



City of Racine, Wisconsin
AGENDA BRIEFING MEMORADUM

AGENDA DATE: December 6, 2021
SUBJECT: CDBG Loan Policy Additions
PREPARED BY: Matthew Rejc, Assistant Director of City Development
EXECUTIVE SUMMARY: Staff recommends adding 1) a six-month wait period to re-apply for a home repair loan after initial ineligibility or denial determination made; and 2) a homeowner must own the property for at least 3 months before applying for a home repair loan. 3) When a loan is closed, the amount of contingency returned to the loan shall be no more than 10% of the loan.
BACKGROUND & ANALYSIS: Currently any city property owner may complete a prescreening questionnaire for a home repair loan. This prescreening tool helps staff determine if basic qualifications are met and to proceed forward. Staff follows up with the homeowners via emails and phone calls, asks clarifying questions, and to determine if the applicant should send a full application. From the questions staff may determine a household is over income based on HUD established CDBG Income guidelines. Sometimes homeowners state the household member placing them above the income limits will be moving out in the next month and still want to proceed. Staff recommends the same policy additions: <u>Policy addition #1:</u> Upon informing a homeowner that the household does not meet program requirements, the household must wait for a period of at least 6 months to re-apply. If homeowners received a denial due to being behind on financial housing obligations (mortgage, taxes, and/or insurance), they may reapply sooner with proof that those obligations are settled. <u>Policy addition #2:</u> A homeowner must own the property for a period of 3 months before applying. Reason: The first regular mortgage payment will not appear on a credit report until 3 months after purchase. If a property has a second mortgage at the time of closing, such as down payment assistance, that too will appear on a credit report. The monthly payment history and equity in the property is considered for all loan applications. <u>Policy addition #3:</u> When a loan is closed, the amount of contingency returned to the loan shall no more than 10% of the loan. Any remaining contingency funds after the work is complete on the property, shall be applied to the principal balance of the loan. If the contracts come back higher than the loan and contingency, the loan will be presented to the CDBG Advisory Board for approval.
BUDGETARY IMPACT: There will be no budgetary impact
RECOMMENDED ACTION: Adoption of policy additions 1, 2, and 3.