



TO: Mayor Shaun Sipma
Members of the City Council

FROM: John R. Zakian, DR Grant Program Manager & Chief Resilience Officer

DATE: January 12, 2019

SUBJECT: **City Council Approve Release of Promissory Note for Debra Carpenter**

I. RECOMMENDED ACTION

City Council approve recommendation to release Debra Carpenter from Promissory Note despite failing to maintain required flood insurance

II. DEPARTMENT CONTACT PERSONS

John R. Zakian, DR Grant Program Manager & Chief Resilience Officer, 423-4528

III. DESCRIPTION

A. Background

The city of Minot financed a flooded home reconstruction program under CDBG-DR Allocation #1 for eligible homeowners. Requirement of the program was that the homeowner had to sign a promissory note for receipt of the funds which required that the homeowner maintain flood insurance for the fixed period of the promissory note. Ms. Debra Carpenter signed the promissory note for a period of five years. It should be noted the length of a promissory is the discretion of the Grantee. It should also be noted that it is a HUD rule as well as a federal statute that anyone receiving disaster assistance for their home must maintain flood insurance in perpetuity and, if they do not, should there be a future disaster, then they are not eligible for any federal disaster assistance related to the home. Further, there is a HUD rule that Grantees require homeowners receiving CDBG-DR assistance sign an agreement that they will maintain flood insurance for the life of the loan (promissory note) and HUD expects the Grantee to periodically check to determine if the homeowner has been maintaining flood insurance. We recently initiated a periodic follow-up with all participants in this program and discovered that Ms. Carpenter had allowed the flood insurance to lapse. An option available to the city is to extend the term of the promissory note for the period that Ms. Carpenter has failed to carry flood insurance which would be two years. However, Ms. Carpenter has submitted reasonable explanation and justification that her medical costs related to her medical condition creates a serious financial hardship upon her and that it is highly unlikely she can afford carrying the flood insurance. Since flood insurance was initially secured by Ms. Carpenter at the time that the promissory note was executed and the use of the funds were for eligible purposes, the city has met its obligations as a Grantee. Based on the information provided by Ms. Carpenter, it would serve no purpose to further extend the term of the promissory note.

B. Proposed Project

Staff recommendation is to accept Ms. Carpenter's extenuating financial hardship request and to release her from the Promissory Note which does not release Ms. Carpenter from the

statutory penalties of a homeowner not receiving any further disaster recovery assistance by failing to maintain the flood insurance. Should the City Council approve the staff recommendation, Ms. Carpenter will be informed in writing of the ramifications of her not continuing to carry flood insurance.

IV. IMPACT:

A. Strategic Impact:

City has demonstrated appropriate due diligence in monitoring compliance with homeowner beneficiary requirements as reflected in the promissory note.

B. Service/Delivery Impact:

The successful rehabilitation of the homeowner met the purpose and objective of the program.

C. Fiscal Impact:

None

V. ALTERNATIVES

N/A

VI. TIME CONSTRAINTS

N/A

VII. LIST OF ATTACHMENTS

- i.* Letter from Ms. Carpenter