

IMPACT STATEMENT

Legislation title: Adopt Home Repair Loan Guidelines effective retroactively (Resolution)

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Purpose of proposed legislation and background information:

The proposed legislation supports previous Council action adopting Home Repair Loan Guidelines. In June 2015, Council adopted Resolution 37138 establishing revised guidelines for homeownership and home repair financial assistance. Included in the ordinance was a no payment, 0.00% interest loan with a 15-year forgiveness period.

When the Portland Housing Bureau was established in 2010, it inherited interest-bearing, deferred payment loans from the Portland Development Commission, which result in unintended and unacceptable financial hardship to borrowers in a manner inconsistent with City policies and the current Home Repair Loan Guidelines. The loans are structured such that accrued interest will be as much if not more than the original principle amount, burdening low-income households with excessive debt and a balloon payment at maturity. These old terms ultimately take wealth out of the family, while the intention of the new loans is to preserve intergenerational wealth. This resolution would restructure all old loans established under the unfavorable terms to match those adopted with Resolution 37138, attached as Exhibit A.

Financial and budgetary impacts:

The loans at issue are deferred payment loans with accruing (i.e. accumulating) interest. Total principle owed on these loans is approximately \$900,000, and estimated accrued interest owed at maturity would be approximately \$860,000. Approximately half of the loans are less than 15 years old, and there is the potential that those loans could still payoff to the Bureau if the borrowers sell the home prior to the new maturity date.

Community impacts and community involvement:

This legislation impacts low-income homeowners with home repair loans from pre-2015. These homeowners will owe almost twice as much as they borrowed by the time their loans reach maturity. By novating their existing contracts and bringing the terms to match current home repair loan terms, homeowners will be relieved of debt to the city and the program will deliver on its goal of stabilizing low-income homeowners.

100% Renewable Goal:

This legislation does not directly support the City's renewable energy goals.

Does this action change appropriations?

- YES:** Please complete the information below.
- NO:** Skip this section