



**Request for City Council Committee Action  
From the Department of Community Planning & Economic Development**

**Date:** February 15, 2004

**To:** Council Member Lisa Goodman, Community Development Cmte

**Prepared by:** Mark S. Anderson, Senior Contract Management Specialist, Phone 612-673-5289

**Presenter in Committee:** Mark S. Anderson

**Approved by:** Elizabeth Ryan, Director, Housing \_\_\_\_\_

**Subject:** Approval of changes to the CDBG home improvement loan guidelines for the Home Repair Loan program.

**RECOMMENDATION:** Approve two changes in the Home Repair Loan program:  
(1) A reduction in the interest rate for the Home Repair Loan program to one percent (1%).  
(2) Approve a modification of the program guidelines to only require that the borrower's house payment be current at the time of loan closing.

**Previous Directives:** The guidelines for the CDBG program were last amended in September of 2004.

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (Summarize below)

**Ward:** All wards

**Neighborhood Notification:** Not applicable

**City Goals:** This action is consistent with Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the city.

**Comprehensive Plan:** Not applicable

**Zoning Code:** Not applicable

**Living Wage/Job Linkage:** Not applicable

### **Background/Supporting Information**

The City has phased back much of its home improvement activities and is relying on programs from the State of Minnesota and NRP to cover the home repair and improvement needs for home improvement program assistance. The one area of critical need that remains insufficiently covered by other programs is a program for code repairs and improvements for seniors on limited income and for borrowers whose credit rating makes them vulnerable to predatory lending practices.

The City has contracted with the Greater Metropolitan Housing Corporation (GMHC) to offer the City's CDBG funded programs to eligible borrowers. They have now made a recommendation to lower the interest rate on the Home Repair Loan program so that more borrowers could potentially qualify. This lower rate would also serve as an incentive to encourage borrowers to complete repairs and improvements they are presently shying away from. Staff is recommending lowering the rate to one-percent (1%), which helps to cover the administrative cost of the program, but remains an attractive enticement for borrowers to complete home repairs.

The final recommendation made by GMHC was to modify one of the program guidelines relating to delinquent house payments. The current guidelines require that the homeowner have no late house payments for the past six months. GMHC is recommending that this be changed to only require that the payments be current at the time of closing. The borrowers who fit into this program have frequent times of struggling to make their budget balance each month. GMHC staff feels that these borrowers may experience a month where they make a payment late, but that these borrowers will ultimately make their payments and retain their home. They have used this same guideline on other programs they administer for other communities and they report no defaults on a loan that could be attributed to this guideline.