



Royal Oak

Agenda

Rehabilitation Board of Appeals Meeting

Tuesday, May 28, 2024, 7:00 p.m.

City Hall Conference Room 116

203 South Troy Street

Royal Oak, MI 48067

Anyone planning to attend the meeting who has need of special assistance under the Americans with Disabilities Act (ADA) is asked to contact the city clerk's office at 248-246-3050 at least two (2) business days prior to the meeting.

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**City of Royal Oak
Rehabilitation Board of Appeals
Minutes of the regular meeting held on February 27, 2024**

A meeting of the Royal Oak Rehabilitation Board of Appeals was held at 7:00 p.m. on Tuesday, February 27, 2024, in Room 116, City Hall, 203 S. Troy St., Royal Oak MI 48067.

Present:

Commissioner Brandon Kolo
James Foster
Eric Lofquist
Carl Stone, Chairperson
Mark Vanneste

Absent:

Jon Randall, Vice Chairperson

Staff present:

Joseph M. Murphy, Director of Planning

Call to Order

Chairperson Stone called the meeting to order at 7:02 p.m.

Election of Officers

Moved by Mark Vanneste
Supported by James Foster

To elect Carl Stone as chairperson.

Motion adopted unanimously.

Moved by Carl Stone
Supported by Mark Vanneste

To elect Eric Lofquist as vice chairperson.

Motion adopted unanimously.

Public Comment

None.

Approval of Minutes for September 26, 2023

Moved by Mark Vanneste
Supported by Eric Lofquist

To approve the minutes of September 26, 2023, meeting as presented.

Motion adopted unanimously.

Unfinished Business

None.

Housing Rehabilitation

No items to consider.

Overview of Community Development Block Grant & Review of Applications for Program Year 2024 (July 1, 2024 – June 30, 2025) Funding

Mr. Murphy provided an overview of the CDBG program. The board and staff discussed the applications in relation to the program's national objective and the city's housing, non-housing, and community development needs. Once the U.S. Department of Housing and Urban Development (HUD) notifies the city of its CDBG allocation / funding amount, the board must hold a public hearing, discuss, and make a recommendation to the city commission. No action is required at this time.

Adjournment

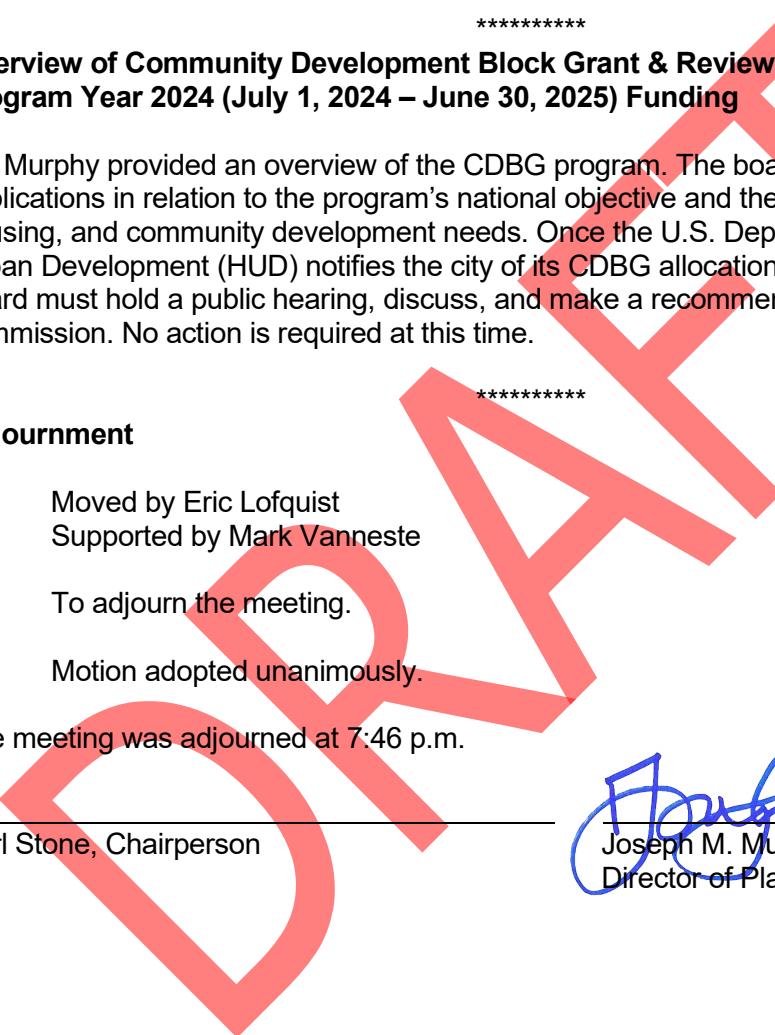
Moved by Eric Lofquist
Supported by Mark Vanneste

To adjourn the meeting.

Motion adopted unanimously.

The meeting was adjourned at 7:46 p.m.

Carl Stone, Chairperson


Joseph M. Murphy,
Director of Planning





Royal Oak COMMUNITY DEVELOPMENT

Planning Division

203 South Troy Street

Royal Oak, MI 48067

248.246.3280

Meeting Date: May 28, 2024

MEMORANDUM

DATE: May 13, 2024

TO: Rehabilitation Board of Appeals

FROM: Planning Division

SUBJECT: loan subordination request

background

The homeowner maintains two mortgages / loans related to home repairs. The City's mortgages are secured by liens and promissory notes.

loan #: **2891**
execution date: January 23, 2023
loan amount: \$12,700
current balance: \$12,700
first payment due: January 1, 2027
repayment terms: 120 months / 10 years @ 3% interest
total repayment: \$122.63 (monthly payment)
loan conclusion: \$14,715
\$0 balance in January 2037

loan #: **2877**
execution date: January 23, 2023
loan amount: \$13,500
current balance: \$12,150
first payment due: N/A
repayment terms: forgivable in equal shares over a 10-year period @ 0% interest
\$0 (monthly payment)
total repayment: \$0 (must remain primary residence & no property transfer)
loan conclusion: \$0 balance in January 2033

The 63-year-old homeowner obtained a warranty deed for the property in February 2022. The homeowner maintains a 4.0% interest primary mortgage. The loan has an outstanding balance of \$139,994. The \$952.85 monthly payment breakdown equals: \$225.66 principal + \$468.98 interest + \$258.21 escrow.

The homeowner provided recent documentation demonstrating a regular monthly Social Security payment of \$1,936, after medical insurance premium deductions and sporadic part-time income. Their 2023 U.S. Form 1040 individual income tax form noted a taxable income of \$0 and \$0 income from interest, dividends, distributions, pensions, annuities, etc.

January 2024 statements from their financial institution highlight the following balances:

savings account	\$5.00	checking account	\$739.91
"signature loan" @11.74% interest	\$6,731.49	"fast cash" @21.0% interest	\$11.78

Currently, the homeowner expends roughly 31.8% of their monthly income on housing expenses. The percentage may very well increase in January 2027 at the commencement of the \$122.63 monthly payment associated with loan #2891.

According to their HELOC application, the real property has an appraised value of \$242,000. The balance of the mortgages / loans secured by the homeowner in relation to the appraised value determines the Loan To Value (LTV) ratio. The existing LTV equals ~68.1%. In the future, the LTV ratio will fluctuate with the continued annual deduction of the City's 10-year forgivable loan and increase with the commencement of loan repayments starting in January 2027.

In April of 2022, the homeowner maintained a TransUnion credit score of 646.

loan subordination

The liens associated with the City's mortgages are secondary (2nd) and tertiary (3rd) to the first lien on the real property that was established by the homeowner's primary mortgage lender (Member First Mortgage / Vibe Credit Union).

Recently, the homeowner applied for a \$17,500 Home Equity Loan (HELOC) with Vibe Credit Union. They're requesting that the city voluntarily subordinate its mortgage liens to 3rd & 4th place from the current standing of 2nd & 3rd place.

The homeowner's HELOC application reveals \$17,073 of liabilities associated with credit card (revolving) and other installment loans such as auto or personal. Currently, the liabilities total \$699 of payments per month. The homeowner will access cash from the HELOC to eliminate the liabilities.

The \$17,500 HELOC loan carries an interest rate of 7.74% over a 20-year term. The homeowner will encumber a monthly payment of \$143.56 (principal & interest).

Housing expenses immediately increase to 36.5% of the homeowner's monthly income. The LTV immediately increases to 75.3%.

The procedures for the housing rehabilitation program do not allow staff to administratively approve a request to subordinate the city's lien to Member First Mortgage / Vibe Credit Union due to the following:

- city's mortgage liens will be subordinated to 3rd & 4th place from 2nd & 3rd place
- LTV ratio will increase despite being less than original issuance in 2023 (96%)
- homeowner is accessing cash via a HELOC

Program procedures are designed to reduce the risk of default. The Board has the ability to waive the procedural requirements and grant the subordination request. Staff suggests that the request be denied due to high risk.

The Board should discuss the item with the homeowner and grant or deny the subordination request.