



Legislation Text

File #: 22-2454, Version: 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions
AGENDA DATE: November 9, 2022
COUNCIL DISTRICT(S): All
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Majed Al-Ghafry

SUBJECT

A resolution to authorize **(1)** the Dallas Housing Finance Corporation (DHFC or Corporation) to issue Qualified Mortgage Revenue Bonds (Bonds) for the purpose of obtaining funds to finance home mortgage loans for persons of low and moderate income; and **(2)** the assignment of the Bonds to be administered by the Texas Department of Housing & Community Affairs through the Texas Homebuyer Program in the amount of \$25,000,000.00 - Financing: No cost consideration to the City

BACKGROUND

The purpose of this agenda item is to consider and adopt a resolution authorizing 1) the Dallas Housing Finance Corporation (DHFC or Corporation) to issue Qualified Mortgage Revenue Bonds (Bonds) for the purpose of obtaining funds to finance home mortgage loans for persons of low and moderate income and 2) the assignment of the Bonds to be administered by the Texas Department of Housing & Community Affairs (TDHCA) through the Texas Homebuyer Program (Program) in an amount not to exceed \$25,000,000.00. As with all bonds issued by the DHFC, they are non-recourse to both the City and the Corporation. They are not liabilities of the City and are repaid solely through.

The Program is administered by TDHCA and targeted to first time homebuyers and veterans to provide below-market mortgages to Texans that include down payment assistance (DPA) included as either a forgivable or deferred second lien. Interest rates vary based on type of DPA received, location of the home, and market conditions at the time of close.

Different program options are offered to homebuyers seeking assistance in targeted or non-targeted areas. Targeted areas include qualified census tracts (QCTs) and areas of chronic economic stress, and these areas allow for higher purchase price limits and higher homebuyer income limits as compared to the non-targeted areas. A QCT is a census tract with over 50% of the population at or below 60% area median income (AMI) or a poverty rate over 25%. This program is designed to increase home values and median incomes of QCTs and areas of economic stress.

TDHCA sets the income and purchase limits for the Program. The 2022 income limits are as follows:

Non-Targeted Area Income Limits:

- | | |
|------------------------------|-------------------------|
| 1. 1 or 2 person households: | 100% AMI (\$ 97,400.00) |
| 2. 3 or more persons: | 115% AMI (\$112,010.00) |

Targeted Area Income Limits:

- | | |
|------------------------------|-------------------------|
| 3. 1 or 2 person households: | 120% AMI (\$116,880.00) |
| 4. 3 or more persons: | 140% AMI (\$136,360.00) |

Non-Targeted Area Purchase Limits: \$374,551.00

Targeted Area Purchase Limits: \$457,784.00

Down payment assistance is also offered through the Program with the following terms for forgivable and deferred 2nd liens:

5. Forgivable 2nd lien is forgiven after 36 months and repayable if sold within 36 months
6. Deferred 2nd lien is repayable if or when home is sold
7. Homebuyers must have a credit score of at least 620 and take an approved homeownership course

As of October 18, 2022, the interest rates for the program ranged from 5.625% to 7.50% depending on the targeted area, amount of down payment assistance provided, and if the down payment assistance was deferred or forgivable. Additional information can be found at the following website: <https://thetexashomebuyerprogram.com/>.

For this program to begin operating in the City, the DHFC must apply for a private activity bond cap through the Texas Bond Review Board and TDHCA. Once all the documents are approved, funds will be distributed through TDHCA's network of approved lenders. The DHFC does not have to provide any staff support or process any of the loan applications - this is all done through TDHCA. There is no significant risk to the City, the DHFC or investment in staff resources for this program to operate, making it a highly effective and low-cost tool that can be added to the mission of providing homeownership opportunities for first time homebuyers and low- to moderate-income residents.

Staff and the Corporation's Counsel and Financial Advisors have confirmed that this Project would not be feasible but for the Corporation's participation and that the Project furthers the goals of the CHP. Staff recommend approval of this item as it furthers the goals of the CHP by providing access to lower cost mortgages to families earning less than 140% of area median income.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On May 10, 2022, the Dallas Housing Finance Corporation Board of Directors authorized filing with the Texas Bond Review Board an application for reservation of state ceiling for issuance of qualified mortgage revenue bonds in the maximum amount of \$25,000,000.00.

[The Housing and Homelessness Solutions Committee was briefed by memorandum regarding this matter on October 24, 2022. <http://cityofdallas.legistar.com/gateway.aspx?M=F&ID=edc00131-f438-4cce-b7cc-bfdd88a5c53e.pdf>](http://cityofdallas.legistar.com/gateway.aspx?M=F&ID=edc00131-f438-4cce-b7cc-bfdd88a5c53e.pdf)

FISCAL INFORMATION

No cost consideration to the City.