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HOUSING
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San Diego Housing Commission (SDHC) First-time Homebuyer Program (FTHB) Revisions

Presentation to the SDHC Board of Commissioners
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SDHC – Proposed Revisions to the FTHB Program

Introduction

- SDHC has operated an FTHB Program since 1992 to help low- and moderate-income households achieve homeownership.
 - More than \$195.7 million in assistance provided (loans, grants and mortgage credit certificates)
 - More than 6,010 homebuyers assisted
- Current Program
 - **Deferred-Payment, Second Trust Deed Loan**
 - Buyer's Down Payment: 3 percent of the purchase price
 - Loan Amount: Up to 22 percent of the purchase price
 - Interest Rate: 3 percent simple interest
 - Deferred for 30 years, no monthly payments
 - **Closing Costs Assistance Grant**
 - 4% of the purchase price up to \$10,000
- Housing Authority of the City of San Diego has delegated authority to the SDHC Board of Commissioners to make revisions to the FTHB program (Resolution HA-1314).



SDHC – Proposed Revisions to the FTHB Program

Current Market Conditions

- June 2023:
 - Single-family home median price in San Diego: \$958,250
 - 123 percent increase over the last 20 years
 - 38 percent increase from the same time in 2020

Source: California Association of Realtors, Zillow
- In the past year, 30-year mortgage interest rates have climbed from 3 percent to 7 percent, reaching a 20-year high, according to a recent Redfin report.
- The extraordinarily high price of homes, rising interest rates, limited inventory, and other real estate market conditions have made it extremely competitive and very difficult for first-time homebuyers to purchase a home in San Diego.



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Example

- Homebuyer with low income purchased a house in Paradise Hills in July 2020.

	July 2020	Needed to Buy House Today*
Sales Price	\$460,000	\$689,000
First Mortgage Loan	\$368,000	\$516,750
First Mortgage Loan Interest Rate	3.875%	7%
SDHC FTHB Loan	\$78,200 (17% of sales price)	\$151,580 (22% of sales price)
SDHC Closing Costs Grant	\$10,000	\$10,000
Homebuyer's Down Payment	\$13,800 (3% of sales price)	\$20,670 (3% of sales price)
Monthly Income	\$5,448 (57% of Area Median Income)	\$9,500 (76% of Area Median Income)
Monthly Mortgage Payment	\$2,259	\$4,254
Debt-to-Income Ratio	44.09%	44.77%

**Estimated values*



SDHC – Proposed Revisions to the FTHB Program Research

- SDHC engaged Urban Institute (UI), a leading national research firm, in 2021 to conduct a Homeownership study.
 - Study recommendations included reexamining eligibility criteria and program design.
- SDHC staff research:
 - Surveyed loan officers participating in SDHC's FTHB program to identify challenges low-income buyers face in the current challenging market.
 - Researched FTHB programs in similarly sized California cities, such as Los Angeles and San Francisco.
- Major barriers to achieving homeownership identified:
 - Lack of sufficient down payment
 - High debt-to-income ratios



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Program Enhancements

- 2021
 - Issuing pre-approvals
 - Guaranteeing a 30-day closing
- 2022
 - Increasing down payment loan amount from up 17% to up 22% of the purchase price.
 - Conducting extensive outreach
 - First-time homebuyer community workshops
 - Social media
 - Expanding the list of participating lenders
 - Providing communication resources to Mayor's office, Councilmembers' offices, SDHC Commissioners and community organizations
 - 30-second video in English and Spanish
 - Flyers in English and Spanish



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Proposed Revisions

- Change the minimum required buyer down payment to a **minimum of 1 percent of the purchase price.**
- Increase the maximum Debt-to-Income Ratio to **up to 50 percent.**
- Increase the deferred-payment loan program to provide **up to 25 percent** of the purchase price.



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Proposed Revisions – Example

- Two-person household with an annual income of \$88,200 (80% of Area Median Income):

	Current Program 22% Deferred Loan 3% buyer down payment Max 45 percent debt-to-income ratio	Proposed Program 25% Deferred Loan 1% buyer down payment Max 50 percent debt-to-income ratio
Purchase Price	\$554,000	\$625,000
SDHC Deferred Loan	-\$121,880	-\$156,250
Buyer's Down Payment	-\$16,620	-\$6,250
1st Loan Amount	\$415,500	\$462,500
Interest Rate	6.5%	6.5%
Term	30	30
P&I Payment	\$2,626.24	\$2,923.31
Property Taxes	\$577.08	\$651.04
Hazard Insurance	\$100.00	\$100.00
Total Housing Payment	\$3,303.33	\$3,674.36
Debt-To-Income Ratio	44.94%	49.99%

- Increase in SDHC down payment loan amount, a higher debt-to-income ratio and lower down payment increases the buyer's purchasing power by \$71,000.



SDHC – Proposed Revisions to the FTHB Program

Staff Recommendations

That the SDHC Board of Commissioners take the following actions and recommend that the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

SDHC Board

- 1) Approve three modifications to the City of San Diego First-Time Homebuyer Program's Deferred Loan Program:
 - a. Change the minimum required buyer down payment from 3 percent of the purchase price to a minimum of 1 percent of the purchase price.
 - b. Increase the maximum Debt-to-Income Ratio from 45 percent to up to 50 percent.
 - c. Increase SDHC's First-Time Homebuyer deferred loan assistance from up to 22% to up to 25% of the purchase price of the property.
- 2) Authorize the President and Chief Executive Officer (President & CEO), or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form and format approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.



SDHC – Proposed Revisions to the FTHB Program

Staff Recommendations

Housing Authority

- 1) Approve the proposed amendments to SDHC Policy PO-LM-600.101 Housing Program Lending Authority, as described in this report and shown in Attachment 2, to revise the policy to reflect program updates to address current housing market conditions and continue to assist individuals and families in purchasing their first home.
- 2) Authorize SDHC's President & CEO, or designee, to execute the approved amended policy PO-LM-600.101 Housing Program Lending Authority, in a form and format approved by General Counsel, and to take such actions necessary and appropriate to implement these approvals. SDHC staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the documents, and other required documents, including amendments to any documents.



Questions & Comments

