



Agenda Item:

MHGB-4

MHGB COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: May 3, 2004
213

Communication No.: 04 -

Agenda Item Type: Receive/File

Roll Call No.:

Submitted by: Chris Johansen, Housing Services Director

SUBJECT—

Approval of Policy to Reduce Term of Second 5h Mortgage

SYNOPSIS—

Seeking approval of Policy to change the Second Mortgage term for clients in the Des Moines Municipal Housing Agency's (DMMHA) 5(h) Affordable Homeownership Program to apply for a reduction of their current ten or thirty-year Second Mortgage term to a seven-year Second Mortgage term.

FISCAL IMPACT—

Client pays a \$50.00 processing fee to the DMMHA for an application for Second Mortgage term reduction

RECOMMENDATION—

Approval

BACKGROUND—

The DMMHA's Affordable Homeownership Program has been in existence for several years. The first property sold was in 1993 and since that time there have been several revisions to the

5(h) Plan that have impacted the requirements for the Second Mortgage term and Promissory Note. The current 5(h) Plan has a seven-year Second Mortgage and Promissory Note term, where previous plans have required a ten or thirty year term.

The DMMHA requests approval to offer homeowners who currently have a ten or thirty-year Second Mortgage term and Promissory Note a seven-year Second Mortgage term and Note. This would help to accommodate the previous purchasers and would allow more flexibility, if necessary, to refinance their first mortgage or obtain a home equity loan. This would also give them the same benefit as current purchasers of this program.

The first seventeen sales had a ten or thirty-year Second Mortgage term and Note. Five of those previous purchasers have either paid off their Second Mortgage with DMMHA or the Second Mortgage has been forgiven. Therefore, potentially 13 previous purchasers could benefit from this change.