



**CITY OF GREAT FALLS
COMMISSION AGENDA REPORT**

Item: Res.10043, Appointing a City of Great Falls Employee as the Designated City Representative as a Member of NeighborWorks Great Falls (Neighborhood Housing Services, Inc of Great Falls) Loans Committee

From: Jennifer Reichelt, Deputy City Manager

Initiated By: Jennifer Reichelt, Deputy City Manager
Sheila Rice, Executive Director, NeighborWorks

Presented By: Jennifer Reichelt, Deputy City Manager

Action Requested: Adopt Resolution 10043 appointing a City of Great Falls employee as the designated City Representative to the NeighborWorks Great Falls Loans Committee.

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 10043.”

2. Mayor calls for a second, discussion, public comment, and calls the vote.

Staff Recommendation: City Commission adopt Resolution 10043 appointing a City of Great Falls employee as the designated City Representative to the NeighborWorks Great Falls Loans Committee.

Background: Resolution 7280 adopted by the City Commission on April 17, 1979, established the Neighborhood Housing Services of Great Falls, Inc. (dba NeighborWorks Great Falls). The stated purpose of the organization was and continues to be to stimulate the investment of urban neighborhoods, to improve the housing stock within the city and to provide direct loans at flexible rate and terms.

Since 1980, NeighborWorks Great Falls (NWGF) has been revitalizing declining neighborhoods and providing affordable housing to lower-income families. NWGF is known nationally for small city revitalization and has become a national model for statewide delivery of rural housing programs through its affiliate, the Montana HomeOwnership Network. The Montana Board of Housing has committed more than \$40 million in mortgages to NWGF programs.

In the years since its founding, NWGF has accomplished the following in neighborhoods across Cascade County:

- Help increase property tax revenues by \$4.5 million
- Vacancy rates have dropped from 16% to 2%
- Over 300 new homes have been built
- Over 400 dilapidated structures have been repaired or removed
- Hundreds of homes have been painted and rehabilitated
- Private and public investment has exceeded \$100 million
- Annual neighborhood clean-up and crime watch programs have been organized
- 99% of the lots are free of trash
- Many rental properties have been renovated
- Over 2,300 families have become homeowners; 1,500 with down payment assistance from NeighborWorks.

Purpose: Since its establishment, NWGF has provided HOME-funded down payment assistance to low and moderate income homebuyers through deferred mortgage loans. The HOME loan program has allowed 160 low and moderate income families, all below 80% of area median income to become homeowners. The default rate in these loans is less than ¼ of one percent. The loan can be used by the borrower to satisfy the 3.5% down payment requirement for an FHA-insured loan. For example – if an eligible HOME loan recipient qualifies for a \$125,000 home loan, they are only required to provide a \$1,000 down payment instead of a traditional 3.5% or \$4,375.

In order for NWGF to issue secondary loans for the 3.5% borrower-required down payment with an FHA-insured loan, they must be approved by the U.S. Department of Housing and Urban Development (HUD) as an instrumentality of government. Due to recent policy and regulation changes at HUD regarding the definition of an instrumentality of government, NWGF no longer meets the requirements.

In an effort to allow NWGF to continue issuing secondary loans and meet the regulations of being an instrumentality of government as determined by HUD, the City of Great Falls will appoint a city employee to act as the final decision maker over NWGF's entire down payment assistance program. The payment assistance program includes funding received from the City of Great Falls, NeighborWorks America, the Montana Board of Housing, the Montana Department of Commerce and all other sources of secondary lending activities per Neighborhood Housing Services, Inc.

The Great Falls Housing Authority Executive Director will act as the City's designated representative and serve as member of the NWGF Loans Committee and have the final authorization of the organization's secondary financing and lending activities.

Fiscal Impact: The City will not be accepting any liability for the loans.

Alternatives: The City Commission could choose to deny Resolution 10043. This would result in NWGF not being recognized as an instrumentality of government and not being able to issue secondary loans to home borrowers.

Attachments/Exhibits:

Resolution 10043

Email to NeighborWorks from the Federal Housing Administration

RESOLUTION NO. 10043

A RESOLUTION APPOINTING A CITY OF GREAT FALLS EMPLOYEE AS THE DESIGNATED CITY REPRESENTATIVE AS A MEMBER OF NEIGHBORWORKS GREAT FALLS (NEIGHBORHOOD HOUSING SERVICES, INC OF GREAT FALLS) LOANS COMMITTEE

WHEREAS, on April 17, 1979, Neighborhood Housing Services of Great Falls, Inc. (dba NeighborWorks Great Falls) was established by the City of Great Falls under Resolution 7280. The stated purpose of the organization was and continues to be to stimulate the investment of urban neighborhoods, to improve the housing stock within the City of Great Falls, and to provide direct loans at flexible rate and terms; and

WHEREAS, the City agrees to appoint an individual to act as the final decision maker over the organization's entire down payment assistance program, including funding received from the City of Great Falls, NeighborWorks America, the Montana Board of Housing, the Montana Department of Commerce and any and all other sources of secondary lending activities per Neighborhood Housing Services, Inc. of Great Falls underwriting policies/guidelines and restrictions placed upon the organization by the funding entity; and

WHEREAS, all Neighborhood Housing Services, Inc. of Great Falls loans are subject to the standards under which Neighborhood Housing Services, Inc. of Great Falls cooperates with the City in the performance of review and audit, and permits representatives of the City access to and the right to review Neighborhood Housing Services, Inc. of Great Falls' books, accounts and records.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA:

That the Executive Director of the Great Falls Housing Authority, an employee of the City of Great Falls, be designated as the City representative who shall be a member of the Neighborhood Housing Services of Great Falls Loans Committee with the final authorization of the organization's secondary financing lending activities.

This Resolution shall become effective upon passage and approval.

PASSED AND ADOPTED by the City Commission of the City of Great Falls, Montana, on December 17, 2013.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(CITY SEAL)

APPROVED FOR LEGAL CONTENT:

Sara Sexe, City Attorney

From: Peterson, Dennis G [<mailto:Dennis.G.Peterson@hud.gov>]
Sent: Wednesday, August 14, 2013 9:09 AM
To: Sheila Rice
Cc: Maureen Rude; 'cklawetter@nw.org'; Heiser, Patricia E
Subject: RE: Instrumentality of Government status

My answers appear below in red.

Dennis G. Peterson

Federal Housing Administration | Denver Homeownership Center | Program Support Division
1670 Broadway | 21st Floor | Denver CO 80202
1-800-CALLFHA (225-5342)

From: Sheila Rice [<mailto:SRice@nwgf.org>]
Sent: Tuesday, August 13, 2013 4:57 PM
To: Peterson, Dennis G
Cc: Maureen Rude; cklawetter@nw.org
Subject: Instrumentality of Government status

Dennis,

Hello again after a few years. I am working with Pat Heiser on the recertification of NeighborWorks Great Falls (Neighborhood Housing Services of Great Falls) for secondary lending, which includes the IOG status. From the language I received from Pat, it appears that NWGF would qualify for “financial” control if the City of Great Falls controls the expenditure of all Down Payment Assistance funds, regardless of the origin of the funds.

Pat is correct. To quote our legal department concerning this issue, “our requirement is simply that the expenditure of any funds used for a homebuyer assistance program on an FHA-insured home be financially controlled by the establishing government.”

Evidence of this control would be a resolution from the City of Great Falls.

Our legal department would need to make the determination as to whether the City’s resolution was sufficient evidence of “control.” I’m sure it would depend upon what the resolution said. There may be other ways to show control, such as with a formal contract between your nonprofit and the City. Once again, our legal department would need to make that determination.

Under this scenario, all DPA products could be used as the borrower-provided contribution for an FHA insured loan. Is this correct?

Generally speaking, if your nonprofit were awarded NPIOG status by HUD, any secondary financing loan you closed behind an FHA-insured first mortgage could include assistance for the buyer’s 3.5% minimum cash investment requirement.

If your nonprofit were awarded NPIOG status, it could provide secondary financing assistance on any property within a 200-mile radius from your office, at the maximum, according to HUD’s rules. The City may impose other jurisdictional rules, however.

Bear in mind that if your nonprofit is NOT able to get NPIOG status, it could still provide the buyer’s 3.5% minimum cash investment requirement for those transactions that were closed in compliance with Mortgagee Letter 2013-14. ML 13-14 would require a government entity (it wouldn’t have to be your nonprofit’s “establishing” entity) to “hold” the loan prior to the endorsement of the FHA-insured first mortgage. This means, basically, that the government entity would need to own the loan, which would require your nonprofit to assign the loan to the government, assuming the loan originally closed in your nonprofit’s name.