CITY OF NORWALK
REDEVELOPMENT AGENCY
LOAN COMMITTEE
APRIL 1, 2019

ATTENDANCE: Commissioners Felix R. Serrano, William Speirs, David Westmoreland

STAFF: Tami Strauss, Director of Community Development Planning; Sabrina Church, Community Development Planner; John Slovak, Comptroller, Stephen Ivan, Housing Development Project Manager

CALL TO ORDER
The Meeting of the Norwalk Redevelopment Agency Loan Committee was called to order at 9:39 AM.

ROLL CALL
A quorum was present.

PUBLIC PARTICIPATION
There was no one from the public that wished to comment at this time.

I. LOAN REVIEWS

A. Review of Residential Rehabilitation Loan #1901

Ms. Strauss said the Agency's Residential Rehabilitation Loan Program, seeded with CDBG money, has made hundreds of loans for low and moderate income households in Norwalk to bring their houses up to live-in condition. This includes roof repairs or replacement, window repairs and a lot of septic issues that are referred to the Agency by the Health Department. We have two loans which Ms. Church is going to present, and Stephen Ivan, who has been filling in on a temporary basis, is also here to answer questions as we go along.

Ms. Church said Stephen is on staff to write up the scopes and make sure the bids are reasonable. He checks on who the contractors are, and has a one on one with the contractors and the homeowners to make sure everything goes smoothly, and she does all the administrative work including the underwriting and presenting the loans to the Commissioners. As a reminder, we should not be referring to actual names or addresses when talking about the loans as the information is confidential.

Regarding loan #1901, the homeowner previously got an emergency roof loan with the Agency, and is now coming in for work to remodel the kitchen, replace some smoke detectors and carbon monoxide detectors, install a new heat pump, replace stairs and a porch on the outside of the home and new windows in the front of the home, and repair a cracking foundation/retaining wall on the outside of the home. The homeowner is current on the loan that she has been paying on, and in fact has paid an additional amount each month. The proposed loan will roll into the old loan and she will have one lump sum payment. To make sure that the borrower's income level wasn't over what the guidelines allow, the loan was structured so that $17,000 will be amortized and $50,000 is a forbearance loan. The forbearance loan is not a forgivable loan. We review it every two years and if the borrower is making enough money to pay us, the payments will start, or if she sells the home or passes away or something like that, we will get paid at that point. Attached to the loan proposal is the property card that explains the acreage and what the property is worth, some pictures of the damage in the kitchen and the outdoor area to the stairs, and the underwriting worksheet showing their income, debts, what their current mortgage is and how they meet the guidelines.

Ms. Strauss said this loan structure was something that Tim Carney had been working out with the homeowner for a while before he left.

Mr. Serrano said a few years back we would get updates on the loans because they were CDBG monies, and there was a lot of delinquency because the homeowners would either not be paying or paying sporadically, so we directed staff to structure these loans so that the borrower would be in compliance, and that is why you see this unique structure. Ms. Church said the forbearance is reviewed every two years and as they pay down the other loan, we will move a portion of the forbearance loan into the amortized loan and keep it basically within the DTI. We will check all their financial information to make sure they didn't get a new job or are now getting paid triple the amount they were making and we pull their credit to see if they can afford the loan amount. They don't need a new closing.

Mr. Speirs said their current payment is $58.70, and asked how much in excess of that were they paying? Ms. Church said it was about $10 extra each month. It wasn't a lot, but it showed good faith and that they are trying to pay down the principal balance.

Mr. Speirs said it is split up into two different loans because of the debt to income ratio. The kitchen doesn't look that bad, and he wonders if we can segment out parts of the work and try to get away from the forbearance loan now and do some of the work under a normal loan and then come back in a couple of years to look at the kitchen?

Ms. Strauss said she had the same question when she was looking at the loan, and there is no reason why we can't do that. She agrees that the kitchen didn't look in dire need of a loan that would be given forbearance, but we were going to leave that up to the committee.

Mr. Speirs asked do they have a breakdown on the bid for $54,000? Ms. Church said we could get that, and when we bring it to the Agency for a vote, we can bring options instead of the way it was presented. One option would be with the more immediate need like the cracked retaining wall and the stairs, and another option would be with the kitchen separated out, and then you can vote on which one you feel comfortable doing.

Mr. Speirs said his preference would be to break it out. You can make an argument that the retaining wall and the steps are safety related, and the other is more cosmetic, so he would like to see a few options.

Mr. Serrano said he is in agreement with Mr. Speirs, and asked staff to work on trying to break that out for us.

Mr. Westmoreland said he agrees. It is not like the kitchen is falling apart. It looks pretty serviceable other than the fact that it is old and a little narrow. He agrees that the windows, the heat pump and the exterior are all things that need to be done right away, but he is hesitant to add more debt.

Mr. Serrano said the current cLTV is 79.2%, and taking out the kitchen should bring the cLTV back even or lower. There is no action other than forwarding it to the full commission with the recommendations that have been put forward, and when it comes up we can talk about it.

Ms. Strauss said so we will present two options; one the emergency or the necessary work, and the other with the kitchen. Mr. Speirs said he thinks the goal is to try to get the forbearance as small or even gone if possible, and to rank the items starting with the most important for safety, and then find a line which would make the forbearance loan go away.

** **MR. SPEIRS MOVED TO FORWARD LOAN #1901 TO THE FULL COMMISSION FOR A VOTE WITH THE RECOMMENDATIONS MADE BY THE LOAN COMMITTEE.**

** **MS. WESTMORELAND SECONDED.**

** **THE MOTION PASSED UNANIMOUSLY.**

B. Review of Residential Rehabilitation Loan #1902

Ms. Church said Loan #1902 is for a two-family home that was built in 1910. Seven individuals live in the home; three adults and four children, all from the same family. This is more of a classic loan. It is a straight up amortized loan, $67,000 with an interest rate of 2% for the 25 years giving a monthly payment of $283.51. The current homeowners have no other debts besides their current mortgage. The work proposed is all emergency and health code/building code violations that need to be dealt with. The fire escape in the back is unusable and falling down, the front porch is falling apart as are the bathrooms inside and the bedrooms, there are holes everywhere, and there are no fire detectors or carbon monoxide detectors. The loan to value ratio is higher than the guidelines allow, but staff is suggesting that we do the loan anyway because the work is needed and they have no other debts so they should be able to pay us with the income amounts that they have, and their debt to income ratio is 39.2%, which is under the 40% which we allow for housing debt for the program.

Mr. Speirs said they are still going to need the fire escape if it is kept as a two family. Mr. Ivan said they will need the fire escape per the fire code, even though it is one family living there. There is a door that is usually unlocked leading down to the first floor exit that could block off the stairs, so the escape is needed.

Ms. Church said the borrower and co-borrower are a father and daughter. The father is retired and is collecting social security and has a pension, and the daughter has agreed to underwrite on the loan as well because she is part owner of the house and she also has income which was making their debt to income lower.

Ms. Strauss said the guidelines allow up to 85% cLTV. We have gone outside the guidelines before when there has been an emergency situation and when the credit score has been good and there is no other debt and property taxes are current. They have a good credit score and no other debt, and you can see that the whole house is an emergency situation.

Mr. Serrano said the recommendation to go above the guidelines is based on an emergency for the repairs, and the DTI stays within the 40%. Ms. Church noted that the guidelines are approved by the Agency and not by HUD or other federal guidelines. They just require that the loans be given to low income individuals, which we certify before we even structure the underwriting or go forward with anything related to the loan, so the guidelines themselves for the program are totally staff created and Agency approved. The last time the guidelines were updated was in March of 2018, and if the Commissioners are interested in changing those, we would be happy to do that. We are actually already doing that because we are going to require estimates be submitted to us, not just lump sum numbers, so those have to be written in there.

Mr. Westmoreland said it is pretty obvious that the work is needed. The condition of the house really concerns him. The property owner has owned the property since 2004 and a house doesn't get in this condition overnight. It appears that there was no effort at all to ever maintain anything. He feels sorry for the neighbors because they have to look at all of this, so from the neighborhood standpoint alone the investment is worth it. The credit score and everything else is fine, it's just that he has concerns when you let a house get this bad.

Mr. Speirs said the way he is looking at this is do they need the loan, and clearly they do from the pictures. The question is if we give them the loan, can they repay it or not. He is a little concerned about the loan to value, but they have very little debt so it seems like they are doing all right. He would be in favor of it. He agrees that they should put a little more skin in the game, but he doesn't think it is really our place to say they should do routine maintenance.

Ms. Strauss said there will be a lien on the house and if they sell it we will get our money back. It will also improve the value of the property. She noted that this house was referred to them by the Health Department, which only inspects the outside of the house. We can certainly check to see what kind of follow-up the Health Department does or will do on this house and see if they will do regular visits to the house, because she thinks this one would have warranted a report by the Health Department.

** **MR. SPEIRS MOVED TO FORWARD LOAN #1902 TO THE FULL COMMISSION FOR A VOTE.**
** **MR. WESTMORELAND SECONDED.**
** **THE MOTION PASSED UNANIMOUSLY.**

IV. NEW BUSINESS
(None.)

V. OLD BUSINESS
(None.)

VI. ADJOURNMENT

There being no further New or Old Business, upon motion by Mr. Westmoreland, the Norwalk Redevelopment Agency Loan Committee meeting was adjourned at 10:20 AM.

Respectfully submitted,
Karen Pacchiana