

TRANSMITTAL

To:

COUNCIL

Date: 3/2/18

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau
1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org

February 5, 2018

Council File:	New
Council District:	Citywide
Contact Persons:	Christopher Bailey (213) 922-9668
	Douglas Swoger (213) 808-8948
	Sean Spear (213) 808-8901

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORIZATION TO WRITE OFF LOAN LOSSES FOR CALENDAR YEARS 2010 THROUGH 2017

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA requests authority from the Mayor and City Council to write off a total of \$2,966,029.39 in uncollectable loan balances, plus accrued interest as a result of losses incurred from third-party foreclosures and short pay agreements during calendar years 2010 through 2017. Attachment A to this report lists each requested loan write-off by loan type and amount.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that the Mayor and City Council:

- I. Authorize the General Manager of HCIDLA, or designee, to write off the following losses:
 - A. For calendar year 2010, write off short pay agreement loan losses on seven single-family loans totaling \$233,678.03, plus accrued interest;

- B. For calendar year 2011, write off short pay agreement loan losses on nine single-family loans totaling \$448,897.54, plus accrued interest;
 - C. For calendar year 2012, write off short pay agreement loan losses on 13 single-family loans totaling \$734,480.53, plus accrued interest;
 - D. For calendar year 2013, write off third-party foreclosures on three single-family loans totaling \$119,896.54, plus accrued interest; and short pay agreement loan losses on six single-family loans totaling \$365,626.08, plus accrued interest;
 - E. For calendar year 2014, write off short pay agreement loan losses on 11 single-family loans totaling \$690,011.99, plus accrued interest;
 - F. For calendar year 2015, write off short pay agreement loan losses on three single-family loans totaling \$156,807.12, plus accrued interest;
 - G. For calendar year 2016, write off a short pay agreement loan loss on one single-family loan totaling \$43,624.00, plus accrued interest;
 - H. For calendar year 2017, write off third-party foreclosures on two single-family loans totaling \$99,790.56, plus accrued interest; and a short pay agreement loan loss on one single-family loan totaling \$73,217.00, plus accrued interest.
- II. Authorize the General Manager of HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and City Council action on this matter, subject to the approval of the City Administrative Officer, and request the Controller to implement these instructions.

BACKGROUND

HCIDLA provides and operates a variety of affordable housing loan programs designed specifically for the development and preservation of affordable housing in the city. Currently, HCIDLA's affordable housing loan portfolio consists of over 4,900 loans, with a receivable balance of \$2 billion, of which over 4,000 are single-family home loans. The single-family loan portfolio includes both homebuyer purchase assistance loans and housing rehabilitation loans. Homebuyer assistance loans help eligible low- and moderate-income, first-time homebuyers seeking to purchase a home in the city of Los Angeles, whereas, housing rehabilitation loans are designed to assist lower- and moderate-income homeowners with funding necessary to facilitate needed home repairs and improvements. Through this transmittal, HCIDLA seeks authorization to write off a total of \$2,966,029.39 in uncollectable loan balances, plus accrued interest, as a result of third-party foreclosures and short pay agreements that have occurred. Periodically, HCIDLA homebuyer purchase assistance and rehabilitation loans are not repaid due to bankruptcy, foreclosure, or other actions, and must be written off by the City as uncollectable. On January 12, 2017, the Mayor and City Council approved the write off of HCIDLA loan losses incurred from January 2014 through August 2016 (C.F. No. 16-1301). Subsequent to that action, HCIDLA identified additional loan losses occurring from January 2010 through December 2017. This report reflects the additional losses as described in the Recommendation section of this report. Tables A and B below provide a summary of the proposed

HCIDLA loan write-offs (January 2010 through December 2017). Table C provides a summary of the combined totals from Tables A and B.

TABLE A: Third-Party Foreclosures									
	2010	2011	2012	2013	2014	2015	2016	2017	Totals
No. of Loans	0	0	0	3	0	0	0	2	5
*Write-off Amounts	\$0	\$0	\$0	\$119,897	\$0	\$0	\$0	\$99,791	\$219,688

TABLE B: Short Sale Payoffs									
	2010	2011	2012	2013	2014	2015	2016	2017	Totals
No. of Loans	7	9	13	6	11	3	1	1	51
*Write-off Amounts	\$233,678	\$448,898	\$734,480	\$365,626	\$690,012	\$156,807	\$43,624	\$73,217	\$2,746,342

*Write-off amounts have been rounded up or down

TABLE C: Combined Totals from Table A and Table B		
Loan Loss Type	No. of Loans	Write-Off Amount
Third-Party Foreclosures	5	\$219,687.10
Short Sale Payoffs	51	\$2,746,342.29
Total	56	\$2,966,029.39

Approval of the requested recommendations will allow HCIDLA to write off five loans that were eliminated as a result of foreclosure by third-party senior lenders and 51 loans where HCIDLA accepted short-sale payments in order to prevent foreclosures and allow HCIDLA to recover a portion of the loan amount.

HCIDLA Loan Losses Due To Foreclosure

HCIDLA's purchase assistance and rehabilitation loans are typically subordinate to senior loans on a property. As a result, HCIDLA's loans are more vulnerable to foreclosure action taken by a senior lender. In California, when a borrower defaults and a lender forecloses on a loan, the property can then be offered for sale via a Trustee Sale to the highest bidder. Subordinate loans such as HCIDLA's are repaid partially or fully, only to the extent that sale proceeds exist after payment of the foreclosing senior lender's loan balance, and costs have been fully compensated. Since HCIDLA's lien is eliminated in this process, any remaining unpaid principal and interest become uncollectable.

When notified of a pending foreclosure action by a senior lender, HCIDLA performs an analysis of the loan and property value to determine if sufficient equity is available to repay the HCIDLA loan. In addition, HCIDLA tracks the foreclosure and notifies the borrower(s) of any pending default action, and provides HUD-certified and local foreclosure counseling agency contact information. On a case-by-case basis, HCIDLA will also assist borrower(s) in obtaining a loan modification, and/or negotiating with foreclosing lenders.

HCIDLA Loan Losses Due to Short Sale Payoffs

To avert potential third-party foreclosure, and allow for HCIDLA to recover at minimum a portion of the loan investment, HCIDLA will accept a short sale payoff of its loan. During a short sale, there is a current sale pending where the market value of a property is less than the aggregate lien indebtedness. To facilitate a sale, and avoid a lengthy foreclosure process, most lenders, including HCIDLA, will approve terms wherein they accept less than the full amount owed for repayment on the outstanding loan. This allows the senior lender and subordinate lenders such as HCIDLA, to recover some portion of the outstanding loan. As part of the process, HCIDLA will release the lien(s) on the property therefore making the unpaid principal and interest on the loan uncollectable.

Conclusion

HCIDLA continues to mitigate losses and sustain affordable housing by providing viable solutions to borrowers. This transmittal requests the write off of \$2,966,029.39, plus accrued interest, in loan losses for the period of January 2010 through December 2017. The total of these loan losses represent 0.15% of HCIDLA's loan receivable base and 1% of the number of loans in the single-family loan portfolio. Due to the nature of the single-family loan programs and available funding, it is common for HCIDLA single-family borrowers to have multiple City loans representing different loan programs on their property. Consequently, this write-off request for 56 single family loans actually represents loans on 29 properties.

FISCAL IMPACT STATEMENT

There is no fiscal impact on the General Fund. Approval of the recommendations in this report will result in a \$2,966,029.39 decrease to HCIDLA's Loan Portfolio receivable base.

Prepared by:



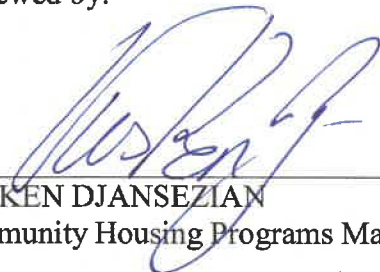
CHRISTOPHER BAILEY
Management Assistant

Reviewed by:



MARK GANDARA
Finance Development Officer II

Reviewed by:



VASKEN DJANSEZIAN
Community Housing Programs Manager

Reviewed by:



DOUGLAS SWOGER
Director of Housing

Reviewed by:



SEAN L. SPEAR
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENTS;

Attachment A – Write Off List, 2010 through 2017

Los Angeles Housing Community Investment Department
Summary Schedule of 2010-2017 Write-Offs

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2010 SHORT PAYS	CS0011	323 E. 91ST ST., LOS ANGELES, CA 90003	\$1,339.23	Short Pay Accepted
	CS0010	323 E. 91ST STREET., LOS ANGELES, CA 90003	\$67,855.82	Short Pay Accepted
	CL0182	323 E. 91ST STREET., LOS ANGELES, CA 90003	\$23,042.70	Short Pay Accepted
	CC0966	323 E. 91ST STREET., LOS ANGELES, CA 90003	\$19,430.70	Short Pay Accepted
	CC0961	323 E. 91ST STREET., LOS ANGELES, CA 90003	\$15,971.55	Short Pay Accepted
	CC0850	9946 N. OWENSMOUTH AVE #6, CHATTSWORTH, CA 91311	\$82,756.70	Short Pay Accepted
	CL0098	9946 N. OWENSMOUTH AVE #6, CHATTSWORTH, CA 91311	\$23,281.33	Short Pay Accepted
	TOTAL LOANS: 7	TOTAL 2010 SHORT PAY WRITE-OFFS:	\$233,678.03	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2011 SHORT PAYS	CL0063	314 MIRALESTE DR. #117, SAN PEDRO, CA 90731	\$18,097.95	Short Pay Accepted
	CC0793	314 MIRALESTE DR. #117, SAN PEDRO, CA 90731	\$89,299.08	Short Pay Accepted
	CC0794	314 MIRALESTE DR. #117, SAN PEDRO, CA 90731	\$17,622.97	Short Pay Accepted
	CN0010	1733 N. ISLAND AVE., LOS ANGELES, CA 90744	\$49,000.00	Short Pay Accepted
	CN0002	6707 WHITE OAK AVE., RESEDA, CA 91335	\$35,000.00	Short Pay Accepted
	CN0001	6707 WHITE OAK AVE., RESEDA, CA 91335	\$40,150.07	Short Pay Accepted
	CM0326	1444 260TH STREET #17, HARBOR CITY, CA 90710	\$71,460.00	Short Pay Accepted
	CM0191	1849 N. SEIGNEUR AVE., LOS ANGELES, CA 90032	\$72,500.00	Short Pay Accepted
	CC0703	4755 E. TEMPLETON ST., LOS ANGELES, CA 90032	\$55,767.47	Short Pay Accepted
	TOTAL LOANS: 9	TOTAL 2011 SHORT PAY WRITE-OFFS:	\$448,897.54	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason	
2012 SHORT PAYS	CM0250	360 W. AVENUE 26 #427, LOS ANGELES, CA 90031	\$49,000.00	Short Pay Accepted	
	CL0230	15022 PORTOFINO LANE, NORTH HILLS, CA 91343	\$22,500.00	Short Pay Accepted	
	CS0018	15022 PORTOFINO LANE, NORTH HILLS, CA 91343	\$90,000.00	Short Pay Accepted	
	CE0447	7300 LENNOX AVE. UNIT A-6, VAN NUYS, CA 91405	\$90,000.00	Short Pay Accepted	
	CL0221	7300 LENNOX AVE. UNIT A-6, VAN NUYS, CA 91405	\$10,800.00	Short Pay Accepted	
	CC0819	25602 BELLE PORTE AVE. #104, HARBOR CITY, CA 90710	\$89,180.00	Short Pay Accepted	
	CL0076	25602 BELLE PORTE AVE. #104, HARBOR CITY, CA 90710	\$18,960.00	Short Pay Accepted	
	CM0303	4539 N. HOMER ST., LOS ANGELES, CA 90031	\$66,681.00	Short Pay Accepted	
	CM0318	10504 N. SUNLAND BLVD. #6, SUNLAND, CA 91040	\$73,420.00	Short Pay Accepted	
	CM0319	10504 N. SUNLAND BLVD. #6, SUNLAND, CA 91040	\$19,573.92	Short Pay Accepted	
	CN0039	10982 ROEBLING AVE. #422, LOS ANGELES, CA 90024	\$47,000.00	Short Pay Accepted	
	CM0216	360 W. AVENUE 26 #426, LOS ANGELES, CA 90031	\$73,365.61	Short Pay Accepted	
	CS0003	3427 E. GARNETT ST., LOS ANGELES, CA 90023	\$84,000.00	Short Pay Accepted	
	TOTAL LOANS: 13	TOTAL 2012 SHORT PAY WRITE-OFFS:	\$734,480.53		

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2013 FORECLOSURES	CP0027	360 W. AVE 26 #313, LOS ANGELES, CA 90033	\$12,524.54	3rd party foreclosure lien eliminated
	CE0423	360 W. AVE 26 #313, LOS ANGELES, CA 90033	\$89,973.00	3rd party foreclosure lien eliminated
	CL0150	360 W. AVE 26 #313, LOS ANGELES, CA 90033	\$17,399.00	3rd party foreclosure lien eliminated
TOTAL LOANS: 3	TOTAL 2013 FORECLOSURE WRITE-OFFS:	\$119,896.54		

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2013 SHORT PAYS	CM0187	7045 N. WOODLEY AVE., LOS ANGELES, CA 91406	\$70,866.08	Short Pay Accepted
	CM0184	8901 N. GLADBECK AVE., LOS ANGELES, CA 91324	\$74,000.00	Short Pay Accepted
	CN0026	741 W. 24TH STREET, LOS ANGELES, CA 90731	\$50,000.00	Short Pay Accepted
	CM0194	5000 S. CENTINELA AVE., LOS ANGELES, CA 90230	\$67,000.00	Short Pay Accepted
	CP0020	360 W. AVENUE 26 #305, LOS ANGELES, CA 90031	\$30,000.00	Short Pay Accepted
	CM0200	360 W. AVENUE 26 #305, LOS ANGELES, CA 90031	\$73,760.00	Short Pay Accepted
TOTAL LOANS: 6	TOTAL 2013 SHORT PAY WRITE-OFFS:	\$365,626.08		

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason	
2014 SHORT PAYS	CM0285	3762 S. CRAWFORD ST., LOS ANGELES, CA 90011	\$72,500.00	Short Pay Accepted	
	CM0286	3762 S. CRAWFORD ST., LOS ANGELES, CA 90011	\$19,706.91	Short Pay Accepted	
	CC0977	15425 SHERMAN WAY #231, VAN NUYS, CA 91406	\$89,424.00	Short Pay Accepted	
	CL0194	15425 SHERMAN WAY #231, VAN NUYS, CA 91406	\$17,300.00	Short Pay Accepted	
	CE0450	26115 FRAMPTON AVE. #A, HARBOR CITY, CA 90710	\$80,317.08	Short Pay Accepted	
	CL0165	3316 3/4 W. 76TH STREET, LOS ANGELES, CA 90043	\$8,700.00	Short Pay Accepted	
	CC0939	3316 3/4 W. 76TH STREET, LOS ANGELES, CA 90043	\$86,254.00	Short Pay Accepted	
	CC0940	3316 3/4 W. 76TH STREET, LOS ANGELES, CA 90043	\$14,810.00	Short Pay Accepted	
	CP0026	360 W. AVENUE 26 #214, LOS ANGELES, CA 90031	\$29,000.00	Short Pay Accepted	
	CM0234	360 W. AVENUE 26 #214, LOS ANGELES, CA 90031	\$74,000.00	Short Pay Accepted	
	CRA872587-001	285 W. 6TH STREET #404, SAN PEDRO, CA 90731	\$198,000.00	Short Pay Accepted	
	TOTAL LOANS: 11	TOTAL 2014 SHORT PAY WRITE-OFFS:	\$690,011.99		

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2015 SHORT PAYS	CRA872606-001	21529 SATICOY ST. #107, CANOGA PARK, CA 91304	\$133,241.47	Short Pay Accepted
	CC0751	16745 W. VANOWEN ST., LOS ANGELES, CA 91406	\$5,505.00	Short Pay Accepted
	CL0019	16745 W. VANOWEN ST., LOS ANGELES, CA 91406	\$18,060.65	Short Pay Accepted
TOTAL LOANS: 3		TOTAL 2015 SHORT PAY WRITE-OFFS:	\$156,807.12	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2016 SHORT PAY	CE0448	7422 HAZELTINE AVE. #5, VAN NUYS, CA 91405	\$43,624.00	Short Pay Accepted
TOTAL LOANS: 1		TOTAL 2016 SHORT PAY WRITE-OFFS:	\$43,624.00	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2017 FORECLOSURES	CP0071	11130 S. VERMONT AVE. #101, LOS ANGELES, CA 90044	\$9,790.56	3rd party foreclosure lien eliminated
	CB0275	11130 S. VERMONT AVE. #101, LOS ANGELES, CA 90044	\$90,000.00	3rd party foreclosure lien eliminated
TOTAL LOANS: 2		TOTAL 2017 FORECLOSURE WRITE-OFFS:	\$99,790.56	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2017 SHORT PAY	CM0236	1067 252ND STREET #8, LOS ANGELES, CA 90710	\$73,217.00	Short Pay Accepted
TOTAL LOANS: 1		TOTAL 2017 SHORT PAY WRITE-OFFS:	\$73,217.00	

TOTAL LOANS: 56		*2010-2017 TOTAL WRITE-OFF AMOUNT:	\$2,966,029.39	
------------------------	--	---	-----------------------	--

* This amount does not include accrued interest; it represents the total principal amount of the loans requested for Write-Off.