

# TRANSMITTAL

To:

**COUNCIL**

Date: 11/18/16

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

November 14, 2016

Council File:	New
Council District:	Citywide
Contact Persons:	
Christopher Bailey	(213) 922-9668
Mark Gandara	(213) 808-8677
Vasken Djansezian	(213) 808-8978
Douglas Swoger	(213) 808-8948
Helmi Hisserich	(213) 808-8662

Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO WRITE OFF LOAN LOSSES FOR CALENDAR YEARS 2014, 2015 AND 2016**

**SUMMARY**

The Los Angeles Housing and Community Investment Department (HCIDLA) is requesting Mayor and Council authority to write off loan losses incurred during the calendar years 2014, 2015 and 2016.

**RECOMMENDATIONS**

The General Manager of HCIDLA respectfully requests the following:

- I. That your office schedule this transmittal for consideration with the appropriate Council Committee(s) for review and approval at the next available meeting(s) and forward it to the City Council for review and approval immediately thereafter;
- II. That the City Council, subject to the approval of the Mayor, take the following actions:
  - A. Authorize the General Manager of HCIDLA to write off the following losses:

1. For Calendar Year 2014, write off loan losses associated with Short Pay Agreements for 15 single family loans totaling \$969,527.24, plus accrued interest;
  2. For Calendar Year 2015, write off loan losses associated with Third-Party Foreclosures on six single family loans totaling \$212,835.00; Short Pay Agreements for 10 single family loans totaling \$381,179.78, plus accrued interest; and, uncollectable, accrued interest on one multi-family loan totaling \$538,637.02; and,
  3. For Calendar Year 2016, write off loan losses associated with Third-Party Foreclosures on eight single family loans totaling \$365,403.12: and, Short Pay Agreements for two single family loans totaling \$101,110.39, plus accrued interest; and,
- B. 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 actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

## **BACKGROUND**

HCIDLA has operated a variety of affordable housing programs that provide loans for the development and preservation of affordable housing in the City. Currently, HCIDLA's affordable housing loan portfolio consists of over 5,100 loans with a receivable balance of \$1.95 billion representing approximately 41,000 units. HCIDLA's affordable housing loan portfolio includes loans for single family homes, consisting of purchase assistance loans for first-time homebuyers and housing rehabilitation loans to assist lower and moderate income residents to make needed repairs and improvements to their homes. Currently, HCIDLA's affordable single family home loan portfolio consists of over 4,400 loans with a receivable balance totaling \$418 million. The total \$2,568,692.55 write off amount requested includes \$2,030,055.53 from 41 single family loans and \$538,637.02 from a multi-family loan. The requested write off of single family loans represents 0.5% of the loan balance and 0.9% of the number of loans in the single family loan portfolio. Additionally, due to the nature of 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 properties. Consequently, the write off request for 41 single family loans actually represents loans on 29 properties.

HCIDLA is seeking authority to write off a total of \$2,568,692.55 in uncollectable loan balances, plus accrued interest, as a result of foreclosures, short sales, loan reductions and administrative actions that have occurred. This write off amount represents only .13% of the \$1.95 billion loan portfolio. Periodically, loans cannot be repaid due to foreclosure, bankruptcy or other actions and must be written off as uncollectable. In April 2015, the Mayor and City Council approved the write off of HCIDLA loan losses incurred from April 2012 through December 2014 (C.F. 15-0199). Subsequent to that action, HCIDLA identified additional loan losses from 2014 as described in Recommendation II.A.1 in this report.

Approval of the recommendations will allow HCIDLA to write off: 14 loans that were eliminated as a result of foreclosures by third party senior lenders; 27 loans where HCIDLA accepted short-sale payments in order to prevent foreclosures and allow HCIDLA to recover a portion of the loan amount; and, one multi-family loan with uncollectable, accrued interest in excess of the loan payoff. A summary of the loan losses that occurred during January 2014 to August 2016 proposed for write off is provided in the following table:

**LOAN LOSSES FOR WRITE OFF  
FOR CALENDAR YEARS 2014, 2015, and 2016**

Loan Loss Type	2014		2015		2016		TOTALS	
	No. of Loans	Write off Amount	No. of Loans	Write off Amount	No. of Loans	Write off Amount	No. of Loans	Write off Amount
Third-party Foreclosure	0	\$0	6	\$212,835.00	8	\$365,403.12	14	\$578,238.12
Short Sale Payoff	15	\$969,527.24	10	\$381,179.78	2	\$101,110.39	27	\$1,451,817.41
Administrative Action	0	\$0	1	\$538,637.02	0	\$0	1	\$538,637.02
<b>Totals:</b>	15	\$969,527.24	17	\$1,132,651.80	10	\$466,513.51	42	\$2,568,692.55

Loan Losses Due To Foreclosures

HCIDLA's purchase assistance and rehabilitation loans are typically subordinate to other loans on a property. As a result, HCIDLA's loans are vulnerable to foreclosure actions taken by senior lenders. In California, when a borrower defaults and a lender forecloses on the loan, the property is offered for sale at a Trustee Sale to the highest bidder. Subordinate loans are only repaid, partially or in full, to the extent that sale proceeds remain after the payment of the foreclosing senior lender's loan balance and costs. Since HCIDLA's lien is eliminated in this process, any remaining unpaid principal and interest becomes uncollectable.

When notified of a pending foreclosure action by a senior lender, HCIDLA performs an analysis of the loans and property value to determine if sufficient equity is available to repay the HCIDLA loan. Additionally, HCIDLA tracks the foreclosure and notifies borrowers of pending default actions and provides contact information for the United States Department of Housing and Urban Development-certified and local foreclosure counseling agencies that can help protect borrowers from fraud. HCIDLA also assists them in obtaining a loan modification and negotiating with foreclosing lenders.

Loan Losses Due to Short Sale Payoffs

To avert potential third party foreclosures and allow HCIDLA to recover at least a portion of its loan investment, HCIDLA accepts short sale payoffs of its loans. In a short sale, there is a current sale pending where the market value of a property is less than the amount owed. To avoid foreclosure and

facilitate the sale, all lenders, including HCIDLA, conduct negotiations to accept less than the full amount owed as repayment of their respective loans. This allows the senior lender and HCIDLA to recover some portion of their loans. As part of this process, the HCIDLA liens are released and the unpaid principal and interest become uncollectable.

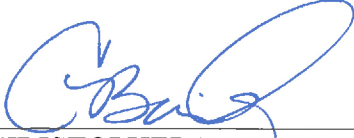
#### Write Off Due To Administrative Action

The HCIDLA inadvertently incurred \$538,637 of uncollectable, accrued interest from a multi-family loan that matured on August 19, 2006. This write off amount is interest only, which continued to accrue in HCIDLA's Housing Information Management System beyond the loan maturity date, in excess of the loan payoff amount received.

#### FISCAL IMPACT STATEMENT

There will be no fiscal impact on the City General Fund. Approval of the recommendations will result in a decrease in the HCIDLA receivable base by \$2,568,692.55 from loan losses within the period of January 2014 to August 2016.

Prepared By:



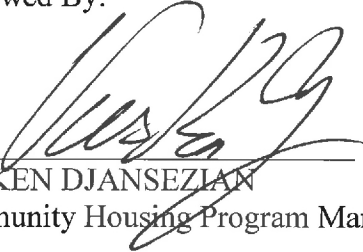
CHRISTOPHER BAILEY  
Management Assistant

Reviewed By:



MARK GANDARA  
Finance Development Officer II

Reviewed By:



VASKEN DJANSEZIAN  
Community Housing Program Manager

Reviewed By:



DOUGLAS SWOGER  
Director of Housing

Reviewed By:



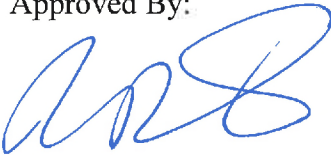
HELMİ A. HISSERICH  
Assistant General Manager

Reviewed By:



LAURA K. GUGLIELMO  
Executive Officer

Approved By:



RUSHMORE D. CERVANTES  
General Manager

Attachment: Summary Schedule of 2014, 2015 and 2016 Write Offs

**Los Angeles Housing Community Investment Department**  
**Summary Schedule of 2014, 2015, and 2016 Write Offs**

ATTACHMENT  
 HCIDLA Request to Write Off Loan Losses

Write off Type	Loan No	Address	Write Off Amt	Write Off Reason	
<b>2016 FORECLOSURES</b>	CE0427	10025 Tujunga Cyn Blvd., Tujunga	\$87,318.00	3rd party foreclosure-lien eliminated	
	CL0160	10025 Tujunga Cyn Blvd., Tujunga	\$18,900.00	3rd party foreclosure-lien eliminated	
	CM0011	8505 Columbus Ave. #209, North Hills	\$50,000.00	3rd party foreclosure-lien eliminated	
	CC0726	21219 W. Roscoe Blvd., Canoga Park	\$14,745.38	3rd party foreclosure-lien eliminated	
	CL0166	11150 Glenoaks Blvd. #98, Pacoima	\$8,589.74	3rd party foreclosure-lien eliminated	
	CC0941	11150 Glenoaks Blvd. #98, Pacoima	\$90,000.00	3rd party foreclosure-lien eliminated	
	CC0942	11150 Glenoaks Blvd. #98, Pacoima	\$20,850.00	3rd party foreclosure-lien eliminated	
	CM0070	14200 Foothill Blvd. #31, Los Angeles	\$75,000.00	3rd party foreclosure-lien eliminated	
	<b>TOTAL LOANS: 8</b>	<b>TOTAL 2016 FORECLOSURE WRITE-OFF:</b>	<b>\$365,403.12</b>		
<b>2016 SHORT PAYS</b>	CM0114	360 W. Avenue 26 #340, Los Angeles	\$31,110.39	Short Pay Accepted	
	CM0138	9701 N. Comanche Ave., Los Angeles	\$70,000	Short Pay Accepted	
	<b>TOTAL LOANS: 2</b>	<b>TOTAL 2016 SHORT PAY WRITE-OFF:</b>	<b>\$101,110.39</b>		
<b>2015 ADMINISTRATIVE</b>	BA0367	5700 West 6th St, Los Angeles	\$538,637.02	Administrative - Multifamily *	
	<b>TOTAL LOAN: 1</b>	<b>TOTAL 2015 ADMINISTRATIVE WRITE OFF:</b>	<b>\$538,637.02</b>		
<b>2015 FORECLOSURES</b>	FAC8336	238 E. 84th Pl., Los Angeles	\$10,000.00	3rd party foreclosure-lien eliminated	
	CE0243	2008 Santa Ana Blvd., Los Angeles	\$22,375.00	3rd party foreclosure-lien eliminated	
	CE0024	4760 East Templeton Street #3223, Los Angeles	\$30,000.00	3rd party foreclosure-lien eliminated	
	CD0133	4750 East Templeton Street #1105, Los Angeles	\$30,000.00	3rd party foreclosure-lien eliminated	
	CE0328	10901 N. Laurel Canyon Blvd., San Fernando	\$34,718.00	3rd party foreclosure-lien eliminated	
	CE0428	12020 South Broadway #2, Los Angeles	\$85,742.00	3rd party foreclosure-lien eliminated	
	<b>TOTAL LOANS: 6</b>	<b>TOTAL 2015 FORECLOSURE WRITE-OFF:</b>	<b>\$212,835.00</b>		
<b>2015 SHORT PAYS</b>	09-117363-002	1010 Leighton Ave., Los Angeles	\$5,120.51	Short pay accepted	
	CC0733	8746 Tobias St #5, Panorama City	\$9,980.00	Short pay accepted	
	CL0024	8746 Tobias St #5, Panorama City	\$13,500.00	Short pay accepted	
	CC0732	8746 Tobias St #5, Panorama City	\$62,657.39	Short pay accepted	
	CL0140	11150 Glenoaks Blvd. #82, Pacoima	\$15,510.00	Short pay accepted	
	CC0910	11150 Glenoaks Blvd. #82, Pacoima	\$20,000.00	Short pay accepted	
	CC0909	11150 Glenoaks Blvd. #82, Pacoima	\$87,844.00	Short pay accepted	
	CN0073	11645 Montana Ave. #222, Los Angeles	\$49,000.00	Short pay accepted	
	09-117311-002	8100 S. Normandie, Los Angeles	\$45,700.00	Short pay accepted	
	CM0151	15425 Sherman Way #156, Van Nuys	\$71,867.88	Short pay accepted	
	<b>TOTAL LOANS: 10</b>	<b>TOTAL 2015 SHORT PAY WRITE-OFF:</b>	<b>\$381,179.78</b>		
	<b>2014 SHORT PAYS</b>	CC0784	19350 Sherman Way #209, Reseda	\$6,806.17	Short pay accepted
		CL0056	19350 Sherman Way #209, Reseda	\$18,900.00	Short pay accepted
CC0783		19350 Sherman Way #209, Reseda	\$90,000.00	Short pay accepted	
CM0185		15425 Sherman Way #355, Van Nuys	\$69,291.61	Short pay accepted	
CS0013		360 W. Avenue 26 #346, Los Angeles	\$78,154.59	Short pay accepted	
CW0013		360 W. Avenue 26 #346, Los Angeles	\$9,000.00	Short pay accepted	
CP0025		360 W. Avenue 26 #346, Los Angeles	\$30,000.00	Short pay accepted	
CP0022		360 W. Avenue 26 #413, Los Angeles	\$30,000.00	Short pay accepted	
CM0206		360 W. Avenue 26 #413, Los Angeles	\$74,000.00	Short pay accepted	
CM0001		7211 Cozycraft Ave. #6, Winnetka	\$48,771.00	Short pay accepted	
CM0002		7211 Cozycraft Ave. #6, Winnetka	\$9,620.00	Short pay accepted	
CRA872589-001		285 W 6th St. #303, San Pedro	\$189,500.00	Short pay accepted	
CRA872585-001		285 W 6th St. #305, San Pedro	\$168,483.87	Short pay accepted	
CM0163		5151 N. Balboa Blvd., Encino	\$73,000.00	Short pay accepted	
CM0209		20327 Saticoy St. #316, Winnetka	\$74,000.00	Short pay accepted	
<b>TOTAL LOANS: 15</b>	<b>TOTAL 2014 SHORT PAY WRITE-OFF:</b>	<b>\$969,527.24</b>			
<b>TOTAL LOANS: 42</b>	<b>TOTAL WRITE-OFF:</b>	<b>\$2,568,692.55</b>			

\*Loan BA0367 - The HCIDLA incurred \$538,637 of uncollectable, accrued interest from a multi-family loan that matured on August 19, 2006. This write off amount is interest only, which continued to accrue in HCIDLA's Housing Information Management System beyond the loan maturity date, in excess of the loan payoff amount received.