

A G E N D A R E P O R T

DATE May 21, 2002

ITEM Contract Award for Collection Services for Delinquent Housing Rehab Loans

INITIATED BY Community Development Staff

ACTION REQUESTED Approve Contract

PREPARED & PRESENTED BY Kim Johnson, CDBG/HOME Administrator

REVIEWED & APPROVED BY Mike Rattray, Community Development Director

RECOMMENDATION:

Staff recommends awarding the contract for collection of delinquent CDBG/HOME housing rehab loans to Collection Bureau Services, Inc.

MOTION:

I move to award the contract for collection service for the collection of delinquent CDBG/HOME housing rehab loans to Collection Bureau Services, Inc.

SYNOPSIS:

The Community Development Department advertised a Request for Proposals for collection services for delinquent housing rehab loans that are financed with federal Community Development Block Grant and HOME grant funds. Four proposals were received. Collection Bureau Services, Inc.'s proposal was determined by the evaluating committee to be the most advantageous to the program. The cost of the service is based on a percentage of the amount actually collected by Collection Bureau Services Inc..

BACKGROUND:

The city Community Development Department administers three housing rehabilitation loan programs that are funded out of the Community Development Block Grant and HOME programs. The housing rehabilitation programs provide loans to lower income homeowners and landlords that provide rentals to lower income households to correct life safety hazards and building code violations. At the time the rehabilitation application is approved, the CDBG or HOME funding used for the rehabilitation is secured against the property with a mortgage and personal note, and a loan is set up to pay back the rehabilitation dollars to the city. The loans ensure eventual program self-sufficiency due to the pay back of the funds that will then be used to fund future housing rehabilitation projects. There are currently 460 active outstanding loans. Staff has experienced an increase of loan delinquencies, bankruptcies, and foreclosures.

Loan policies were approved during the April 16, 2002 City Commission meeting. The loan policies clearly state the process that will be taken when a loan is delinquent, there is a bankruptcy or property foreclosure. If a loan must be turned over to the collection agency, the loan will be assigned to the agency. This agency will pursue the full balance of the loan, and will pursue any legal remedies it deems necessary through the courts.

Attachment: Contract

