


M E M O R A N D U M

DATE: November 18, 2020

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Oscar W. Orci, President 

SUBJECT: Modification of the Single-Family Rehabilitation Loan Terms for 446 E. Silva Street (CD8)

RECOMMENDATION:

1. Approve a modification to the single-family rehabilitation loan terms for borrower Gail Smith-Washington - 446 E. Silva Street; and,
2. Authorize the President or designee to execute any and all documents necessary to modify the loan terms.

DISCUSSION

The City and LBCIC previously administered a Single-Family Rehabilitation Loan Program, which provided loans of up to \$60,000 to low- and moderate-income homeowners to assist with the rehabilitation of their homes. Federal HOME funds were used to provide loans to low-income households, and former Redevelopment Housing Set-Aside funds were used to provide loans to moderate-income homeowners. These loans allowed homeowners to correct building/property code deficiencies and to make general repairs such as kitchen or bathroom upgrades if sufficient funds were available. All loans included a 3% simple interest rate. The loans to low-income homeowners included deferred payments, requiring zero payments until the loan became due and payable, either upon the death of the borrower(s), transfer, or sale of the property. The loans to moderate-income homeowners were amortized over a period of twenty years and required monthly payments.

In February 2005, Gail Smith-Washington received a Moderate-Income Single-Family Rehabilitation Loan in the amount of \$60,000 for her property located at 446 E. Silva Street. The principal loan amount was \$60,482.63 (including loan fees), with a required monthly payment of \$360.22 beginning 02/01/07 through 01/01/2027. Ms. Washington made prompt loan payments until late 2018.

In September 2018, Ms. Washington reached out to City staff requesting a modification of her loan terms due to unforeseen circumstances that did not allow her to continue to meet her monthly payment obligations. As a result of health issues, Ms. Washington had a loss of employment wages and her short-term disability benefits had run out. Her only source of income was a small military retirement pension. Staff worked with the City Attorney's office to temporarily defer her loan payments for six months while she worked to modify her first mortgage and apply for permanent disability benefits.

Staff continued to work with Ms. Washington, along with the City Attorney's office, to provide additional temporary loan deferments as her financial hardship continued. The latest deferment expired on October 31, 2020. Ms. Washington was not able to obtain a modification to her first mortgage, but she is now receiving permanent disability benefits in addition to her military retirement pension. Her current income from these two sources allows her to be able to afford and remain current on her first mortgage payments. However, paying the additional \$360.22/month towards her loan from the City creates a significant financial burden.

The outstanding principal balance on the loan is currently \$24,308. Since September 2018, and for the foreseeable future, Ms. Washington qualifies as a low-income household. As such, staff recommends modifying the loan terms of Ms. Washington's original moderate-income rehabilitation loan, requiring monthly payments, to the low-income rehabilitation loan terms with deferred payments until the loan becomes due and payable, either upon the death of the borrower(s), transfer, or sale of the property.

SUGGESTED ACTION:

Approve Recommendation.

OWO:CK.PU:MS:sm