuyer Program by parties of the 28E Agreement.

SUBJECT:

APPROVAL OF THE NEIGHBORHOOD FINANCE CORPORATION FIRST TIME HOMEBUYER PROGRAM IN CONJUNCTION WITH 28E AGREEMENT WITH POLK COUNTY, IOWA AND THE CITY OF DES MOINES.

FISCAL IMPACT -

Approval will facilitate making \$5,850,000 (\$5,000,000 in IFA funding and \$850,000 in NFC governmental funding) available for NFC First Time Homebuyer Program.

RECOMMENDATION -

Approval.

BACKGROUND -

At their meeting of June 23, 1997, by Roll Call No. 97-2246, Council approved a new five-year 28E Agreement that extended the cooperative effort among the NFC, Polk County and the City for the period of July 1, 1997 to July 1, 2002.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

On January 20, 2000 the Board of Directors of NCF approved participation in the Iowa Finance Authority (IFA) First Time Home Buyers Program. On January 21 NFC met with Fannie Mae and IFA regarding becoming an eligible lender for the First Time Homebuyer Program. All of the discussions to date have been favorable and it is likely that NFC will become an IFA eligible lender. The advantage to home buyers if NFC can offer the IFA program include:

SUBMITTED BY:

JAMES GRANT,
COMMUNITY
DEVELOPMENT
DIRECTOR

- 30 year fixed rate mortgage loan. Interest rate below market (rate has not yet been determined).

- 97 percent loan to value ratio with 1 percent from the borrower's own funds (same as NFC's current program).
- Up to \$1,500 forgivable grant from IFA for down payment and closing costs.
- Up to \$1,500 forgivable grant from NFC for down payment and closing costs (same as NFC's current program).
- Up to \$7,500 forgivable grant from NFC for rehab costs (same as NFC's current program).

Eligibility requirements include:

- Must be a first time home buyer (which means that you have not had ownership interest in a primary residence in the past three years). There is an exception to the first time home buyer rule if you purchase a home in a targeted area.
- Annual household income must fall within IFA's maximum household income limits.
- Purchase price of the home must fall within IFA's maximum purchase price limits.
- Property must be located within NFC's Designated Neighborhoods or Expanded Lending Area (the 75 percent and 25 percent rule still applies, same as NFC's current program).
- Home must be owner-occupied (same as NFC's current program).
- Must demonstrate ability to repay the loan (same as NFC's current program).
- Acceptable credit history (same as NFC's current program).

In accordance with the terms of the 28E Agreement, any new program to be offered by NFC must be approved by the parties of the agreement. Therefore, for NFC to participate in IFA's First Time Homebuyer Program, they will need to allocate the following Governmental Source funds:

**IFA First Time Homebuyer Program \$5,000,000 Loans
Governmental Source 750,000 Rehab Subsidies
Governmental Source 100,000 Down Payment & Closing**

TOTAL \$5,850,000

Total Governmental Source Funds \$850,000

At the January 20, 2000 NFC Board meeting, they approved NFC's participation in the First Time Homebuyer Program. The Neighborhood Revitalization Board (NRB) recommended approval of the First Time Homebuyer Program at their meeting on February 2, 2000.



