

# HOMEBUYER NETWORK

Creating A Network for Increasing Homeownership

Housing Department  
February 22, 2005

# Purpose

- Provide \$250,000 to match fund a Homebuyer Network for Dallas and operated by the North Texas Housing Coalition (NTHC) for two years
  - \$200,000 in Operating Assistance (\$100,000 per year) from Housing Finance Corporation earned fees.
  - \$50,000 for marketing (\$25,000 per year) from Walker Trust Funds

# Housing Network

- Act as a resource center for homebuyers
- Educate potential homebuyers to the home buying process
- Increase the number of pre-qualified families ready to purchase affordable homes
- Increase capacity of current counseling organizations to handle greater volume
- Establish minimum counseling standards

# Background

- In August 2002, the Affordable Workforce Housing Task Force reported a Dallas affordable housing shortage of 30,000 units and recommended an increase in the production of affordable housing as a priority
- Currently, there is no coordinated effort to match new homebuyers with the increased production, or a central clearinghouse/tracking agent for housing education and counseling for homebuyers

## Background cont'd.

- The North Texas Housing Coalition (formerly the Dallas Affordable Housing Coalition) has presented a proposal to implement a coordinated homebuyer outreach and counseling service

# Stakeholders

- Prospective homebuyers
- Community Housing Development Organizations (CHDOs)
- Homebuilders
- Realtors
- Lenders (including the Dallas Housing Finance Corporation)
- Existing education and counseling agencies
- City of Dallas and other local governments

# Program Services

- The North Texas Housing Coalition (NTHC) will act as the Homebuyer Network Coordinator to facilitate communication among network members, including homebuyers, homebuyer education/counselors, lenders and homebuilders
  - Publicize the availability of network services
  - Assess prospective homebuyers' needs and provide program orientation
  - Assign prospective homebuyers to the appropriate network service provider (e.g. homebuyer education or counseling)

# Program Services cont'd

- Conduct homebuyer education and counseling
- Monitor the homebuyer's progress
- Pre-qualify prospective homebuyers for mortgage loans
- Match homebuyers with builders, and preferred locations to buy
- Publish information about
  - Participating counseling agencies and class schedules
  - Lenders and qualification requirements
  - Homebuilders and available products

# Client Service Process

- Prospective homebuyers (clients) attend orientation at NTHC or participating network service provider
- NTHC staff enter client data into tracking system
- Assessment of client's readiness to purchase a home is performed by NTHC or a network service provider
- Client is assigned to NTHC or a network service provider
- Client enters a counseling session or homebuyer education depending on readiness to purchase home

# Client Service Process cont'd

- When ready, client is counseled on the mortgage loan process
- Client is introduced to several prospective lenders
- Client completes mortgage loan application
- After loan is approved and closing takes place, post-placement services are conducted with client

Note: NTHC will focus its counseling on families that are either over 80% of area median family income or those that require long-term counseling

# Sources and Uses

	<u>2005</u>	<u>2006</u>
<b>Sources</b>		
Revenue (see fee schedule)	\$60,000	\$90,000
City of Dallas - Operating	\$100,000	\$100,000
Match	100,000	100,000
City of Dallas - Marketing	25,000	25,000
Other Sources <sup>1</sup>	<u>144,970</u>	<u>173,705</u>
<b>Total</b>	<b>\$429,970</b>	<b>\$488,705</b>
 <b>Uses</b>		
Salaries	\$237,080	\$283,934
Fringe Benefits	65,076	78,082
Non-Personnel	70,100	93,475
Equipment	28,200	8,700
Technology	7,000	5,000
Professional Services	<u>22,514</u>	<u>19,514</u>
<b>Total</b>	<b>\$429,970</b>	<b>\$488,705</b>

<sup>1</sup> Other Sources includes: Grants from Foundation/Corporations and other miscellaneous income (i.e. website advertising from partners and for-profit builders who participate in the network.)

# Registration Fee Projection

- NTHC anticipates providing service to 1,000 clients in the first year
- The proposed client fee structure is as follows:
  - \$50 for households with incomes at or below 115% AMFI
    - Anticipated to be 800 (80%) clients, yielding \$40,000/annum
  - \$100 for households with incomes greater than 115% AMFI
    - Anticipated to be 200 (20%) clients, yielding \$20,000/annum

# NTHC Match Funding Commitment

- NTHC has already secured the following funding:

● Enterprise Foundation	\$30,000
● Fannie Mae Foundation	40,000
● Citigroup	20,000
● Bank One	<u>10,000</u>
Total	\$100,000

# NTHC Other Funding Commitments

- NTHC has secured the following funding commitments, pending application approval

● Fannie Mae (Balance of 1 <sup>st</sup> year commitment)	\$10,000
● Fannie Mae (2 <sup>nd</sup> Round)	58,000
● Foundation for Community Empowerment	25,000
● Bank of America	25,000
● Washington Mutual	<u>5,000</u>
Total	\$ 123,000*

\* The remaining funding are fees paid by homebuilders and lenders for eligible homebuyers.

# Grant Applications In Progress

- NTHC will be seeking additional funding as follows:

● Meadows Foundation	\$ 100,000
● JP Morgan Chase	50,000
● Countrywide	50,000
● Wells Fargo	25,000
● Bank One	25,000

# Recommendations

- Dallas Housing Finance Corporation two 1-year commitments totaling \$200,000 to be provided through the City of Dallas on a match funding basis.
- City of Dallas two-year commitment totaling \$50,000 for marketing services
- City Council approval

# Time Line

- February 22, 2005 – HNDC consideration
- March 9, 2005 – City Council consideration
- April 2005 – NTHC contract execution

# ADDENDUM

- Revenue Fee Schedule
- Expense Detail

# Revenue Fee Schedule

	Fee/Case	1 <sup>st</sup> Year	Cases	2 <sup>nd</sup> Year	Cases	3 <sup>rd</sup> Year	Cases
Service Level		1,000 cases		1,500 cases		2,000 cases	
<u>Revenue</u>							
<u>Homeownership Center (Fee Schedule)</u>							
Enrollment Fee < 115% AFMI	\$50	\$40,000	800	\$60,000	1,200	\$75,000	1,500
Enrollment Fee > 115% AFMI	\$100	\$20,000	200	\$30,000	300	\$50,000	500
<b>Total Cases</b>			<b>1,000</b>		<b>1,500</b>		<b>2,000</b>
<b>Total Revenue</b>		<b>\$60,000</b>		<b>\$90,000</b>		<b>\$125,000</b>	

Note: In addition to fees from clients, after the program is operating efficiently and a databank of loan ready clients has been established, HCD expects to generate revenue from sources identified as Industry clients. We are considering a pilot program of changing fees beyond the enrollment fee for certain services (one-on-one sessions, financial advisors, and credit repair) for clients who are > 115% AMFI. Additionally, we will be soliciting our industry clients to advertise for a fee on the HCD website.

# Expense Detail

Uses	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Salaries</b>			
Executive Director	\$25,000	\$26,250	\$27,563
Homeownership Center Manager	50,000	52,500	55,125
HCD Specialist <sup>1</sup>	70,000	108,500	148,925
IT Resource Manager	35,880	37,674	39,558
Database Clerk/Receptionist	31,200	32,760	34,398
Accounting/Bookkeeper	25,000	26,250	27,563
Subtotal	<u>\$237,080</u>	<u>\$283,934</u>	<u>\$333,132</u>
<b>Fringe Benefits</b>			
Payroll Taxes, U.I.	\$47,400	\$56,787	\$66,626
Health Insurance	17,676	21,295	24,985
Subtotal	<u>\$65,076</u>	<u>\$78,082</u>	<u>\$91,611</u>
<b>Non-Personnel</b>			
Office Supplies	\$4,000	\$5,000	\$6,550
Printing	5,000	7,500	9,000
Postage	1,000	2,000	4,000
Telephone	2,000	3,000	4,500
Marketing and Advertising <sup>2</sup>	25,000	35,000	25,000
Insurance (D&O)	3,000	3,000	4,000
Subscriptions	250	250	360
Travel/Mileage	1,250	3,250	1,250
Training and Development	1,000	3,000	2,000
Rent and Utilities	27,600	31,475	34,741
Subtotal	<u>\$70,100</u>	<u>\$93,475</u>	<u>\$91,401</u>

# Expense Detail cont'd

## **Equipment**

Equipment Lease	\$6,200	\$6,200	\$6,200
Furniture and Fixtures	8,000	2,500	0
Computers	14,000	0	5,000
Subtotal	<u>\$28,200</u>	<u>\$8,700</u>	<u>\$11,200</u>

## **Technology**

Website Development	\$5,000	\$2,500	\$0
On-line Training Development	2,000	2,500	0
Subtotal	<u>\$7,000</u>	<u>\$5,000</u>	<u>\$0</u>

## **Professional Services**

Legal Fees	\$7,000	\$3,500	\$3,500
Accounting and Auditing	4,014	4,514	4,514
Credit Report	3,500	3,500	3,500
Consultants <sup>3</sup>	8,000	8,000	8,000
Subtotal	<u>\$22,514</u>	<u>\$19,514</u>	<u>\$19,514</u>

<b>TOTAL</b>	<b>\$429,970</b>	<b>\$488,705</b>	<b>\$546,858</b>
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<sup>1</sup> HCD will begin its operation with 2 counseling specialists. An additional specialist will be added in Yrs 2 & 3 to accommodate projected client growth. We have estimated that each HCD housing specialist will be able to accommodate up to 500 cases with the majority being Long Term clients. Salaries to increase 5% in years two and three.

<sup>2</sup> Marketing/Advertising Expense is offset in Yr 1 by City of Dallas Grant, in Yrs 2 & 3 by City of Dallas Grant and Other Sources

<sup>3</sup> Consultants will be used for periodically for expertise needed for this endeavor.