

## CDBG Loan Portfolio Sale

July 1, 1986

MEMORANDUM FOR: Gertrude W. Jordan, Regional Administrator-  
Regional Housing Commissioner, 5S

ATTENTION: Richard Wilson, Regional Director for Community Planning and Development, 5C

FROM: Alfred C. Moran, Assistant Secretary for Community Planning and Development, C

**SUBJECT: CDBG Loan Portfolio Sale  
City of Rock Island, Illinois**

This is in response to Richard Wilson's memorandum of May 15, 1986, raising a question about the possibility of selling the City of Rock Island's loan portfolio of residential and commercial loans on a secondary market.

1. The proposed sale of the CDBG loan portfolio on the secondary market is permissible and the proceeds from the sale would be considered program income under 24 CFR 570.504.
2. The loan portfolio may be sold at a discount.
3. The City should maintain evidence that it followed sales procedures that provided competition to the maximum extent feasible and resulted in the highest possible price.

Although the sale of such assets may sever any financial relationship that exists, the City of Rock Island would not be relieved of its responsibilities to ensure that activities associated with these loans are carried out in compliance with all CDBG requirements. Therefore, where jobs are to be made available or rental housing is to be occupied by low and moderate income persons, the grantee should ensure that it retains enforceable commitments from the loan recipients even after the loans are sold.

If you have questions concerning this matter, please contact Mr. Salvatore Sclafani, Community Development Specialist at 755-6306.