

COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: November 21, 2014

TO: Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors

FROM: Héctor Colón, Director, Department of Health and Human Services
Prepared by James Mathy, Housing Administrator, Housing Division

SUBJECT: A report from the Director, Department of Health and Human Services, requesting approval of a settlement of two County Home Repair liens as part of a short sale

Issue

The Director of the Department of Health and Human Services is requesting authorization to accept a settlement of a Milwaukee County Home Repair loan for Rufus and Dorothy Bester totaling \$4,182.10.

Background

Milwaukee County has operated the Home Repair Program since the 1960s, and currently uses a combination of Community Development Block Grant (CDBG) HOME funding. The program provides low- or no-interest loans to owner-occupied households in accordance with funding restrictions. Repayments are revolved to assist additional families.

In 2009, two loans were made to Dorothy and Rufus Bester using HOME funds totaling \$44,500 for their home at 4472 North 104th Street, Wauwatosa, WI 53225. Payments were received up until April of 2010 and the current balance is \$41,821. Mr. & Mrs. Bester indicated a hardship and listed their home for sale. At the end of 2013, the home was listed for sale with an asking price of \$259,900. Through several price changes and changes in real estate agents, the price was lowered to \$164,000. The pending offer to purchase is \$164,000. The first lender has approved a short sale contingent upon Milwaukee County settling both loans for \$4,182.10, or 10 percent of the outstanding loan balance. The lender valued the property at \$170,000.

The current estimated assessed fair market value is \$240,600. In 2011, as part of a HUD review of the HOME program, an appraisal was obtained of the Bester's home and the value came in at \$225,000.

Though HUD does not give clear guidance on recapture of funds for homeowner rehabilitation, there are guidelines for homebuyer programs. At the point of sale, HUD will allow for the settlement of loans based on market conditions. The goal is to recoup funds without a burden to the owner. Staff recommends adoption of a resolution authorizing settlement of the

Bester's home repair loans. This action needs County Board approval as Housing Division staff does not have the legal authority to negotiate a short sale. If the settlement is not approved, the home could go into foreclosure and Milwaukee could risk not receiving any funds in return.

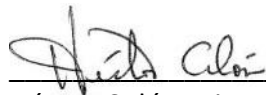
The terms of the settlement would reflect forgiveness of \$37,639 in outstanding loan debt. To date, the Besters have paid \$2,679 against the total loan amount of \$44,500 for a current outstanding balance of \$41,821. If approved, the final settlement would forgive all but 10 percent of the current outstanding balance, or \$4,182, leaving an outstanding balance of \$37,639.

Recommendation

It is recommended that the County Board of Supervisors authorize the Director, Department of Health and Human Services, or his designee, to accept a settlement of a Home Repair Loan for Rufus and Dorothy Bester in the amount of \$4,182.10.

Fiscal Effect

A fiscal note form is attached.



Héctor Colón, Director
Department of Health and Human Services

cc: County Executive Chris Abele
Raisa Koltun, County Executive's Office
Kelly Bablitch, County Board
Don Tyler, Director, DAS
Josh Fudge, Director, Office of Performance, Strategy & Budget
Steve Cady, Research Director, Comptroller's Office
Matt Fortman, Fiscal & Management Analyst, DAS
Jill Suurmeyer, Research & Policy Analyst – Comptroller's Office