



Legislation Details (With Text)

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Title: Approve a write-off on a 2007 Home Buyer Assistance Loan for property at 4019 East Garland Avenue, Fresno, CA 93726 in the amount of \$68,852.

Sponsors: Planning and Development Department

Indexes:

Code sections:

Attachments: 1. Exhibit A - Owner Participation Agreement.pdf, 2. Exhibit B - Note.pdf, 3. Exhibit C - Owner Letter.pdf

Date	Ver.	Action By	Action	Result
1/12/2017	1	City Council	approved	Fail

REPORT TO THE CITY COUNCIL

January 12, 2017

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THROUGH: KELLI FURTADO, Assistant Director
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SUBJECT

Approve a write-off on a 2007 Home Buyer Assistance Loan for property at 4019 East Garland Avenue, Fresno, CA 93726 in the amount of \$68,852.

RECOMMENDATION

In accordance with Fresno Municipal Code (FMC) 7-910(b)(3)(iii), staff recommends City Council approval of a write-off on a 2007 Home Buyer Assistance Loan for property at 4019 E. Garland Avenue, Fresno, CA 93726 in the amount of \$68,852.

EXECUTIVE SUMMARY

On November 16, 2016, the Housing and Community Development Division received a request for approval of a short sale for the property located at 4019 E. Garland Avenue, Fresno, CA 93726. The senior lender has placed a \$6,000 value on the outstanding second mortgage provided by the City. Since the proceeds from the sale will not be sufficient to pay off the principal balance on the first mortgage, the amount of the City's write-off will be \$68,852. Pursuant to FMC 7-910(b)(3)(iii), write-offs in excess of \$50,000 shall be submitted to Council for approval.

BACKGROUND

In 2007, the City provided the owner with a Home Buyer Assistance Loan (Exhibit "A" - Owner Participation Agreement), which currently has an outstanding balance of \$74,852 (Exhibit "B" - Note). The homeowner is experiencing a hardship (Exhibit "C" - Owner Letter) and has fallen behind on first mortgage payments and is therefore seeking City approval to enter into a short sale.

The current value on the property is estimated at \$130,000 as determined by a multiple listing service. The current principal balance of \$96,446.16 is due on the first mortgage with Chase Bank, the senior lender. Chase Bank approved the short sale provided the minimum net sale price is no less than \$91,703.11 (\$109,000 sale price less expected closing costs of \$17,296.89). An alternative to a short sale would be to foreclose on the property. However, since there is a new buyer for the property willing to pay the requested \$109,000 sale price, Chase Bank has approved the short sale.

Chase Bank has calculated the City shall receive \$6,000 as the value placed on the outstanding second mortgage provided by the City and the current owner will receive a \$3,000 seller's incentive. The remainder of any proceeds from sale would go to Chase Bank. Chase Bank has expressed if the City is not agreeable to accepting the \$6,000 payment and agreeing to a waiver of the balance and release of the lien, then the City will receive no payment and can pursue the deficiency from seller. Chase Bank will not negotiate the amount of funds to the City and will not allow the City to take the seller's \$3,000 incentive.

The recovered \$6,000 net proceeds will be returned to the Department of Housing and Urban Development (HUD), in accordance with HUD CPD Notice 12-003, *Guidance on Resale and Recapture Requirements under the HOME Program*.

The attached Owner Participation Agreement, Exhibit "A", paragraph four, provides the City with an option to enter into an unsecured Note for the \$68,852 balance. However, based on the hardship circumstances and the current information available, staff recommends write-off of the balance as uncollectable and forego an unsecured Note.

ENVIRONMENTAL FINDINGS

This is not a project for the purposes of the California Environmental Quality Act (CEQA), pursuant to CEQA guidelines Section 15378.

LOCAL PREFERENCE

Not applicable.

FISCAL IMPACT

If approved, the City will write off the balance during the 2016-2017 budget year.

APPENDICES:

Exhibit A - Owner Participation Agreement

Exhibit B - Note

Exhibit C - Owner Letter