File No. 15-0199

HOUSING COMMITTEE REPORT relative to authorization for the Los Angeles Housing and Community Investment Department (HCIDLA) to write off housing loan losses for Program Years 38, 39, and 40.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the General Manager, HCIDLA, to write off the following losses:

    a. Program Year 38 - Write off 36 single-family loans totaling $2,06 million in principal and associated interest.

    b. Program Year 39 - Write off 46 single-family loans totaling $2.37 million in principal and associated interest.

    c. Program Year 40 - Write off 9 single-family loans totaling $450,000 in principal and associated interest.

2. AUTHORIZE the General Manager, HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with Mayor and Council actions, subject to the approval of the City Administrative Officer; and, AUTHORIZE the Controller to implement the instructions.

Fiscal Impact Statement: The HCIDLA reports that there will be no fiscal impact on the City's General Fund.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on March 25, 2015, the Housing Committee considered an HCIDLA report dated February 13, 2015 relative to authorization for the HCIDLA to write of housing loan losses for Program Years 38, 39, and 40.

A representative of the HCIDLA addressed the Committee regarding the matter. The Committee expressed its concern relative to the HCIDLA writing off 91 loans in light of the City's current fiscal climate and its efforts to maximize funding for affordable housing, and inquired whether it was possible for the HCIDLA to recoup any of the loans proposed for write-off. The HCIDLA representative advised the Committee that the loans were made by the HCIDLA during the height of the real estate market (2006 to 2008) in order to make single-family homes more affordable for first-time homebuyers. However, the homes were significantly devalued (i.e. "underwater") as a result of the subsequent market downturn. The HCIDLA's loans on the homes were subordinate to the senior lenders' loans, so when the senior lenders choose to foreclose, the lenders' loans were satisfied first and since no funds were remaining to satisfy the HCIDLA loans, the HCIDLA had no other alternative but to write off its loans as uncollectible.

After providing an opportunity for public comment, the Committee approved the recommendations in the HCIDLA report. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE

Gilbert Cedillo

MEMBER	VOTE
CEDILLO:	YES
FUENTES:	YES
PRICE:	YEs

REW
4/6/15
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