

REPORT

DATE ISSUED: November 19, 2007 REPORT NO. HCR 07-101
ATTENTION: Chair and Member of the Housing Commission
For the Agenda of November 30, 2007
SUBJECT: Trustee's Sale – 2388 Ritva Place, No. 1
Council District 8

REQUESTED ACTION:

Authorization to allow a Trustee's Sale scheduled for December 3, 2007 to proceed without Housing Commission participation.

STAFF RECOMMENDATIONS:

Allow the Trustee's Sale to be held on behalf of the first trust deed lender, Countrywide Home Loans, to proceed without Housing Commission participation. Lack of participation could result in the loss of \$70,000 in CalHome shared appreciation loan funds, \$15,000 in HOME down payment/closing cost assistance grant funds, plus \$350 in out-of-pocket expenses.

DISCUSSION:

The subject property, located at 2388 Ritva Place, No. 1 is in the Bay Terrace/Paradise Hills neighborhood of the South Bay area of San Diego (Attachment 1 – Location Map). It is part of a 440-unit condominium project known as South Bay Townhomes that was built in 1979. The unit has approximately 866 square feet with two bedrooms, one bath and an attached carport.

In November 2005, the Housing Commission funded a \$70,000 shared appreciation loan (State CalHome funds) and a \$15,000 down payment/closing cost assistance grant (HOME) to Pedro Vazquez, an unmarried man and Maria Anna Rios, a single woman. The shared appreciation loan is in second position. No monthly payments are required and the interest rate is zero percent. When the borrowers sell the property or the shared appreciation loan is paid in full, in addition to payment of the principal balance, the owners are required to pay an amount equal to the net share of appreciation in value of the property. The Housing Commission is to receive a share of the appreciation equal to the share represented by the Agency's investment in the original purchase. The promissory note is due and payable in 30 years or December 1, 2035. The down payment/closing cost assistance grant (DP/CCAG) is recoverable if the property is sold within the first six years or upon default by the borrower.

The existing encumbrances against the property are:

Delinquent 1 st installment property taxes		\$ 1,544
1 st TD Countrywide Home Loans		\$201,825
2 nd TD Housing Commission		
Shared appreciation loan	\$70,000	
DP/CCAG	\$15,000	
Out-of-pocket expenses	<u>\$ 350</u>	
		<u>\$ 85,350</u>
TOTAL ENCUMBRANCES		\$288,719

On August 9, 2007, a Notice of Default was recorded against the property on behalf of the first trust deed holder, Countrywide Home Loans. The default existed because the owner failed to make the monthly payment due May 5, 2007 and all subsequent installments. The 90-day reinstatement period has ended and a Trustee's Sale has been scheduled for December 3, 2007.

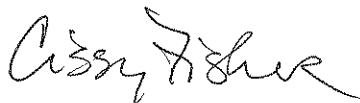
The estimated market value of the property is \$190,000 based on a drive-by appraisal dated November 12, 2007. Mr. Vasquez and Ms. Rios purchased the Ritva property at the height of the housing boom and it was appraised at \$280,000 at the time escrow closed. According to the appraisal company hired by the Housing Commission to complete the drive-by appraisal, the market value of homes in the Bay Terrace/Paradise Hills area have continued to decline since the housing boom subsided in mid-2005. This is due to numerous short sales and bank owned foreclosures which are dropping the prices in the area. There are currently 126 active listings of condominium homes in this area and the subject condominium complex has 29 units available.

As shown above, the existing encumbrances far exceed the estimated value of the property; therefore, Housing Commission staff is requesting authorization to allow the Trustee's Sale to proceed without Commission participation. Should the sale proceed, it is anticipated the property will revert back to Countrywide Home Loans. However, if there are third party bidders at the sale any funds over the opening bid would be paid to the Housing Commission to pay off as much of the shared appreciation loan as possible.

FISCAL CONSIDERATIONS:

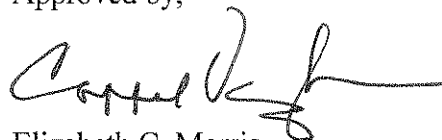
Lack of Housing Commission participation at the Trustee's Sale may result in the total write-off of the shared appreciation loan funds totaling \$70,000, the DP/CCAG of \$15,000 and the out-of-pocket expenses totaling \$350.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance and Development

Approved by,

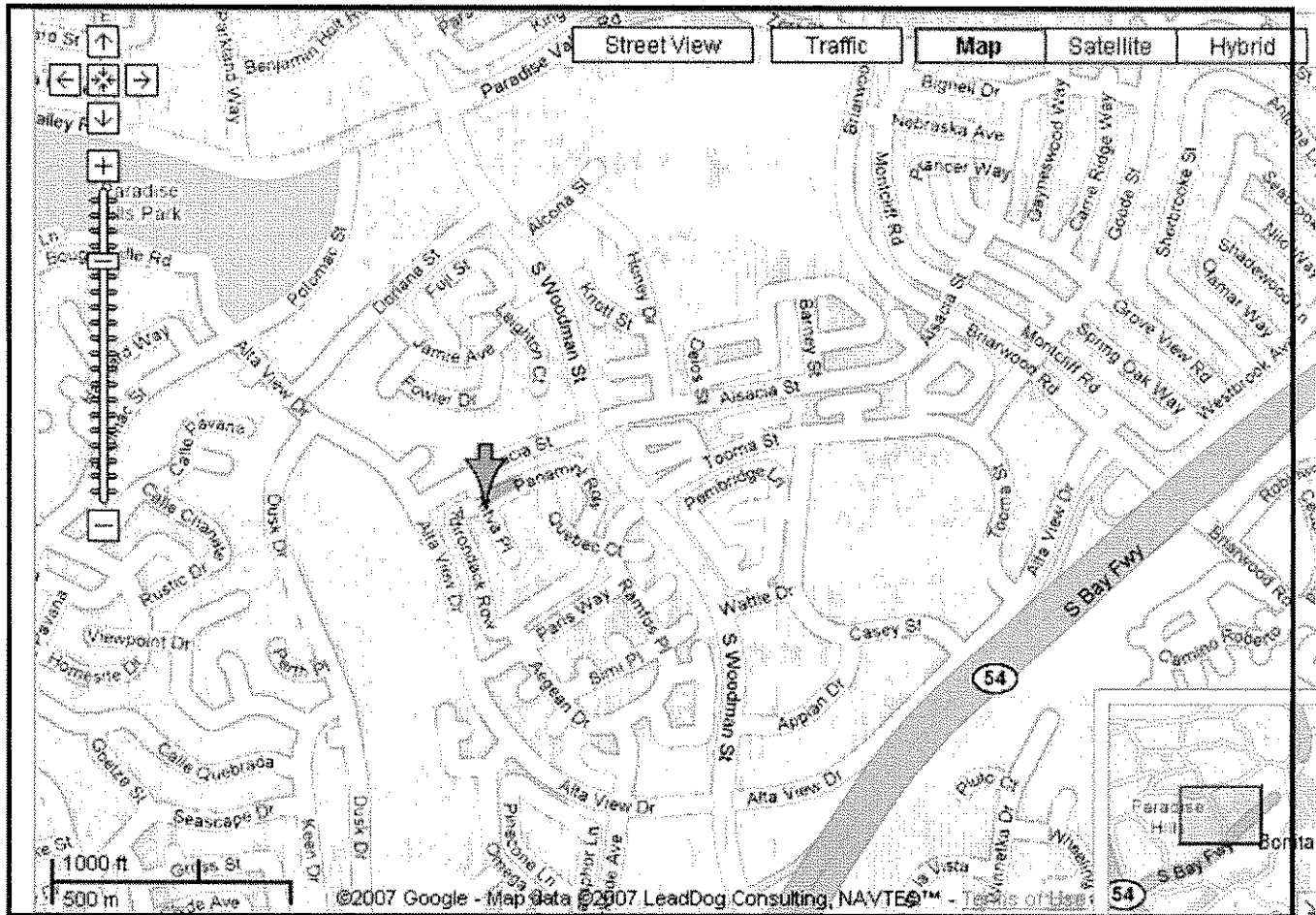


Elizabeth C. Morris
President and Chief Executive Officer



ATTACHMENT 1

Location Map:



Address:

2388 Ritva Pl
San Diego, CA 92139