

**CITY OF GAINESVILLE
NEIGHORHOOD IMPROVEMENT-HOUSING DIVISION
COMPREHENSIVE HOUSING PROGRAM**

GRANT/LOAN FORGIVENESS POLICY

I. PURPOSE

The purpose of this policy is to outline the requirements and procedure to approve forgiveness of housing grants and/or loans awarded to recipients through the City of Gainesville's Comprehensive Housing Program. The Comprehensive Housing Program includes all housing programs implemented and administered by the City Housing Division as funded by programs such as the Community Development Block Grant Program (CDBG); HOME Investment Partnership Program (HOME); State Housing Initiatives Partnership Program (SHIP) and other federal, state, local and private programs.

Any borrower who received a housing grant and/or loan from the Comprehensive Housing Program and requires a short sale of their home due to a hardship may be eligible to request forgiveness of all or a portion of their outstanding grant and/or loan balance, if they meet the qualifications and requirements of this Grant/Loan Forgiveness Policy.

II. DEFINITIONS

For purposes of this policy, the following words are defined as follows:

Short sale. A short sale is the sale of a property whereby the net proceeds (sale price less the closing costs) are insufficient to pay off the outstanding mortgage or lien balance(s) at the time of closing. Borrower is obligated to pay any shortfall in full in order to release the lien on the property, unless the parties have agreed otherwise by written of agreement signed by the City of Gainesville.

Hardship. A hardship is an event or series of events that are generally beyond the Borrower's control and that resulted in a reduction in income and/or increase in expenses and/or forced short sale of the Borrower's home. Examples of hardship may include, but are not limited to, unemployment, divorce, medical emergency / sudden illness, bankruptcy, death or work required relocation. Examples that DO NOT constitute a hardship may include, but are not limited to, bad financial decisions (e.g., excessive debts), selling property without arms length transaction, unhappy with the neighbors, buying another home or moving into another residence.

Arms length transaction. An arms length transaction is one negotiated freely in the open market, without fraud or duress, by parties (Buyer and Seller) who are not related by blood, marriage or business association.

III. QUALIFICATIONS FOR GRANT/LOAN FORGIVENESS

The following are the qualifications that a borrower must meet to be eligible to request and submit an application for grant/loan forgiveness:

- a) Borrower must own and occupy the home as their primary residence;
- b) Borrower must be selling his/her home in an arms length transaction that is a short sale due to a documented hardship;
- c) Borrower must have listed the home for sale with a licensed Florida realtor on the Multiple Listing Service prior to the date of application to ensure that the sale of the home has fair exposure to potential buyers;
- d) Borrower must have a fully executed contract for sale. The City of Gainesville shall not be, or be considered, a party to the sales contract;
- e) Borrower cannot receive any proceeds from the sale of the home;
- f) Borrower must lack sufficient income and/or assets to payoff the superior loans and the City's loans/grants after the short sale. If sufficient income or assets are available at or before closing, the City may elect not to approve forgiveness because the borrower has the ability to pay the loans/grants in full; or the City may elect to approve the short sale and require the Borrower to pay back the amount of the shorted difference to the City.
- g) Borrower's short sale must be approved by all lien holder(s);
- h) Borrower's existing City housing grant and/or loan must be in compliance with the applicable mortgage, promissory note and/or grant conditions; and
- i) The market value of the Borrower's home must have declined such that the home is worth less than the unpaid balance due the lien holders, as evidenced by a property appraisal report or broker's price opinion, issued within 60 days of application, based on comparative market analysis with at least 3 comparable sales.

IV. APPLICATION PROCESS

In order to request grant/loan forgiveness, the borrower must submit the following completed application documents to the assigned Housing Finance Coordinator at the City Housing Division:

- a) Authorization to Release Information (GLF Form 1);

- b) Grant/Loan Forgiveness Application (GLF Form 2). The Application must include a hardship letter (complete description of the facts of borrower’s hardship and why the City should accept less than full payoff of the outstanding grant/loan balance), proof of income (documentation of all household income, such as most recent W-2 statement, 1 month of paycheck stubs, IRS Tax Returns for most recent 2 years), and proof of assets (Current Bank or other Asset Statements covering most recent 90 day period);
- c) Grant/Loan Forgiveness Guidelines and Pre-Negotiation Agreement (GLF Form 3). The Agreement must include all of the Application Documents Needed, as listed on the checklist therein; and
- d) Borrower’s Affidavit (GLF Form 4).

V. APPLICATION APPROVAL/DENIAL REVIEW PROCESS

Upon receipt of all documentation required in Section IV, the Housing Finance Coordinator will review the Borrower’s request and will make a determination of the Borrower’s eligibility for grant/loan forgiveness from the City. All application information must be supplied prior to City Housing Division beginning review of the application. The application review may take up to 90 days and will be denied if all documentation is not supplied.

The Housing Manager will review the Housing Finance Coordinator’s recommendation and will issue the final approval or denial of the grant/loan forgiveness.

The Housing Finance Coordinator will submit a written notification to the Borrower explaining the status of their approval or denial of their request within 90 days of receipt of the application.

Upon closing of the short sale and receipt of the proceeds in accordance with the City’s approval letter, the City Manager is authorized to sign a Satisfaction of Mortgage for the property sold.

*****The City of Gainesville Reserves the Right to Reject Any and All Applications Submitted for Grant/Loan Forgiveness*****

Policy Approved by the City Commission: Agenda Item # (Date)

Approved by City Attorney as to Form and Legality:

Nicolle Shalley, Assistant City Attorney II

Date

City of Gainesville

City Hall
200 East University
Avenue
Gainesville, Florida
32601

Master

File Number: 080057.

File ID: 080057.	Type: Staff Recommendation	Status: Passed
Version: 0	Reference:	In Control: City Manager
Department:	Cost:	File Created: 06/23/2008
File Name: Approval of Housing Program Grant/Loan Forgiveness Policy (B)		Final Action: 06/23/2008

Title: Approval of Housing Program Short Sale Grant/Loan Forgiveness Policy (B)

Notes: Jackie Richardson prepared item. Ext. 5026

Code Sections:

Agenda Date:

Indexes:

Agenda Number:

Sponsors:

Enactment Date:

Attachments: 080057_200806231300.pdf

Enactment Number:

Contact Name:

Hearing Date:

Drafter Name:

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
0	City Commission	06/23/2008	Approved as Recommended				Pass

Action Text: This Matter was Approved as Recommended on the Consent Agenda.
Aye: 7 Lowe, Donovan, Poe, Henry, Mastrodicasa, Hawkins, and Hanrahan

Text of Legislative File 080057.

Title

Approval of Housing Program Short Sale Grant/Loan Forgiveness Policy (B)

Recommendation

The City Commission: 1) approve the Housing Division Short Sale Grant/Loan Forgiveness Policy; 2) authorize the City Manager, or his designee, to develop the necessary forms and guidelines to administer this policy, subject to approval by the City Attorney as to form and legality; and 3) authorize the City Manager or his designee to execute all required program documents necessary to administer this policy, subject to approval by the City Attorney as to form and legality.

Alternative Recommendation A:

The City of Gainesville could choose not to approve the Short Sale Grant/Loan Forgiveness Policy.

Explanation

In accordance with certain housing programs, the City of Gainesville Housing Division is required to file a mortgage lien in the public records of Alachua County on the property of the owner who receive certain types of financial assistance from the Comprehensive Housing Program such as rental rehab, downpayment assistance, housing rehabilitation, etc.

When applicable, the property owner is required to execute a promissory note and mortgage to receive the financial assistance. Filing a mortgage lien secures the City's note that is executed by the property owner. Upon receiving the financial assistance, the property owner must meet the terms and conditions of the mortgage and note over a stated compliance period, which generally includes continued ownership and occupancy, maintaining the property, keeping the property taxes current, etc. The City's lien position is typically subordinate to the 1st mortgage lien holder. This practice is the norm for the affordable housing industry because most property owners have a 1st mortgage loan on their property.

When the property owner pays the loan in full and/or completes the stated compliance period, then City Housing Division must release the mortgage lien by executing and filing a Satisfaction of Mortgage in the public records of Alachua County. The City Attorney has approved the Satisfaction of Mortgage document for form and legality. The document is on file with the City Housing Division. However, occasionally, a property owner may experience an economic hardship and is unable to meet the terms and conditions of the mortgage and note. In some instances, it could force the property owner into foreclosure and/or to sell their home through a short sale transaction. A short sale occurs when a mortgage lender(s) agrees to discount the loan balance due to an economic hardship on the part of the borrower. The property owner is then allowed to sell the mortgaged property for less than the outstanding balance of the loan, and turns over the proceeds of the sale to the lender(s) in full satisfaction of the debt. In such instances, the mortgage lender(s) would have the right to approve or disapprove a proposed sale. Extenuating circumstances influence whether or not mortgage lender(s) will discount a loan balance. These circumstances are usually related to the current real estate market climate and the individual borrower's financial situation. A short sale typically is executed to prevent a home foreclosure. Often a mortgage lender will choose to allow a short sale if they believe that it will result in a smaller financial loss than foreclosing. For the home owner, the advantages include avoidance of having a foreclosure on their credit history. Additionally, a short sale is typically faster and less expensive than a foreclosure.

As a result, the City Housing Division is proposing to develop a Short Sale Grant/Loan Forgiveness Policy to handle these types of occurrences in an effort to protect the City's investment in the property. If the property forecloses, then the City may lose its investment by being the junior lien holder. However, in the event of a short sale, a portion of the City's investment would be protected by requiring that all proceeds be paid to the City after payment to the superior lien holder(s) and other bona fide seller closing costs. The property owner would not receive a refund and/or any profit from the short sale. The Short Sale Grant/Loan Forgiveness Policy outlines the process for approving/denying a forgiveness request, which includes the eligibility requirements, program criteria and evaluation criteria that a property owner must meet to be considered for grant/loan forgiveness.

Fiscal Note

None.