

REPORT

DATE ISSUED: October 18, 2007 REPORT NO: HCR 07-94

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of November 30, 2007

SUBJECT: Modification of Mobile Home Loan Portfolio Repayments

REQUESTED ACTION:

Authorize modification of the repayment terms for the remaining Mobile Home Loans in the Housing Commission's loan portfolio.

STAFF RECOMMENDATION:

Authorize the President & Chief Executive Officer to modify the repayment terms for the remaining thirty Mobile Home Loans in the Housing Commission portfolio by:

- 1) Converting up to \$5,500 of individual principal balances to grants commensurate with the current Mobile Home program,
- 2) Waiving any accrued interest, including interest that has been added to original principal balances in the current Mobile Home loan portfolio,
- 3) Terminating monthly payment requirements for those currently on a repayment plan,
- 4) Continuing deferment on remaining loans until sale or death and process individually.

BACKGROUND:

An owner-occupied Mobile Home Rehabilitation Program was initiated by the San Diego Housing Commission in October 1991 and funded by the local Housing Trust Fund. Initially, three percent simple interest, fifteen-year deferred payment loans up to \$8,000 were offered for mobile homes larger than 8'x40', and grants up to \$2,000 were available for smaller mobile homes. In November 1994, mobile home grants were increased to \$3,000 for all sizes of mobile homes for owners with incomes under fifty percent Area Median Income (AMI)(currently \$35,100 for a family of four). Zero interest partially deferred loans, requiring minimum \$25 monthly payments, were offered to owners under sixty percent AMI (currently \$42,120 for a family of four) in mobile homes larger than 8'x40'. Mobile home loans were discontinued in July 1996, due in part to decreasing values of mobile homes and lack of equity to repay deferred loans upon the death of an owner. Beginning in October 2001, income eligibility for the grant was increased to sixty percent AMI and the grant amount was increased to \$3,500. In October 2006 the grant amount was again increased to \$5,500 to offset increased construction costs.

The remaining mobile home loan portfolio consists of thirty loans, most made between 1992 and 1996. All but seven of those owners, now in their eighties, were seniors receiving social security income when the loans were made. Staff hears regularly from seniors on fixed incomes who are having financial difficulty because of increased mobile home space rents. The average mobile home space rent in 1993 was \$328; in 2007 it is \$713, with some parks raising the monthly space rent by \$50 every year. The average income of these senior owners, calculating Social Security's COLA, is now \$1,282 a month. This means that 55 percent of their income is spent on space rent alone.

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In the interest of preventing possible homelessness and alleviating some financial stress for these remaining mobile home owners, staff's recommendation is to convert these loans to current program guidelines. That is, grants up to \$5,500 and zero interest on the balance. This can be achieved by waiving all accrued interest, including interest which has been added to principal for loans which have matured, and granting up to \$5,500 of the principal balances. In addition, monthly payment requirements would be terminated for those borrowers on a repayment plan, most at \$25, which does not justify the administrative cost of processing. Any loans remaining would be deferred until sale or death of owner(s) and would be processed on an individual basis.

FISCAL CONSIDERATIONS:

The current balance for the thirty outstanding mobile home loans is \$251,901, which includes accrued interest added to principal on matured loans. If the recommended modifications are applied, five loans would have zero balances, and the remaining twenty five loans would have a total of \$83,103 in outstanding principal, which would be deferred until sale or death of owner(s). Any repayments would be credited to the appropriate Housing Trust Fund resource used in the original loan.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Thirty senior citizen mobile home owners residing in mobile home parks citywide.

Respectfully submitted,



Cissy Fisher
Director, Housing Finance & Development

Approved by,



Elizabeth C. Morris
President & Chief Executive Officer

