Loan Workout Resolution

Date:	January 18, 2021
Borrower:	JC
Amount owed:	$25,500
Principal owed:	$22,240.00
Interest owed:	$3,310.00
Original loan amount:	$25,000.00
Collateral:	Unsecured

Borrower JC has been in contact with the program director, seeking the opportunity to create a workout plan for the total current amount due. This comes after nearly two years of no contact with the borrower. The last payment was received on May 11, 2018.

Following that payment, internal collection efforts took place before engaging legal counsel in September 2018. Counsel proceeded to make their own collection efforts with no success. A Judgment Lien was filed against the borrower on July 26, 2019. Following this, legal counsel removed themselves from the matter as the next steps would involve more detailed collection efforts which was not their specialty.

New counsel was engaged in August 2019 and continued efforts to contact the borrower were made with no success. Counsel explored various options of collection and determined that most of the borrower's unencumbered assets were homestead real estate which could not be taken under the Judgment Lien. The only possible solution suggested was to take the truck, which modification to the truck were the original loan purpose, through a sheriff's repossession and purchase at a public auction. Following approval of this plan by committee in 2020, the attorney has been working on solutions to this as we do not know a VIN# or plate number of the truck. Further, there is a loan with a bank secured by the title of the truck so FAAST would be required to pay any amount due to the bank prior to winning the bid at an auction. It was determined that there would be value in the truck to make this a realistic option and the attorney was instructed to start this process. Official action with the Columbia County Sherriff has not started to date.

During all of this, the program director attempted to contact the borrower at multiple times with no success. On Wednesday, January 13, the program director made one last text message attempt and the borrower did call back. In discussing the situation, many reasons behind the failure to pay were revealed: from multiple hospital stays from either sickness or injuries from being dropped by a caregiver to a family member taking advantage of him while handling his expenses during these stays and stealing money and medication. Of course, it is good to have some background but the situation with FAAST was certainly not handled properly. However, JC did contact FAAST and suggested a payment plan to have the loan paid in full within 15 months. JC receives different settlement payments monthly and lump sums annually and on different schedules. The plan below includes slight increases over October – January from his suggestion, a larger payment than his suggestion in February and then full payoff in March of 2022.

With the large amount owed and the borrower apparently back in a situation where he can begin making accelerated payments, this is worth consideration. With the attorney already engaged and ready to take more drastic measures, which may or may not result in the collection of owed funds, a delay on these actions until March to see if the first payment is received is warranted. Further requested is to reduce the interest rate to 0% during the repayment period.

Summary of request:

Approve establishment of new workout loan with borrower.

Reduce interest rate to 0.00%

The original LRM follows the repayment plan to provide any other background on the borrower and original loan decision.

JC – Repayment Plan

03/2021	**$2500**
04/2021	**$2500**
05/2021	**$1250**
06/2021	**$1250**
07/2021	**$1250**
08/2021	**$1250**
09/2021	**$1250**
10/2021	**$1500**
11/2021	**$1500**
12/2021	**$1500**
01/2022	**$1500**
02/2022	**$2500**
03/2022	**$5800**
Total Paid	**$25,550**

Original Loan Request Memorandum

Date: 08/31/2017

Borrower: JC

Amount: $25,000

Request Type: Direct Unsecured

Collateral: None – vehicle modification

Loan Terms: 5.50% / 60 months / $478

Credit Score: 697

DTI: 35%

Purpose:
JC is a 47 year-old male high level quadriplegic resulting from a C4-5 spinal cord injury. The injury was a work place accident in 1993 while JC worked as a pipe welder. He uses a power wheelchair but is unable to drive himself. The loan funds will be used for the Ryno Mobility conversion of his 2016 Dodge Mega Cab pickup truck. The conversion will allow JC full access to the cab while remaining in his chair. The new conversion will give him more room than his current truck as well as upgraded equipment and lift. JC's son and his PCA provide driving duties for him. JC bought the truck last year and it is already being converted by Ryno. The total cost of the conversion is $34,500 with JC paying the remainder out of pocket. JC has a loan on the truck so it cannot be secured through the bank guarantee program. It is submitted as an unsecured loan. JC is will donate his current truck to a friend from his spinal cord injury support group who lives in Tennessee and does not have the means to purchase a modified vehicle.

Credit Summary:
JC has a credit score of 697 with nine current mortgage and installment loans. He has no credit cards accounts open at this time. He owns his home in Lake City as well as two nearby vacant parcels of land. He has a primary mortgage on his home with a monthly payment of $2,735 as well as a second mortgage secured by the property with a balance of $192,000 with a single payment due in 2025. He has two smaller installment loans on the other parcels. One with monthly payment of $503 and one with a monthly payment of $450. The parcel for the second loan was purchased in 2017. JC has a loan for his new vehicle with a monthly payment of $983 and a truck loan for his son's vehicle with a monthly payment of $580. He also has a boat loan with monthly payments of $599. The other two loans are unsecured installment loans with total monthly payments of $629, one for home modifications which paid for a ceiling track system. All of the accounts are current with no late payments reported for at least the past twenty-four months. The boat loan does list twenty-one 30-day late and two 60-day late payments but these are reported to have taken place between 2007 and 2010 when JC was being treated frequently in Atlanta for health issues and an accountant was hired to manage the monthly bills, which were not handled appropriately. He was back home full time in 2012 and has since managed his personal finances. JC receives most of his income from settlement annuities as a result of his on the job injury. He receives monthly, annual and scheduled future payments from four separate annuities. On a monthly basis, he receives $1,000 payments from both TransAmerica and MetLife and he receives $6,501 from both GenWorth and Aviva. He also receives annual payments from TransAmerica and

MetLife. For 2017 this amount was $46,153 from each. This amount increases by 3% each year. In addition to these regular monthly and annual payments, JC receives $25,000 every five years from both GenWorth and Aviva as well as periodic scheduled payments from TransAmerica and MetLife in the amount of $50,000 each. The next scheduled payment is in 2022 for both, the same year as the proposed maturity date of this loan. All of these payments are guaranteed and documentation has been provided when JC traveled to Tallahassee to review all of the statements and settlements with the NHLP program director. JC also receives $1,422 in SSDI monthly. Using the normal monthly payments as well as the recurring annual payments at the 2017 amount, JC's annual income is $289,370. In a monthly amount, his income is $24,114. Taking the other non-annual lump sum payments into consideration, JC will receive an additional $150,000 during the term of the proposed loan. This amount ($150,000) has not been taken into consideration when calculating the DTI.
JC's current monthly debt expenses are $7,954 and the proposed new debt is $478 bringing the total monthly debt to $8,432. Using the income with grossed up SSDI, the DTI 35%.

Strengths

1. JC has a credit score well above the program guidelines
2. JC has a DTI below the program maximum
3. JC's income sources are guaranteed for life.
4. The new truck will provide for updated modifications and a new, more reliable vehicle and continued independence.

Weaknesses

1. JC has multiple 30 day past due payments listed on one account however these are reported to be at least five years old and there are no other instances of any past due payments on his credit report and all accounts are currently paid as agreed.
2. JC has significant monthly debt of over $8,000 however his monthly and recurring annual income support this amount with substantial cash flow of approximately $16,000 remaining for household expenses following all debt payments.

Recommendation

JC has demonstrated the ability to manage his current debt with no payment issues or delinquent payments with the exception of the historical past due payments on the one loan. His monthly income and recurring annual payments provide significant resources for JC to manage debt while having significant monthly income for all other household and personal expenses. The loan is recommended for approval.