



Legislation Text

File #: ID#17-3529, **Version:** 1

SUBJECT/RECOMMENDATION:

Approve the City of Clearwater Economic Development and Housing Department Affordable Housing Loan Foreclosure and Loan Forgiveness Policy. (consent)

SUMMARY:

The City of Clearwater's Housing Division utilizes federal, state and local funds to provide quality affordable housing and community services to the citizens of Clearwater. Much of the funding provided through these programs is in the form of loans. The City, as a lender, currently services 485 active loans with a total loan balance of approximately \$18.1 million. From time to time, loans will fall into default status. Such occurrences are infrequent due to strong staff oversight and the requirement for borrowers to complete homebuyer education courses for the Down Payment Assistance Programs.

Housing Division loans that become candidates for foreclosure are triggered by one of two circumstances:

- Default - borrower stops making payments;
- Change in ownership - a common condition in all Housing Division loan documents requires the loan balance to be paid in full if the borrower no longer resides in the home as his/her primary residence. This obligation is most commonly triggered by the death of the borrower.

In each case, initiating a foreclosure action requires approval by City Council at a duly noticed city council meeting. The Economic Development and Housing Department Affordable Housing Loan Foreclosure and Loan Forgiveness Policy (Policy) lays out the steps that staff will follow prior to seeking City Council's approval to initiate a foreclosure action. Staff will work with borrowers that experience hardships in an effort to agree to an alternative to foreclosure. Alternatives that will be explored may include loan modifications, deferment of loan, a deed in lieu of foreclosure or other alternatives. Staff will also seek alternatives to foreclosure under circumstances whereby the ownership of the home has changed. Alternative options may include loan assignment, converting the loan from interest-free to interest-bearing and a deed in lieu of foreclosure. Under any circumstances, an acceptable foreclosure alternative must be allowable under the funding source(s) used to create the loan.

The purpose of the Policy is to recoup the City's investment on non-compliant loans while being consistent with the rules and regulations of the City's community development and affordable housing programs. While foreclosure will be used as a last resort, it needs to be available to staff as one of several tools in managing a large loan portfolio.

This item has no impact on the General Fund.