



Department of Planning & Community & Economic Development
Community Development Division

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MEMO

To: Common Council

From: Community Development Division

Date: June 5, 2012

RE: Short Sale Request 1921 Huxley Street

City of Madison provided a \$15,000 deferred payment mortgage loan to the homeowner at 1921 Huxley Street in 2004 when the homeowner bought the property from Operation Fresh Start for \$125,000. The property has been on the market since 2008 with only one offer in 2009 which did not transpire into a sale. In 2010, BAC Home Servicing filed for foreclosure on the property that was ultimately dismissed in August 2011. The property remained on the market and has decreased in value each year, assessment value decreased by \$12,000 from 2011 to 2012. In February 2012 the property received an Offer to Purchase for \$120,000.

Update: Due to the length of time in the short sale approval process the offer to purchase of \$120,000 has expired. There is a new offer on the property for \$97,000.

City staff has reviewed the financial and property information of the homeowner at 1921 Huxley Street. It has been determined that the homeowner has a hardship due to decrease in monthly income, decrease in property value and a lack of assets to fully pay back all debt invested into the property. First mortgage amount has increased to \$113,000 due to borrower's insufficient funds to pay monthly mortgage payments, including closing costs and all mortgage loan debt a purchase price of \$97,000 will not pay for all costs for a sale transaction. Homeowner is requesting a short sale from the first mortgage lender and City of Madison. Negotiations with first mortgage lender provided City of Madison with 6% of the balance due on the mortgage note of \$15,000. City of Madison can receive up to \$900 if transaction is approved.

The homeowner is no longer living in the property and has stopped making the required monthly mortgage payments on the property. At this time if this sale is not completed BAC Home Servicing will again go through the foreclosure process on the property. In the event of Foreclosure City of Madison will most likely receive no net proceeds at the sale of the property. Staff would recommend approval of the short sale between City of Madison and homeowner.