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AUDITS & GOVERNMENTAL EFFICIENCY

MOTION

On July 16, 2007, the City Controller's Office released a report entitled "Audit of the Housing Department's Loan Portfolio Management." The audit identified significant issues in the Housing Department's management of its portfolio of approximately 4,450 loans valued at over \$735 million in local, state, and federal funds.

The audit revealed that between 2000 and 2006, at least six borrowers who had already defaulted on City loans were awarded \$16 million in new loans. These loans may have violated Council policy to preclude non-compliant borrowers from taking out additional City loans.

In one case, a borrower who had already defaulted on a loan from the City's Community Redevelopment Agency was nonetheless awarded \$2 million in new loans from the Housing Department. This indicates that City departments are not sharing information the loan histories of borrowers.

The audit also found that:

- Although the Department stands to collect on 101 loans, worth \$34 million, the Department is not actively tracking collection efforts by the City Attorney or other parties;
- The City stands to collect as much as \$6 million by reviewing a backlog of over 700 borrowers financial statements and collecting the residual payments owed to the department;
- Late notices were sent to delinquent borrowers as much as two years after the borrowers had defaulted on their loans.

I THEREFORE MOVE that the Housing Department, be directed to report to the Audits & Governmental Efficiency Committee within 60-days on compliance with City policies pertaining to awarding and collecting of loans;

I FURTHER MOVE that the Housing Department, together with the City Administrative Officer, the Community Redevelopment Agency, and other affected City departments, be directed to develop an internal, interdepartmental, Citywide database containing up-to-date information regarding the status of City loans and the standing of borrowers;

I FURTHER MOVE that the Housing Department be directed to develop and present to the Audits & Governmental Efficiency Committee within 60-days clear policies and procedures for monitoring the status of collections on defaulted loans in the Department's portfolio, and that a plan of action be implemented within the same timeframe to collect on the loans currently in default to the City;

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I FURTHER MOVE that the Department be directed to develop and present to the Committee clear policies and procedures for sending late payment notices to borrowers within 15 days of delinquency;

I FURTHER MOVE that the Department be directed to develop and present to the Committee an action plan and timeline for reviewing the backlog of financial statements for 700 borrowers and collecting the residual payments owed to the City.

PRESENTED BY 
JOSE HUIZAR
Councilmember, District 14

SECONDED BY 

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