

CITY OF MADISON

INTER-DEPARTMENTAL

CORRESPONDENCE

TO: CDBG Committee
FROM: Barb Constans and Audrey Short
SUBJECT: Requests for Waiver of the Resale Restrictions from Two LMI Owners
DATE: May 25, 2010

The CDBG Office has received letters requesting a waiver of the CDBG Office re-sale regulation from the owners of two properties who were assisted with HOME and or CDBG funds to purchase their homes.

Recommendation:

Because each owner is offering a full re-payment of their loans at the full appreciated value per the terms of their promissory note, we would recommend approval of these waiver requests and approval of the attached resolution; approving the waiver of the re-sale restrictions when the CDBG Office receives full repayment of a loan to an owner occupied property, or re-payment of any net proceeds of said loan due the City as required by HUD.

Background:

In 2009 the CDBG Committee approved modifying our lending policy to comply with the HUD HOME regulations that require that a family, at sale of their unit, either sell the property to an LMI owner (resale) or repay the amount of HUD funds provided as assistance (recapture); by requiring repayment (recapture) of all funds loaned rather than resale.

We had determined that requiring resale to an income eligible household placed an undue burden on families because they cannot sell their units to any willing buyer but must find an income- qualified buyer.

One of the owners requesting a waiver has cited the difficulty they have faced in selling to an income eligible buyer in today's housing market. The other would like to re-finance their mortgage and repay the City loan so that they can take advantage of lower interest rates and bring their loan terms into conformance with the loan terms approved for all loans going forward.

Our recommended change in the terms of these two loans will continue to meet HUD's resale/recapture requirement for HOME funds while meeting the City goals of recapturing funds for future development of affordable housing and making the sale and transfer of CDBG Office assisted properties easier for LMI buyers of those properties.