

**A RESOLUTION AMENDING RESOLUTION
NO. 215-78 ESTABLISHING THE "LOAN
REVIEW COMMITTEE"**

WHEREAS, the City Council of the City of Colorado Springs has appropriated certain General City Community Development Block Grant, and other related Federal funds to make loans and grants necessary to carry out commercial and residential rehabilitation and the business development loan programs; and

WHEREAS, the City Council has delegated the implementation of those activities to the Community Services Department of the City; and

WHEREAS, the City Council has established a Loan Review Committee to carefully evaluate the surety of said loans and monitor the administration of the residential loan portfolio, and

WHEREAS, the nature of the residential loan portfolio requires a change in the composition of the Loan Review Committee

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE
CITY OF COLORADO SPRINGS:**

Section 1. That the "*Loan Review Committee*" (hereinafter "*The Committee*"), established by Resolution No. 215-78 and empowered with final authority to approve or deny all commercial and residential rehabilitation, and business development loans recommended by the City Administration, shall be composed of five (5) members appointed by City Council as follows:

- 1 - City Councilmember
- 2 - Banking or Mortgage Industry Representatives
- 2 - Citizen at Large

Section 2. Other than the City Councilmember, members of the Loan Review Committee shall be appointed to one (1) three (3) year term and shall be eligible for reappointment by City Council to one (1) additional consecutive three (3) year term. Terms shall be staggered.

Section 3. The Committee shall cause to be established a set of policies and procedures to guide the City's management of the residential loan portfolio and shall oversee the administration of the commercial and residential loan portfolios. Such policies and procedures shall be proposed by the Director, reviewed by the Committee and the City Attorney and presented to City Council for approval.


Section 4. This Resolution shall apply to the City's Local Development Corporation loan programs and the City's programs for housing rehabilitation.

Dated at Colorado Springs, Colorado, this 26th day of April, 1994.



Mayor

ATTEST:



City Clerk

4-B-1

COMMUNITY SERVICES
Carla L. Hartsell, Director




CITY OF COLORADO SPRINGS

INTEROFFICE MEMORANDUM

Date: April 13, 1994

To: Richard E. Zickefoose, City Manager

From:  Carla L. Hartsell, Director, Community Services

Subject: **REVISIONS TO THE RESOLUTION ESTABLISHING THE LOAN REVIEW COMMITTEE**

The Loan Review Committee (LRC) approves the loans from the City's Revolving Loan Fund to the Pikes Peak Regional Development Corporation (PPRDC). PPRDC then re-loans the money to businesses for commercial rehabilitation or business development. The LRC also approves residential rehabilitation loans made using Community Development Block Grant and HOME funds.

The revisions are prompted by the following and are designed to formalize the role of the Loan Review Committee:

1. Creation of the Community Services Department
2. The use of the Committee to approve business development loans as well as the residential and commercial rehabilitation loans.
3. The development of residential loan servicing procedures and the need to separate residential loan portfolio policies from administrative servicing procedures.

These changes to the Resolution and the accompanying procedures have been approved by the LRC and have been reviewed by the City Attorney's office.

Attachments

March 31, 1994

**LOAN REVIEW COMMITTEE
RESIDENTIAL LOAN PORTFOLIO POLICIES & PROCEDURES**

1. PERMANENT INCOME CATEGORY CHANGE:

A permanent income category change and possible loan term extension will be recommended to Loan Review Committee if:

1. The borrower has experienced a *permanent reduction* in income, caused by illness, disability or death of an income producing family member.
2. The borrower's present income fits into a lower income category based on the current income category guidelines established by Housing and Urban Development (HUD).
3. There are other extenuating circumstances not covered by the City's loan servicing policies.

2. FORECLOSURE:

All foreclosure matters will be presented to the Loan Review Committee for consideration and direction. If the Loan Review Committee elects to foreclose, the City Attorney's Office will be consulted. Short pay-off requests and deed in lieu of foreclosure issues will also be presented to Loan Review Committee. The Loan Review Committee will be presented all notifications by senior lien holders of their intent to foreclose and a financial analysis of the City's position for a decision as to how the City should respond.

A. Judgements:

When the City elects not to redeem a property at foreclosure and loses its deed of trust, the Division will request assistance from the City Attorney's Office in filing a judgement against the borrower. The City Attorney's Office will determine the feasibility of filing a judgement. The Loan Portfolio Specialist. will assist the Attorney's Office with administrative support needs regarding the case.

3. LOAN ASSUMPTIONS:

All requests for loan assumptions will be presented to the Loan Review Committee if the following criteria for assumption are met:

1. The loan documents specifically state that the loan may be assumed and
2. Applicants qualify using the loan underwriting criteria established for the rehabilitation program under which the original loan was granted (i.e. owner occupancy, low/moderate income).

4. SUBORDINATIONS:

Subordinations requests which allow the borrower to receive equity from the property as a result of the subordination will be presented to Loan Review Committee.

5. REPORTS:

Staff will provide the Loan Review Committee a delinquency report for the preceding month end along with a status report reflecting subordinations, loan term extensions and the reasons for the extensions, reduced payment agreements and other administrative actions taken on the residential loan portfolio during the previous month.

Date Approved: _____

March 31, 1994

**RESIDENTIAL LOAN PORTFOLIO MANAGEMENT
ADMINISTRATIVE POLICIES & PROCEDURES**

1. DELINQUENCIES:

The Loan Portfolio Specialist (L.P.S.) will manage the delinquent accounts utilizing the following procedures:

30 days delinquent:

1. A delinquency letter will be sent to the borrower which states the arrearage and conditions under which the loan can be made current.

60 days delinquent:

1. A delinquency letter will be sent certified mail to the borrower which states the arrearage and conditions under which the loan can be made current. The letter will include a recommendation that the borrower contact a local credit counseling agency.
2. L.P.S. will attempt to establish contact with the borrower either by telephone or in person.
3. Upon contact, pertinent financial data and information will be gathered.

90 days delinquent:

1. If the borrower still has not responded to delinquency letters or telephone calls, the L.P.S. may, with approval of the Director of Community Services Department or his/her designee, refer the account to a collection agency.
2. If the borrower has responded and still cannot pay the monthly payment, L.P.S. will explore one of the following arrangements:

A. REDUCED PAYMENT AGREEMENT:

A Reduced Payment Agreement for a period not to exceed one year if:

1. There are temporary extenuating circumstances which make it impossible for the borrower to make full payments (i.e. illness, loss of income, death), or
2. The borrower is working with an approved budget counseling agency, and
3. The budget counselor provides a written recommendation for a reduced payment plan.

The Reduced Payment Agreement will be signed by both the City and the borrower and will include the following provisions:

1. When the temporary time period elapses, the payment will revert back to the original loan monthly payment.
2. The Reduced Payment Agreement may be extended for an additional period not to exceed six months if staff determines there is probability of the situation improving so borrower can resume making a full payment.
3. If the borrower fails to make the reduced payment, the City may foreclose on the property.
4. The City agrees not to pursue collection on the delinquent amount during the term of the agreement.
5. When the borrower resumes the monthly payment amount of the original loan agreement, a loan term extension may be granted in order to bring the account current.

B. LOAN TERM EXTENSION:

A borrower's loan term may be extended by adding the delinquent principal amount, late charges and unpaid interest to the principal balance under the following situations:

1. If the borrower becomes delinquent because of temporary illness, unemployment, death of spouse, reduced employment or any other situation determined by staff to have extenuating circumstances, and
2. If the borrower resumes and continues to pay the full monthly payment for a minimum time period of six consecutive months, and
3. If the borrower is unable to pay the past due amount necessary to bring the loan account current as determined by an approved credit counselor.
4. Loan Term Extension may be utilized in conjunction with a Reduced Payment Agreement.

A modification of Promissory Note and Deed of Trust, mutually agreed upon by the City and borrower, will be executed. If, in the future, the borrower becomes delinquent again, staff will present the matter to Loan Review Committee for possible foreclosure action.

2. PROBATE:

When a borrower passes away and the L.P.S. becomes aware of the death by an obituary or notification by heirs, a demand letter for the outstanding balance will be sent to the heirs. The L.P.S. will request the assistance of the City Attorney's Office in filing a claim in probate court to protect the City's security. The City Attorney's Office will determine the feasibility of initiating such action. The L.P.S. will assist the City Attorney's Office with administrative support needs regarding the case.

3. SUBORDINATIONS:

A subordination request will be approved if the following conditions are met:

1. Request is to refinance the existing senior mortgage in an amount not to exceed the existing principal and reasonable closing costs (no equity allowed) and
2. The interest rate and monthly payments on the senior mortgage are lowered, and
3. City's security position does not significantly change from the existing situation and
4. The borrower must be current on the City's loan account.

Subordination requests which involve special circumstances or affect the City's security position will be presented to the Loan Review Committee.

A list of subordination actions will be presented to the Loan Review Committee monthly. Requests which do not fit the above mentioned guidelines will be presented to Loan Review Committee for consideration.

March 31, 1994

RESIDENTIAL LOAN PORTFOLIO SERVICING - TAXES & INSURANCE

Rehabilitation Field Office - Loan Processor

1. Property taxes and property insurance will be verified during the initial loan processing stage.
2. City will be listed on the homeowners policy as mortgagee
3. A copy of the insurance policy certificate will be forwarded to the loan servicing file during the loan set up stage.
4. If certificate is not available, a letter to the insurance agency informing them of mortgagee clause, will be issued.
5. Copies of insurance policies will be forwarded to the Loan Servicing Office for handling.

Homeowner Insurance Policy Notices will handled in the Loan Servicing Office as follows:

1. All notices will be given to the Accounting Clerk II for processing. The Accounting Clerk II will handle the policies for which escrow payment is necessary. Notices will be reviewed for cancellation notification.
2. The Accounting Clerk II will give cancellation notices to the Loan Portfolio Specialist. The remainder of the policies will be given to the Administrative Clerk for filing.
3. Monthly, the Loan Portfolio Specialist will file the cancellation notices and check the file for a renewal notice. If it appears that the property is uninsured, a letter will be sent to the borrower.

The majority of the cancellation notices are the result of the borrowers changing insurance companies. A cancellation notice is usually followed shortly by a reinstatement notice or new insurance certificate. The City of Colorado Springs is usually in second or third lien position, and the first mortgage generally escrows for taxes and insurance. The Community Services Department has a loan portfolio insurance policy that insures against loan losses resulting from uninsured property or unpaid real estate taxes.

Property Taxes

1. Once a year, the El Paso County Treasurer's Office publishes a legal notice of unpaid real estate taxes in the Pikes Peak Journal and/or Gazette Telegraph. The Loan Portfolio Specialist will check the delinquent notices. The L.P.S. will send the delinquent clients a letter reminding them of the need to pay the taxes.
2. If a property goes to tax sale three consecutive years, the Treasurer's Office is required by law to inform the lien holders of the situation. The Loan Portfolio Specialist will process these notices by providing administration and/or Loan Review Committee with a recommendation.