



# Housing and Revitalization Department

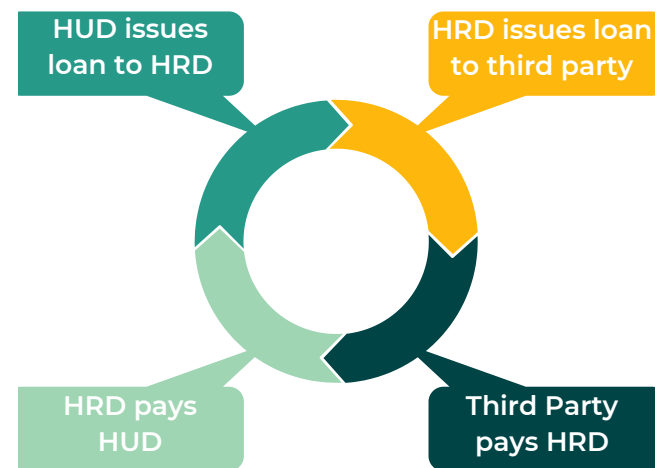
## Consolidated Plan Education Series

### Community Development Block Grant

### Section 108

HUD's Section 108 Loan Guarantee Program allows grantees of CDBG funds, like the City of Detroit, to leverage their annual grant allocation to access financing for economic development and other CDBG-eligible activities.

HUD issues loans to the grantee for a specific project (loans payable by the City), and the grantee may then issue loans to third party developers to fund eligible projects (loans receivable by the City). The HUD loans are secured with the grantee's annual allocation of CDBG. The Housing and Revitalization Department (HRD) works closely with Debt Management in the Office of the Chief Financial Officer (OCFO) to manage the City's portfolio of legacy Section 108 loans.



In recent years, HRD has focused on collecting the loans receivable from developers, along with paying back the loans that are due to HUD. Recently, the City underwent a process with the HUD loans called "defeasance", which requires paying down the outstanding principal and stops interest from accruing.

In this most recent fiscal year, we defeased four loans payable to HUD. Doing so saves the City money and frees up more CDBG funds for the City to grant to other projects. We are not making new Section 108 loans at this time, though the department is discussing a way that we could do so.

### TEST YOUR KNOWLEDGE

Do you remember what a "Grantee" is? Hint: We mentioned it in the CDBG newsletter.