



# COUNTY OF HUMBOLDT

For the meeting of: 1/22/2019

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File #: 19-15

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**To:** Board of Supervisors  
**From:** Planning and Building Department

**Agenda Section:** Consent

SUBJECT:

Authority to Forgive interest for CalHome Program Loan Participant Mariana Krattiger

RECOMMENDATION(S):

That the Board of Supervisors:

1. Authorize staff to collect principal owed of \$19,600 and place in restricted fund number 3959;  
and
2. Authorize staff to write off interest accrued to date of \$5,086.

SOURCE OF FUNDING:

CalHome Grant funds

DISCUSSION:

Planning and Building Department staff are asking permission to write off interest, in accordance with State Regulations and Program Guidelines, for a low-income senior who finds it necessary to refinance with a reverse mortgage.

The CalHome Program is a state grant program for jurisdictions to invest in their communities by providing owner-occupied rehabilitation and homebuyer loans at low- or no-interest for lower income residents. The county has received three CalHome grants and currently has 36 outstanding loans.

The Board adopted Owner-Occupied Guidelines (Attachment 2) that cover all three sources of funds, CalHome Program, Community Development Block Grant, and HOME Program Grant. The Guidelines offer 3 percent deferred interest loans that are due and payable in 30 years or when a resident sells or refinances. The guidelines also allow for subordination to a first loan. There is a provision in the guidelines that if the county wishes to make an exception that the governing body may review the circumstances and make that exception, after submission of a written report summarizing the situation.

Mariana Krattiger received a \$19,600 loan in March 2010. That loan was to fix-up her home, which as a senior on a fixed income she was unable to finance on her own. Ms. Krattiger's income has been

from social security and by selling art. She is no longer able to do art, which has made her fall behind on the Wells Fargo primary mortgage. Wells Fargo is willing to offer her a reverse mortgage. Reverse mortgages offer seniors a financial agreement in which the homeowner relinquishes equity in their home in exchange for regular payments, typically to supplement retirement income. The equity in the house must be high enough for the lender to make this arrangement.

The deferred interest accrued on the Ms. Krattiger's loan is \$5,086. Wells Fargo stated that there is not enough equity to proceed with a full payoff of principal and interest and called the county to ask if the county would allow Ms. Krattiger's loan to be written off or subordinated. The CalHome Program regulations allow for interest forgiveness, but not principal forgiveness. The program cannot subordinate to a reverse mortgage due the erosion of equity.

The county has never forgiven interest but this is a unique situation. Ms. Krattiger can no longer supplement her social security income with art and is very low-income, earning less than 30 percent of area median income. Given this situation staff recommends granting authority to work with Wells Fargo to get the principal repaid and write off the \$5,086 in interest.

**FINANCIAL IMPACT:**

There has been and will be no effect on the General Fund. Funds loaned were from a grant, and funds repaid will be placed in the restricted CalHome Reuse Account, Fund Number 3959. Current cash balance is \$212,398.

This meets the Board's Strategic Framework by protecting vulnerable populations.

**OTHER AGENCY INVOLVEMENT:**

None

**ALTERNATIVES TO STAFF RECOMMENDATIONS:**

The Board could disapprove the interest forgiveness. This is not recommended as Ms. Krattiger is having difficulty making mortgage payments and without a reverse mortgage may lose her home. The original purpose of the loan was to enable Ms. Krattiger to maintain her home, forgiving the interest is consistent with that objective.

**ATTACHMENTS:**

Attachment 1: CalHome Regulations Approved Text

Attachment 2: CalHome Mortgage Assistance Guidelines

**PREVIOUS ACTION/REFERRAL:**

Board Order No.: H-3

Meeting of: December 9, 2014