

Department of City Development

Brian F. O'Connell, AICP
Director of City Development



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May 9, 2013

To: Loan Board of Review
c/o Housing Department
City Hall, Room 102
Racine, WI 53403

Subject: Request by the Director of City Development to end the Down Payment Assistance Program

Dear Board Members:

I am recommending to you that the Board end the Down Payment Assistance (DPA) program. The DPA program provides assistance, up to \$10,000, to purchasers of homes within a target area in the city. Purchasers must be low or moderate income and reside in the home. The buyer must show financial need for the assistance, based on their income and housing expense. DPA is structured as a forgivable loan that is reduced over a 5 year period as the buyer remains in the house.

I am recommending that the program be ended because of the declining number of buyers qualifying for the program and the administrative burden the program places on the department.

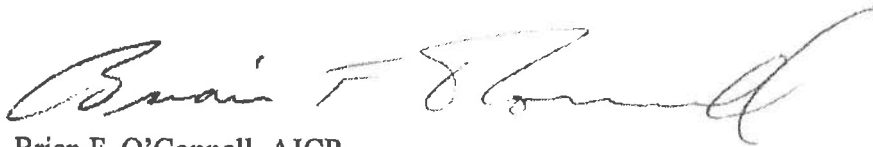
- **Buyer "Need":** Falling house prices have made homes more affordable. Since early 2012, at the direction of US HUD, the DPA program has considered buyer's "need" for DPA based on an analysis of the buyer's total housing expenses, in addition to their household income. Fewer buyers are meeting the need criteria and the amount of DPA assistance (in number and dollar amount) has dropped. At the same time, other agencies and lenders are offering similar assistance with fewer requirements, and DPA does not improve a buyer's chance of obtaining a mortgage as it once did. Staff believes there are few cases in which the city's DPA is making a difference in the purchase of a particular house.
- **Administrative Burden:** In addition to the increased time spent by staff on the new review of the potential buyer's income and housing costs, the HUD funding requires an enhanced home inspection and additional record keeping. This has further increased the staff time for each application and increased the length of the buyer's wait for the decision from the staff. Simultaneously, funding from HUD for administration of the program has been cut.

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I have determined that the costs of program administration are now disproportionate to the benefits of the program. I hope you will agree and decide to end the program at your meeting on May 16, 2013.

I look forward to discussing this recommendation with you at your meeting.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Brian F. O'Connell".

Brian F. O'Connell, AICP
Director of City Development

C: Mayor John Dickert
Administrator Tom Friedel
File