

PLACER COUNTY

COMMUNITY DEVELOPMENT GRANTS AND LOANS

MEMORANDUM

TO: Honorable Members of the Board of Supervisors
FROM: Richard E. Colwell, Chief Assistant CEO *R.E. Colwell*
DATE: July 7, 2009
SUBJECT: Authorize the Write-off of \$33,660, the Uncollectible Portion of a HOME First Time Homebuyer Loan In the Amount of \$60,000, Made in the Placer County Community Revitalization Fund.

ACTION REQUESTED

Authorize the write-off of \$33,660, the uncollectible portion of a HOME First Time Homebuyer loan in the amount of \$60,000, made in the Placer County Community Revitalization Fund.

BACKGROUND

The Redevelopment Agency administers Community Grants and Loans Programs for the County of Placer. The programs include federal Community Development Block Grants and HOME Loan Programs. The subject loan is from a HOME First Time Homebuyer Program designed to expand the supply of affordable housing for low- and moderate-income families and individuals. A portion of these loans are shared-appreciation loans designed as second mortgages with deferred repayment. Typically, the Agency funds a portion of the home purchase. The homebuyer makes no payment until the home is sold, at which time the homebuyer repays the original loan amount to the County, along with a certain percentage of the home's appreciated value.

In the case of loan number 3000135, the County assisted in the purchase of a \$180,000 home in Auburn Greens. The borrowers bought the home with a first mortgage of \$120,000, plus the County's \$60,000 shared-appreciation loan. If the home was sold, the County was to recoup its loan of \$60,000, plus 33% of the shared appreciation. However, this loan committed the County to share in depreciation as well.

This year, the borrowers broke the covenant with the County by moving from the home and purchasing a new primary residence. By this action the borrowers were in default, and the loan became due and payable. The home value had decreased from \$180,000 to \$78,000, a reduction of \$102,000. The County was required by the loan agreement to reduce the principal balance of the loan by 33% of \$102,000 and, therefore, took a loss of \$33,660.

FISCAL IMPACT

As of May 31, 2009, there are Deferred Revenues in the amount of \$4,158,450 in the general ledger of the Community Revitalization Fund. By writing off \$33,660 the Deferred Revenues account will be reduced by that amount. There is no impact to the General Fund.

ENVIRONMENTAL IMPACT

There is no environmental impact to this action.

RECOMMENDATION

Authorize the write-off of \$33,660, the uncollectible portion of a HOME First Time Homebuyer loan in the amount of \$60,000, made in the Placer County Community Revitalization Fund.

cc: Karin Schwab, Deputy County Counsel