

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

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

**01-007**

**SYNOPSIS -**

**AGENDA:**

Approval of Neighborhood Finance Corporation (NFC) program modification by parties of the 28E Agreement.

JANUARY 8, 2001

**FISCAL IMPACT -**

**SUBJECT:**

Approval will facilitate the transfer of \$1.5 million from the investor/rehab program to the purchase/rehab program.

APPROVAL OF  
NEIGHBORHOOD  
FINANCE  
CORPORATION  
PROGRAM  
MODIFICATION IN  
CONJUNCTION  
WITH 28E  
AGREEMENT WITH  
POLK COUNTY AND  
THE CITY

**RECOMMENDATION -**

**Approval.**

**BACKGROUND -**

**TYPE:**

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

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

On November 16, 2000, the NFC Board of Directors approved the reallocation of \$1.5 million from the investor/rehab program to the purchase/rehab program. NFC has continued to experience strong demand for purchase/rehab loans and expects to exhaust currently available funding by February 2001. With the reallocation of \$1.5 million, NFC should have sufficient financial resources through June 2001.

**SUBMITTED BY:**

JAMES GRANT  
COMMUNITY  
DEVELOPMENT  
DIRECTOR

This program modification also incorporates program changes approved by NFC's Board of Directors on August 17, 2000. NFC's 28E Agreement with the City and Polk County requires NFC to request the City Council and County Board of Supervisors to review and approve any program changes that use governmental source monies outside the designated neighborhoods. These changes

include:

- Increase rehab subsidies on purchase loans to 20% of purchase price plus improvements, maximum \$10,000. This increase is from 15% of purchase price plus improvements, maximum \$7,500. Rehab subsidies on home improvement loans will remain at 25% for families above 80% of the median household income, 33% for families at or below 80% of the median household income, and 50% for families at or below 50% of median household income.
- Down payment and closing cost assistance will increase to \$2,000 for families at or below 80% of median household income and \$1,500 for families above 80% of median household income. Previously, down payment and closing cost assistance was 2% of the purchase price, maximum \$1,500.
- A new 100% loan to value purchase/rehab product. NFC's underwriting guidelines for this product will incorporate PMI Mortgage Company's and Fannie Mae's underwriting guidelines.

NFC has not changed the amount of rehab subsidies or down payment and closing cost assistance since the program started in 1990. Over the last ten years, construction costs and the average price of homes in Des Moines have seen large increases. These increases have forced NFC to raise its subsidies in order to meet the needs of low- to moderate-income homeowners.

NFC currently offers a 97% loan to value home purchase program, with only 1% from the homeowner. Some of the larger banks in Des Moines are currently offering a 100% loan to value home loan. To remain competitive, NFC will begin offering a new 100% loan to value home purchase/rehab program.

This program modification requires the reallocation of governmental funding source funds as follows:

<b>NFC PORTFOLIO PURCHASE/REHAB PHASE VIII LOAN PROGRAM</b>	
Lenders	\$6,250,000 Loans
Governmental Source	1,250,000 Rehabilitation Subsidies
Governmental Source	145,000 Down Payment and Closing Costs
Governmental Source	<u>437,500</u> Lender's Loan Guaranty

TOTAL	\$8,082,500
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The allocation of governmental source funds will increase by \$155,000 over the amount originally committed to the Purchase Rehab Phase VIII Program.

At the November 16, 2000 NFC Board meeting, the Board approved NFC's program modification. The Neighborhood Revitalization Board (NRB) recommended approval of the program modification at their meeting on December 20, 2000.