

TRANSMITTAL

To:

THE COUNCIL

Date: 11/01/2018

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garceiti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCEITI
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

October 30, 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 2011, 2012, 2013 AND 2018

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 \$734,132.90, plus accrued interest, in uncollectable loan balances, representing 17 loans on 11 properties, as a result of losses incurred from third-party foreclosures, short pay agreements and a legal settlement transaction during calendar years 2011, 2012, 2013, 2014 and 2018. Attachment A to this report lists each requested loan loss by write-off 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 the calendar year 2011, write off third-party foreclosures on two single-family loans totaling \$86,820.00, plus accrued interest;

- B. For the calendar year 2012, write off a third-party foreclosure on a single-family loan totaling \$50,000.00, plus accrued interest;
 - C. For the calendar year 2013, write off third-party foreclosures on five single-family loans totaling \$200,885.00, plus accrued interest; and a loan loss pursuant to a short pay on a single-family loan totaling \$1,000.00;
 - D. For the calendar year 2014, write off a third-party foreclosure on a single-family loan totaling \$62,611.00, plus accrued interest; and a loan loss pursuant to a legal settlement transaction on a single-family loan totaling \$50,445.04;
 - E. For the calendar year 2018, write off third-party foreclosures on three single-family loans totaling \$188,342.80, plus accrued interest; and three short pay agreement loan losses on three single-family loans totaling \$94,029.06; and,
- 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 4,800 loans, with a receivable balance of \$2 billion, of which over 3,900 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. 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 \$734,132.90 in uncollectable loan balances, plus accrued interest, as a result of third-party foreclosures, short pay agreements, and a legal settlement transaction. 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.

This report reflects the additional losses as described in the "Recommendations" section of this report. Table A below provides a summary of the proposed HCIDLA loan write-offs (July 2011 through August 2018).

TABLE A: 2011-2018 Write-Off Summary							
	2011	2012	2013	2014	2018	TOTAL NUMBER OF LOANS	TOTAL WRITE-OFF AMOUNT
THIRD-PARTY FORECLOSURES	2	1	5	1	3	12	\$588,658.80
SHORT PAYS	-	-	1	-	3	4	\$95,029.06
LEGAL SETTLEMENTS	-	-	-	1	-	1	\$50,445.04
TOTALS	2	1	6	2	6	17	\$ 734,132.90

Approval of the requested recommendations will allow HCIDLA to write off 12 loans that were eliminated as a result of foreclosure by third-party senior lenders, four 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 legal settlement transaction.

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. HCIDLA tracks the pending foreclosure action and attempts to 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.

HCIDLA Loan Loss Due to Legal Settlement Transaction

In 2004, the Los Angeles Housing Department (LAHD), which is the former name of HCIDLA, provided loan EBQ1098 through the City's Earthquake Assistance Program to rehabilitate a property located at 4131 South Creed Avenue that sustained damage resulting from the Northridge Earthquake. The loan amount totaled \$61,545.04 with a zero percent interest rate and a 30-year term. As a result of a lawsuit filed by the property owner, the City entered into a settlement agreement on May 22, 2014, that reduced the amount to be repaid by the borrower to \$11,000.00. As a result, the remaining loan balance of \$50,445.04 is uncollectable.

Conclusion

HCIDLA continues to mitigate losses and sustain affordable housing by providing viable solutions to borrowers. This transmittal requests the write off of \$734,132.90, plus accrued interest, in loan losses for the period of July 2011 through August 2018. The total of these loan losses represents 0.036% of HCIDLA's loan receivable balance and 0.43% 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 properties. Consequently, this write-off request for 17 single family loans actually represents loans on 11 properties.

FISCAL IMPACT STATEMENT

There is no fiscal impact to the General Fund as a result of the recommendations in this report. The recommendations comply with City Financial Policies. These loans were originally funded by grant funds or previous appropriations from the General Fund to support HCIDLA affordable housing programs.

Prepared by:



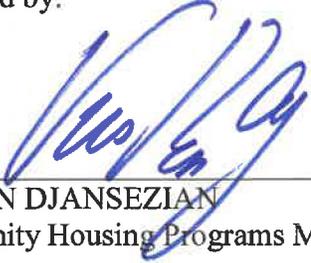
CHRISTOPHER BAILEY
Management Assistant

Reviewed by:



MARK GANDARA
Finance Development Officer II

Reviewed by:



VASKEN DJANSEZIAN
Community Housing Programs Manager

Reviewed by:



For DS

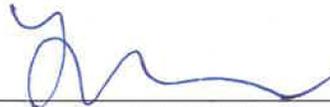
DOUGLAS SWOGER
Director of Housing

Reviewed by:



SEAN L. SPEAR
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENT:

Attachment A – Write Off List, 2011 through 2018

**Los Angeles Housing + Community Investment Department
Summary Schedule of 2017-18 Write-Offs**

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2011 FORECLOSURES	09-117223-001	4760 E. TEMPLETON STREET #3216, LOS ANGELES, CA 90032	\$11,820.00	3rd party foreclosure lien eliminated
	CM0118	20259 W. COHASSET STREET #4, LOS ANGELES, CA	\$75,000.00	3rd party foreclosure lien eliminated
	TOTAL LOANS: 2	TOTAL 2011 FORECLOSURE WRITE-OFF:	\$86,820.00	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2012 FORECLOSURE	CM0080	10234 N. OKLAHOMA AVENUE, LOS ANGELES, CA 91311	\$50,000.00	3rd party foreclosure lien eliminated
TOTAL LOANS: 1	TOTAL 2012 FORECLOSURE WRITE-OFF:		\$50,000.00	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2013 FORECLOSURES	CE0422	14325 W. FOOTHILL BOULEVARD #9, SYLMAR, CA 91342	\$90,000.00	3rd party foreclosure lien eliminated
	CL0149	14325 W. FOOTHILL BOULEVARD #9, SYLMAR, CA 91342	\$18,720.00	3rd party foreclosure lien eliminated
	CL0015	320 S. ARDMORE AVENUE, #135, LOS ANGELES, CA 90020	\$11,010.00	3rd party foreclosure lien eliminated
	CC0744	320 S. ARDMORE AVENUE, #135, LOS ANGELES, CA 90020	\$71,635.00	3rd party foreclosure lien eliminated
	CC0745	320 S. ARDMORE AVENUE, #135, LOS ANGELES, CA 90020	\$9,520.00	3rd party foreclosure lien eliminated
TOTAL LOANS: 5	TOTAL 2013 FORECLOSURE WRITE-OFF:		\$200,885.00	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2013 SHORT PAY	CN0063	4589 E. VIA MARISOL #160, LOS ANGELES, CA 90042	\$1,000.00	Short Pay Accepted
TOTAL LOANS: 1	TOTAL 2013 SHORT PAY WRITE-OFF:		\$1,000.00	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2014 FORECLOSURE	CM0363	5661 HUNTINGTON DRIVE., LOS ANGELES, CA 90032	\$62,611.00	3rd party foreclosure lien eliminated
TOTAL LOANS: 1	TOTAL 2014 FORECLOSURE WRITE-OFF:		\$62,611.00	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2014 LEGAL SETTLEMENT	EBQ1098	4131 S. CRED AVENUE, LOS ANGELES, CA 90008	\$50,445.04	Legal Settlement
TOTAL LOANS: 1	TOTAL 2014 LEGAL SETTLEMENT WRITE-OFF:		\$50,445.04	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2018 FORECLOSURES	CK0193	138 W. 115TH STREET, LOS ANGELES, CA 90061	\$89,871.00	3rd party foreclosure lien eliminated
	CL0053	138 W. 115TH STREET, LOS ANGELES, CA 90061	\$23,940.00	3rd party foreclosure lien eliminated
	CC0729	5661 HUNTINGTON DRIVE, LOS ANGELES, CA 90032	\$74,531.80	3rd party foreclosure lien eliminated
TOTAL LOANS: 3	TOTAL 2018 FORECLOSURE WRITE-OFF:		\$188,342.80	

Write-Off Type	Loan No	Address	Write-Off Amt	Write-Off Reason
2018 SHORT PAYS	CM0023	21811 W. SATICOY STREET #25, CANOGA PARK, CA 91304	\$16,529.06	Short Pay Accepted
	CN0008	13035 HUBBARD STREET #5, LOS ANGELES, CA 91342	\$49,000.00	Short Pay Accepted
	CN0009	13035 HUBBARD STREET #5, LOS ANGELES, CA 91342	\$28,500.00	Short Pay Accepted
TOTAL LOANS: 3	TOTAL 2018 SHORT PAY WRITE-OFF:		\$94,029.06	

TOTAL LOANS: 17	*2017-2018 TOTAL WRITE-OFF AMOUNT:		\$734,132.90	
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* This amount does not include accrued interest; it represents the total principal amount of the loans requested for Write-Off.