



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE: For the Housing Commission Agenda of April 20, 2001

REPORT NO.: HCR01-042 **Item 103**

SUBJECT: Loan Modification – 3824 Ocean View Boulevard (Council District 4)

SUMMARY

Issue: Should the Housing Commission approve the recommendation of Loan Committee to modify the loan terms and conditions for the property located at 3824 Ocean View Blvd?

Recommendation: That the Housing Commission approve Loan Committee's recommendation to extend the term for five years and reduce the interest rate to three percent.

Fiscal Impact: Approval of recommended action would postpone repayment of the \$30,000 rehabilitation loan for five years.

Previous Related Action: On May 25, 1999, the Housing Commission approved the amended Loan Restructuring and Modification Policy 600.104.

BACKGROUND

In November 1985, the Housing Commission funded a \$30,000 loan to Anita Marquez for the rehabilitation of her property at 3824 Ocean View Blvd. The existing structure was demolished and replaced with a house that was moved onto the property. The replacement house has two bedrooms and one bathroom with approximately 942 square feet.

The rehabilitation loan was funded with a five percent interest rate and payments deferred for 15 years with an option to negotiate an extension after 15 years if the property was owner occupied. The owner of the property, Anita Marquez, is 85 years



old and has occupied the property since she inherited it from her father in 1982. She is living on a fixed income derived from supplemental social security with no means to pay the Housing Commission’s loan in full now that the term has expired. She has submitted monthly bills to substantiate her conservative living standards and inability to meet an additional loan payment.

The existing encumbrances against the property are as follows:

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Principal balance	\$30,000
Accrued interest	<u>22,496</u>
TOTAL	\$52,496

A drive-by appraisal of the property was completed in February 2001. Based on the property being in average condition, the estimated market value is \$135,000.

DISCUSSION

On November 19, 2000, the \$30,000 rehabilitation loan secured by the subject property became all due and payable. Staff has been working with the owner to update her loan application. Based on the information received, staff submitted two proposals to the Loan Committee requesting a modification to the existing loan terms and conditions.

1. Add the accrued interest (\$22,496) and modification fees (\$435) to the principal balance, extend the loan term for five years and reduce the interest rate to zero percent (payments deferred) effective November 19, 2000; or
2. Extend the loan term for an additional five years, reduce the interest rate to three percent with payments deferred, and the modification retroactive to the maturity date of November 19, 2000. The three percent interest rate is compatible with the present Owner-Occupied Housing Rehabilitation Program. The accrued interest and modification fees would be added to the original loan balance through this modification.

On March 20, 2001, Loan Committee reviewed the proposals and recommended Housing Commission approval to extend the loan term for five years, and reduce the interest rate to three percent (payments deferred) effective November 19, 2000.

Approval of Loan Committee’s recommendation would relieve a very low-income elderly borrower from the stressful situation of attempting to refinance her home.

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ALTERNATIVES

Deny the owner's request for a loan modification and require the rehabilitation loan be paid in full.

Respectfully submitted,

Steven L. Mikelman
Director of Operations

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

MONCE:Marquez.HC

Attachment: Loan Committee Report