



COUNTY OF PLACER
Community Development/Resource Agency

Michael J. Johnson, AICP
Agency Director

**PLANNING
SERVICES DIVISION**

EJ Ivaldi, Deputy Director

MEMORANDUM

TO: Honorable Board of Supervisors

FROM: Michael J. Johnson, AICP
Agency Director

By: Catherine Donovan, Housing Specialist

DATE: May 6, 2014

SUBJECT: LOAN WRITE-OFFS

ACTION REQUESTED

1. Authorize the write-off of the uncollectible portion of seven housing assistance loans to recognize the reduction in value of the Community Grant and Loan portfolio.

There is no net County cost associated with this action.

BACKGROUND

The Community Development/Resource Agency (CD/RA) administers the Community Grant and Loan Programs for the County. The loans in this portfolio were made with funding from the State Department of Housing and Community Development (HCD) for the former Placer County Redevelopment Agency tax increment funding. Once the loans are made, they are added to CD/RA's loan portfolio for long-term monitoring and management. Seven loans in the portfolio are uncollectible: one was for an owner-occupied rehabilitation of a single-family residence; three were for rehabilitation or replacement of mobile/modular housing units located in mobile home parks; and three were made to first-time homebuyers to acquire single-family residences. Writing off the loans allows for the reduction of the amount of the notes receivable due to the County which is necessary to provide an accurate account balance of the loan portfolio. HCD does not impose any penalties on the County for defaulted loans or loan write-offs as long as the grant regulations are followed. As a best management and accounting practice, the Board is being asked to act as a third-party reviewer and authorize the write-off of the uncollectible portion of the defaulted loans.

As a subordinate lender, the ability to collect any portion of a loan after the first lender initiates foreclosure action (or a mobile home park initiates eviction and warehouseman lien) is very limited. Staff negotiated a short sale payoff, in lieu of foreclosure, with the first lender on the Dudevoir loan, recovering \$7,861.61. The County sold the mobile home that was the security on the Brouillette loan, after payment to the mobile home park owner for rent, utility charges, and legal fees the net recovery was \$2,729.89. On the Thomy and Thomas loans, the borrowers are deceased and the mobile homes were removed from the parks. The first lender foreclosed on the Mercado and Turner loans and sold the property, therefore no loan proceeds were provided to the County. A short sale request was made for the Cole loan as the borrower's income was substantially reduced and was unable to maintain the property. The first lender approved a short sale and provided a payoff to the County in

the amount of \$5,903.30. Subordinate loans, such as these, are extinguished through the foreclosure or warehouseman lien proceeding. In an effort to reduce lending risk, the County no longer makes loans for mobile homes in mobile home parks. With no further recourse, staff requests authority to write-off the loans removing them from the loan portfolio.

The following table identifies the loans and the reason for the requested write-off:

Borrower	Loan Number	Loan Date	Funding Source	Loan Type	Original Loan Amount	Amount of Loan Paid and/or Recovered	Write-Off Amount Balance	Reason for Write-Off
Thomy	2000082	10/17/2000	State of CA CDBG Program	Mobile Home Rehabilitation	\$7,488.00	\$0	\$7,448.00	Mobile home removed from park, borrower deceased
Dudevoir	2000125	4/5/2005	State of CA CDBG Program	Owner Occupied Rehabilitation	\$57,000.00	\$9,723.61	\$47,276.39	Short sale in lieu of foreclosure
Brouillette	1717-20101	9/1/2005	State of CA CDBG Program	Mobile Home Replacement	\$48,792.44	\$4,761.88	\$44,030.56	Borrower abandoned mobile home, park owner lien of property
Mercado	3000137	9/23/2005	State of CA HOME Program	First time homebuyer	\$44,039.00	\$0	\$44,039.00	First lender foreclosed
Cole	3000118	12/1/2004	State of CA HOME Program	First time homebuyer	\$59,033.00	\$5,903.30	\$53,129.70	Short sale, borrower has reduced income & is unable to maintain property
Thomas	2000081	10/10/1998	State of CA CDBG Program Income	Mobile Home Rehabilitation	\$1,450.00	\$1,148.44	\$301.56	Mobile home removed from park, borrower deceased
Turner	2000130	12/20/05	State of CA CDBG Program Income	First time homebuyer	\$100,000.00	\$0	\$100,000.00	First lender foreclosed

FISCAL IMPACT

Implementation of the loan write-offs will have no fiscal impact on the County's General Fund.

cc: Karin Schwab, County Counsel