



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-252

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

AGENDA:

MAY 6, 2002

SUBJECT:

CERTIFICATIONS
OF CONSISTENCY-
CITIZENS FOR
COMMUNITY
IMPROVEMENT

SYNOPSIS -

Citizens for Community Improvement (CCI) has submitted Certifications of Consistency with the City's 2002 Department of Housing and Urban Development (HUD) Consolidated Plan and Empowerment Zone/Enterprise Community (EZ/EC) Strategic Plan which require Council's approval. The aforementioned certifications are required as part of CCI's application to HUD for Housing Counseling Program funding to provide a Predatory Lending/Financial Literacy Program.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

None.

RECOMMENDATION -

Approval.

SUBMITTED BY:

JAMES GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

BACKGROUND -

CCI is applying for \$25,000 from HUD for Housing Counseling Program funding.

Over the past seven years, there has been a sharp increase in sub-prime lending in Des Moines. The **number of sub-prime** loans in Des Moines increased from 198 in 1998 to 1,406 in 2000. **As a percent of home loans**, 20 percent were sub-prime in 2000; an increase from 1994 when only 3 percent of home loans were sub-prime.

Some sub-prime lenders and brokers are using unscrupulous lending practices to target low-income families, minorities, and seniors who may want to borrow against their home equity for things such as debt consolidation, medical bills, and home repairs/improvements.

Victims have contacted CCI with interest rates as high as 20.6 percent, fees as much as 21.57 percent of the loan, and balloon payments after 15 years that equal 100.5 percent of the original loan, and with single premium credit insurance that added \$76,586 to the cost of the loan over 20 years.

CCI has also found that low- to moderate-income families, including immigrants, frequently lack financial relationships with banks and credit unions. This lack of personal contact and valid information increases their risk of being victimized by predatory practices. As a result, financial literacy education is needed to help people make wise financial decisions.

Goals of the Predatory Lending and Financial Literacy program:

1) Increase people's awareness of sub-prime predatory mortgage lending practices by:

- Surveying Des Moines residents who have home loans with the top ten sub-prime lenders asking if they have any concerns about their loan;
- Conducting one-on-one interviews with survey respondents;
- Organizing meeting(s) of borrowers to share their stories, address any problems, and determine appropriate action to be taken;
- Working with the Iowa Attorney General and Iowa Banking Superintendent to develop educational materials that help people identify predatory lending practices and avoid falling into these traps; and
- Holding educational public forums and press conferences regarding sub-prime lending in coalition with the Iowa Attorney General's office, the Iowa Division of Banking, the Iowa Credit Union League, and the American Association of Retired Persons.

2) Obtain agreements from sub-prime lending institutions outlining practices they will not use by:

- Organizing public meetings or negotiating sessions with officials of sub-prime companies asking them to make policy changes that will prevent problems in the future.

3) Provide loan alternatives to help families escape predatory loans by:

- Educating individual borrowers, private attorneys, and traditional banks on the CCI Anti-Predatory Lending Initiative (in conjunction with Fannie Mae). Ask attorneys and traditional banks to participate in the program so as to remove victims from entanglements and provide them with alternative bank credit.

4) Increase the financial literacy and long-term financial success of low-income and minority groups in Des Moines by:

- Creating a curriculum for a six-month financial literacy course;
- Conducting two six-session courses, targeting low-income, immigrant, and minority populations;
- Involving at least 25 people in the course;
- Adapting each curriculum to the unique needs of the attendees;
- Providing participants with information to recognize predatory financing practices and how to protect themselves;
- Introducing participants to community experts so they will be able to make wise financial decisions about purchasing, saving, and investments;
- Maintaining ongoing contact with course participants at six- and 12-month intervals after they complete the course.
- Establishing additional contacts within minority and immigrant populations to enhance the building of collaborative efforts;
- Continuing collaboration with local experts and non-profit agencies to take the course into the community; and
- CCI will be better prepared to reach additional immigrant/refugee populations in the future.

5) Conduct home buying workshops:

- Host CCI's annual Credit and Home Buying Seminar to educate people about the home buying process and provide an opportunity to meet with reputable lending institutions.
 - Hold two year long Home Buyers Clubs. The Home Buyers Club meets once a month for a year, providing participants with in-depth information about the home purchase process and assistance in saving and repairing credit.
 - Hold a monthly Fast Track class. This class gives an overview of the home buying process for people who are considering home purchase within the next six months.
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