



JOSÉ HUIZAR
COUNCILMEMBER OF THE FOURTEENTH DISTRICT

PRESS RELEASE

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COUNCILMEMBER HUIZAR CALLS ON CITY TO CLEAN UP LOAN PRACTICES

Audit Finds Bad Borrowers Were Allowed to Take On Even More Housing Loans

LOS ANGELES - Councilmember José Huizar, Chair of the City's Audits & Governmental Efficiency Committee, today called on the Housing Department and other City Departments to stop making loans to bad borrowers.

Huizar's call came in response to City Controller Laura Chick's audit of loan management practices at the Los Angeles Housing Department. Among other findings, the audit revealed that between 2000 and 2006, at least six borrowers that had already defaulted on City loans were awarded \$16 million in new loans.

"We owe it to taxpayers to use the best business practices when we handle their public dollars," said Councilmember Huizar.

"If you made a loan to a business partner, and they never paid you back, would you keep giving them money? Of course not. The City has to do better," he said.

In a Council motion to be introduced Tuesday, Huizar will propose requiring City Departments to create a shared database about borrowers, so that a bad borrower who defaults on a Housing Department loan, for example, is not granted another loan by the Community Redevelopment Agency.

Huizar's motion would also require the Housing Department to:

- **Monitor \$34 million in defaulted loans to make sure they are successfully collected**
(The audit found though the Department stands to collect on 101 loans, worth \$34 million, the Department is not actively tracking collection efforts.)
- **Collect as much as \$6 million in residual payments owed to the City**
(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.)



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- **Send late payment notices to borrowers within 15 days of delinquency** (*According to the audit, some notices weren't sent until two years after the borrowers had defaulted.*)

The audit and the Councilmember's motion will be heard in the Audits & Governmental Efficiency Committee meeting on Wednesday, August 8, 2007, at 8:30am in City Hall Room 1060.

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