



# Council Communication

Office of the City Manager

<b>Date</b>	May 19, 2008
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<b>Agenda Item No.</b>	<b>35</b>
<b>Roll Call No.</b>	<b><u>08-</u></b>
<b>Communication No.</b>	<b><u>08-281</u></b>
<b>Submitted by: Larry Hulse, Community Development Department Director</b>	

**AGENDA HEADING:**

Approving the Neighborhood Finance Corporation Rescue and Repair Refinance –Neighborhood Stabilization Product.

**SYNOPSIS:**

Recommend approval of the Neighborhood Finance Corporation (NFC) Rescue and Repair Refinance Neighborhood Stabilization Product. As required by the 28E Agreement, the City of Des Moines must approve any proposed changes to the Neighborhood Finance Corporation’s proposed lending programs

The Rescue and Repair Refinance Product is an opportunity for borrowers to refinance out of transactions that are expected to soon be unaffordable. NFC’s traditional lending guidelines would be followed, with the exception that some mortgage delinquencies would be permitted. Only existing mortgage debt would be refinanced. This loan would be available in NFC’s current lending area.

**FISCAL IMPACT: NONE**

The proposed program changes do not effect the City’s contribution, which is \$1 million in FY 2008.

Amount: N/A

Funding Source: N/A

**ADDITIONAL INFORMATION:**

The threat of defaults and foreclosures affect borrowers and the entire household, neighborhoods, property values, and city/county resources. Since 1990, NFC has made over \$155 million in loans and grants to revitalize neighborhoods. These efforts should not be eroded by an increase in foreclosures that could be prevented. Therefore, this product is an attempt to keep people in their homes and neighborhoods stable. NFC does not contemplate offering this product to borrowers who are going through foreclosure or have a Sheriff sale scheduled for their property.

The initial rate on the loan would be 1% above NFC’s current lending rate, e.g., if the current rate on a 30-year fixed loan is 6.0%, the rate for borrowers with this product will be 7.0%. The borrower will be required to complete six home buyer education classes. Upon completion of these classes and remaining delinquency free for the first 12 months, the borrower will have earned a 0.5% rate decrease on their loan. If the borrower remains delinquency free for the next 12 months, the borrower would have earned

another decrease of 0.5%; thus the borrower's rate after 2 years would be 6.0%, the same rate as if they would have had better credit when applying for a loan. If the borrower does not complete all of the classes, no rate decrease will be given.

The NFC will make available up to \$10,000 of rehabilitation assistance for a homeowner to make repairs and/or improvements. Following the NFC's regular program, the rehabilitation assistance is forgivable over a five year time period.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: March 10, 2008

Roll Call Number: 08-399

Action: [Neighborhood](#) Finance Corporation (NFC) Program changes in the Phase XII Private Placement Offering. ([Council Communication No. 08-107](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: June 4, 2007

Roll Call Number: 07-1079

Action: [28E](#) Agreement with Neighborhood Finance Corporation. ([Council Communication No. 07-316](#)) Moved by Vlassis to adopt. Motion Carried 6-0. Council Member Hensley declares a conflict of interest and abstains from voting.

#### **BOARD/COMMISSION ACTION(S):**

Date: May 7, 2008

Board: Neighborhood Revitalization Board

Action: Neighborhood Revitalization Board recommended Approval of Rescue and Repair Refinance Loan product

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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