



Legislation Text

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Fiscal Note

The City of Madison has a variety of loan programs, administered primarily by the City's Community Development Division (CDD) and Economic Development Division (EDD), that provide financial assistance to residents to enable the purchase and/or rehabilitation of residential properties. CDD estimates that the City currently has approximately \$20 million invested in owner-occupied properties, with individual loans ranging from \$1,200 to \$128,223; the average loan balance is \$21,000. The vast majority of funding for the loans is derived from Federal HUD and other grant monies.

While CDD estimates that the foreclosure rate in which City funds are invested is below 2% (in 2011, CDD estimates total write off amounts of approximately \$155,000 due to foreclosure actions), in the event of a bank foreclosure on a residential property, the City is likely to lose its investment. The loss of these funds means that these proceeds are not available for re-investment in other projects.

For distressed properties, a short sale allows for a negotiated settlement among the City, private lending institutions, and homeowners, which may preclude a foreclosure and allow the City to recover some of its investment. CDD estimates that there have been 5 requests for short sales over the past three years.

The Resolution authorizes a write-off of \$14,100 of \$15,000 mortgage loan. This will preclude the re-use of these funds for other projects.

Title

Authorizing the Community Development Division (CDD) and Finance Department to write off \$14,100 of a \$15,000 mortgage loan debt between the City of Madison and Brenda Boylan for the property at 1921 Huxley Street due to borrower hardship.

Body

WHEREAS, 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 which has expired. The current offer to purchase on the property is \$97,000.

WHEREAS, city staff have 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 required from the seller 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.

WHEREAS, HUD has limited the amount of recapture available at sale to participating jurisdictions such as City of Madison to be limited to only the net proceeds from a sale. Net proceeds are defined as the sales price minus superior loan repayment (other than HUD funds) and any closing costs. Under no circumstances can

the City of Madison recapture more than is available from net proceeds for loans funded with federal financing such as HOME funds which provided the financing for the \$15,000 deferred payment loan of 1921 Huxley Street.

WHEREAS, Section 3.35(5)e of Madison General Ordinance requires city employees to disclose to Common Council any contract over \$3,000 made between City of Madison and city employees, be it known that Brenda Boylan is a current City of Madison employee.

NOW, THEREFORE BE IT RESOLVED, that the Common Council of the City of Madison does hereby authorize the Community Development Division Director and Finance Department to write off \$14,100 of a \$15,000 mortgage loan debt between Brenda Boylan at 1921 Huxley Street due to borrower hardship. Authorization is granted to city staff that if any of the details of the transaction change prior to closing staff has the authority to approve changes.