




INTEROFFICE MEMORANDUM

FROM THE OFFICE OF THE
CITY MANAGER

TO : The Honorable Mayor and Members of the City Commission

THRU : Robert J. Bradshaw, City Manager

FROM : Nick Mimms, P.E., Deputy City Manager 

RE : **MORTGAGE REPAYMENT SITUATION**

DATE : August 6, 2014

The City of Fort Pierce mortgage repayment issue has been a challenge to the entire organization. Currently, this unresolved matter has generated great trepidation for the organization and the debtors that reside in the community. City staff has thoroughly examined this matter and has provided detailed information on the topic that may provide a sufficient roadmap toward a feasible resolution.

The City of Fort Pierce presently holds 14 first or primary mortgages for owner occupied homes. All of the mortgages have been detailed in the attached spreadsheets with specific information on the loan amount, assessed value, loan balance, escrow balance, amounts owed, and payment status. A total of six (6) mortgages are currently delinquent and their past due amounts are reflected in the attached spreadsheets. All of the aforementioned delinquent status residents have been contacted by City of Fort Pierce staff and strongly urged to repay the debt owed. All of the homeowners detailed financial hardships which contributed to their current situation, but now all of the identified homeowners are reportedly employed and earning wages. As a result of the written and verbal communication notifying the residents of this matter, all of the homeowners agreed to begin paying their mortgages beginning March 1, 2014. Since this time all, but one (1) of the homeowners, have performed admirably by paying their requested monthly amount. The City of Fort Pierce also holds a total of 68 mortgages with repayment terms secondary or tertiary position. The residents with delinquent mortgages are notified monthly of their situation, but this strategy has not yielded positive results.

In an effort to resolve this matter City of Fort Pierce staff has approached a local financial institution to discuss the prospect of transferring the first mortgages through a discounted sale mechanism. This was met with great interest by this local business that has a much greater ability to service these loans appropriately which will benefit the homeowner, City of Fort Pierce, and the local economy. This being the case, it is our recommendation to pursue the sales transfer of these loans to a local institution through a competitive bidding process.

Unfortunately, the secondary and tertiary mortgage repayment program has been a failure with 90% of the residents over 90 days past due. It is our recommendation to use SHIP program income to modify all of the aforementioned loans to be consistent with the current City of Fort Pierce Local Housing Assistance Plan utilizing a consultant attorney that can expedite this process. A copy of the 2012-2105 City of Fort Pierce LHAP is attached for your review. The current program is governed by the following guidelines "Deferred mortgage loan at 0% interest due and payable upon sale, transfer or rental of residence for very low and low-income families. The deferred loan will depreciate annually if the owner continues to occupy the unit as their principal residence. On each anniversary date of the execution of

Mortgage Repayment Status to CC 8-6-14 Revised

the deferred mortgage, the value of one year's payment will be deducted from the balance owed. Loans will be secured by a mortgage and note. Should the property be sold or if the household fails to maintain it as their principal residence during the term of the deferred mortgage loan, the remaining amount will be due and payable at five percent (5%) interest to the SHIP Housing Trust Fund. In the event of the death of the property owner, the same recapture criteria applies to the heir(s)." Additionally, in the spirit of fair and equitable treatment, it is recommended that these loans are structured with a tiered approach to adequately adjust the maturity, recapture, and default terms based upon previous payment performance.

Representatives from the City Manager's Office and Finance Department will be present at the August 11, 2014 City Commission Conference Agenda to discuss this matter in detail.

Attachments

cc: Director of Finance
City Attorney