



City of Greensboro

Melvin Municipal
Office Building
300 W. Washington Street
Greensboro, NC 27401

Agenda Report

File Number: 2021-499

Agenda Item# G.7.

Agenda Date: 12/21/2021. **Department:** Neighborhood Development
Meeting Type: Council Meeting **Category:** Consent Agenda

Title: 2021 - 499 Resolution Approving City Housing Program Loan Process Improvements

Council Priority: Place an 'x' in the box.

- Create an Environment to Promote Economic Development Opportunities and Job Creation
- Maintain Infrastructure and Provide Sustainable Growth Opportunities
- Promote Public Safety & Reduce Crime
- Exceptional Customer Service and a Diverse City Government Workforce
- Ensure Fiscal Stewardship, Transparency, & Accountability

Council District: All

Public Hearing: No

Advertising Date/By: Click or tap to enter a date./by City Clerk

Contact 1 and Phone: Michelle Kennedy, Ext 2509

Contact 2 and Phone: Cynthia Blue, Ext 7376

PURPOSE:

City Council is requested to consider improvements and clarifications to the process for housing program loans and grants.

BACKGROUND:

As part of the City's review of homebuyer and homeowner rehabilitation programs, three areas of improvement have been recommended for our loan processes in order to streamline the effectiveness of programs, reduce barriers to access, and resolve outstanding deferred loans:

- Increase the Council pre-approval threshold requirement to \$50,000
- Clarify subordinate lien position limit for housing program loans
- Forgive expired deferred loans

These recommendations are described below.

Council pre-approval limits:

Per prior Council resolution from March 1, 2005, all City grants and loans in excess of \$10,000 require a pre-approval by City Council. This pre-approval step places a wait of several weeks on lead paint remediation and emergency repair projects, as well as any homebuyer loans in redevelopment or target areas which exceed \$10,000. Consideration is requested for programmatic approval of loans and grants less than \$50,000 which meet the program standards.

Loans and grants over \$50,000 would be brought for City Council pre-approval. Loans and grants below \$50,000 would be recorded and submitted to Council as information on a semi-annual basis. Authority would be given to the City Manager to sign the grant or loan documents.

Subordinate lien positions for housing program loans:

City Council policy limits City subordinate lien position to 2nd position. Exceptions have been made for federal and state housing program loans that require the City's loan to be subordinated. Specific City Council approval is requested in the loan resolution for those exceptions for multi-family housing loans.

Many low income homeowners access down payment assistance both from the City and from state sources. There is authority under a resolution from November 7, 2007 for homebuyer loans to be subordinate to state and federal loan programs in certain redevelopment neighborhoods.

We are seeing an increase in rehabilitation program applications from low income homeowners who may have had federal or state program down payment assistance, or foreclosure forbearance assistance from the foreclosure crisis, which may include a second or third position federal or state lien. These homeowners have been denied rehabilitation program assistance due to lien position.

This Council request would clarify that the housing program loans (development, homebuyer or homeowner loans) may be subordinate as required to federal, state, or prior City program loans.

Expiration of deferred loans:

The City's original homeowner rehabilitation and homebuyer down payment assistance programs were set up decades ago to provide deferred loans with 20 or 30 year terms. However, the program loan documents did not provide for a resolution at the end of the deferred loan term.

If a sale or transfer occurs within the term of a loan, the City does collect on the outstanding balance of the loan. It was never the intent of the City to force low income families to lose their homes to foreclosure on expiration of City deferred loans for rehabilitation or homebuyer assistance. However, there are no terms written into the loan documents stating that they should be forgiven at expiration.

After the twenty year term of a deferred rehabilitation loan or the thirty year term of a deferred homebuyer loan has expired, those loans should be forgiven, written off the City's loan ledger, and recorded as satisfied. Repayable loan terms would continue to be enforced, and City loan delinquency policies would be followed for resolution.

BUDGET IMPACT:

No impact to current budget. Forgiveness of expired deferred loans will require write-offs from City CLCS loan system.

ACCOUNT NUMBER:

N/A

RECOMMENDATION / ACTION REQUESTED:

It is recommended that City Council approve the improvements and clarifications to the process for housing program loans and grants to include: raising the Council pre-approval threshold requirement to \$50,000; allowing the City to take a subordinate lien position to federal, state or City housing program loans; and forgiveness of deferred homeowner and homebuyer assistance loans at the end of the loan term, with authority given to the City Manager to execute documents or approvals to comply with these terms.