



# 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

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**Call to Order**

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

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**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.

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**Public Comment**

None.

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**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.

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**Unfinished Business**

None.

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**Housing Rehabilitation**

No items to consider.

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**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.

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**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

  
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Joseph M. Murphy,  
Director of Planning



**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  
 \$122.63 (monthly payment)  
 total repayment: \$14,715  
 loan conclusion: \$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 (2<sup>nd</sup>) and tertiary (3<sup>rd</sup>) 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 3<sup>rd</sup> & 4<sup>th</sup> place from the current standing of 2<sup>nd</sup> & 3<sup>rd</sup> 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 3<sup>rd</sup> & 4<sup>th</sup> place from 2<sup>nd</sup> & 3<sup>rd</sup> 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.*