

EXECUTIVE SUMMARY**DATE ISSUED:** February 23, 2010**REPORT NO:** HCR 10-039**ATTENTION:** Chair and Members of the Housing Commission
For the Agenda of March 19, 2010**SUBJECT:** Proposed Short Sale – 518 62nd Street, No. 25
Council District 4**SUMMARY:**

The townhome located at 518 62nd Street, No. 25, is an affordable restricted property under the Inclusionary Housing Ordinance. In March 2008, K. D. Agee purchased the townhome with the help of a Housing Commission three percent interest deferred payment second trust deed loan for \$49,997 and an \$11,199 closing cost grant. In addition, Ms. Agee signed an Affordable Promissory Note in the amount of \$35,010; no actual monies were expended. The Note is secured by a Deed of Trust recorded in fourth position.

Ms. Agee received a reduction in her salary from her employer the State of California. She can no longer make her mortgage payments to the first lien holder. Ms. Agee has not paid her September 2009 mortgage payment and all subsequent payments. She is trying to sell her home before it is lost through a foreclosure action. She entered into a purchase contract in December 2009 with a sales price of \$170,000. The existing encumbrances against the property total \$236,025.

According to the estimated closing statement provided by escrow, there is approximately \$22,767 available to apply towards the Housing Commission's liens. This will result in an estimated loss of \$38,679 of HOME loan and grant funds expended and the loss of the Affordable Promissory Note in the amount of \$35,010.

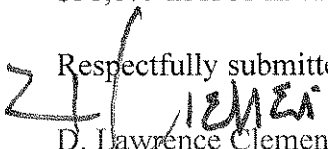
STAFF RECOMMENDATION:


That the Housing Commission accepts:

1. The terms of the short sale for the property located at 518 62nd Street, No. 25 as outlined within the report; and
2. Authorize the write off of approximately \$38,679 in HOME funds and the \$35,010 Affordable Note.

FISCAL CONSIDERATIONS:

Housing Commission acceptance of a short sale of the property would result in an estimated loss of \$38,679 in HOME funds and an additional \$35,010 from the Affordable Note.

Respectfully submitted,

D. Lawrence Clemens
Senior Vice President

Approved by,

Carol M. Vaughan
Executive Vice President &
Chief Operating Officer

REPORT**DATE ISSUED:** February 23, 2010**REPORT NO:** HCR 10-039**ATTENTION:** Chair and Members of the Housing Commission
For the Agenda of March 19, 2020**SUBJECT:** Proposed Short Sale – 518 62nd Street, No. 25
Council District 4**REQUESTED ACTION:**

The Housing Commission accept the terms of the short sale for 518 62nd Street, No. 25.

STAFF RECOMMENDATION:

That the Housing Commission accepts:

1. The terms of the short sale for the property located 518 62nd Street, No. 25 as outlined within the report; and
2. Authorize the write off of approximately \$38,679 in HOME funds and the \$35,010 Affordable Note.

BACKGROUND:

The subject property, located at 518 62nd Street, No. 25, is located in the Encanto area of San Diego (Attachment 1 — Location Map). The property is a townhome style condominium built in 2007. The dwelling has approximately 1,058 square feet with three bedrooms, two and one-half baths and a two car garage.

The townhome is located in a development known as Esperanza. There are a total of 29 townhomes in the project. A Master Declaration of Covenants, Conditions and Restrictions and Affordable Housing Agreement was recorded against the one acre property. This development fell under the Inclusionary Housing Ordinance which required at least ten percent of the total dwelling units be reserved for households earning 100 percent or below area median income (AMI). Also, the maximum sales price must result in an annual housing cost which does not exceed 35 percent of 100 percent of AMI as adjusted for household size. Pursuant to the Master Agreement, three units were set aside as affordable. The market value of the subject townhome, when sold in February 2008, was \$235,000. The affordable sales price was \$199,990. The Housing Commission took back an Affordable Promissory Note that was the difference between the actual sales price for the townhome and the market value. No interest is charged on the Note, unless there is a default. The Note is not payable until the earlier of: 1) the date the home is sold; 2) the property is no longer owner occupied; or 3) 30-years from the date the home was purchased. The Note has an equity sharing provision that requires the owner to share the equity with the City of San Diego if the property is sold within the first 15 years.

In March 2008, K. D. Agee purchased the affordable restricted townhome at 518 62nd Street, No. 25. The Housing Commission funded a \$49,997 deferred loan (HOME funds) to Ms. Agee to help her purchase the home under the Commission's First Time Homebuyer Program. The loan was

February 23, 2010

Proposed Short Sale – 518 62nd Street, No. 25

Page 2

recorded in second position. No monthly payments are required and the interest rate is three percent. The note is due and payable in 30 years or April 1, 2038. In addition to the loan, the Housing Commission funded a down payment/closing cost grant (HOME funds) in the amount of \$11,199. A Memorandum of Lien was recorded in third position to secure repayment of the recoverable grant. The lien is forgiven after six years from the date of the loan as long as the property is not sold, leased, refinanced, or further encumbered. Otherwise, it becomes due and payable plus five percent interest. Ms. Agee also signed an Affordable Promissory Note in the amount of \$35,010; no actual monies were expended. The Note is secured by a Deed of Trust recorded in fourth position.

Ms. Agee is employed by the State of California. Due to the State's budget crisis, Ms. Agee was furloughed at her job and her paycheck was reduced from a gross of \$2,864 per month to \$2,576 per month. Her total debt to income ratio is 73 percent. This figure includes her housing expenses, credit card payments and a car loan. She has not been able to make the mortgage payments to the first lien holder, Bank of America, since September, 2009. Ms. Agee is trying to sell her home before it is lost through a foreclosure action. She entered into a purchase contract in December 2009 with a sales price of \$170,000. Based on an appraisal dated January 11, 2010, the market value confirms the price at \$170,000. According to the appraisal, there were twenty sales during the past twelve months and twelve of those sales were either foreclosures or short sales, which is 60 percent of the total transactions in this market area.

The existing encumbrances against the property are as follows:

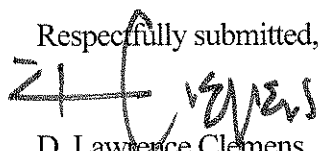
| | |
|---|------------------|
| 1 st TD – Bank of America | \$133,570 |
| 2 nd TD – San Diego Housing Commission | 49,447 |
| 3 rd Memorandum of Lien – Housing Commission | 11,999 |
| 4 th TD – Affordable Note Housing Commission | 35,010 |
| 5 th TD – California Housing Finance Agency | 5,999 |
| TOTAL ENCUMBRANCES | \$236,025 |

According to the estimated closing statement provided by escrow, there is approximately \$22,767 available to apply towards the Housing Commission's liens. This will result in an estimated loss of \$38,679 of the loan and grant fund expended and the loss of the Affordable Promissory Note in the amount of \$35,010. Housing Commission staff is recommending the acceptance of the short sale for the property at 518 62nd Street, No. 25. If the sale does not proceed, the first lien holder will file a Notice of Default that will most likely result in a total loss of the Housing Commission's investment in this property.

FISCAL CONSIDERATIONS:

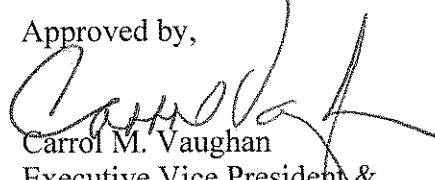
Housing Commission acceptance of a short sale of the property would result in an estimated loss of \$38,679 in HOME funds and an additional \$35,010 from the Affordable Note.

Respectfully submitted,



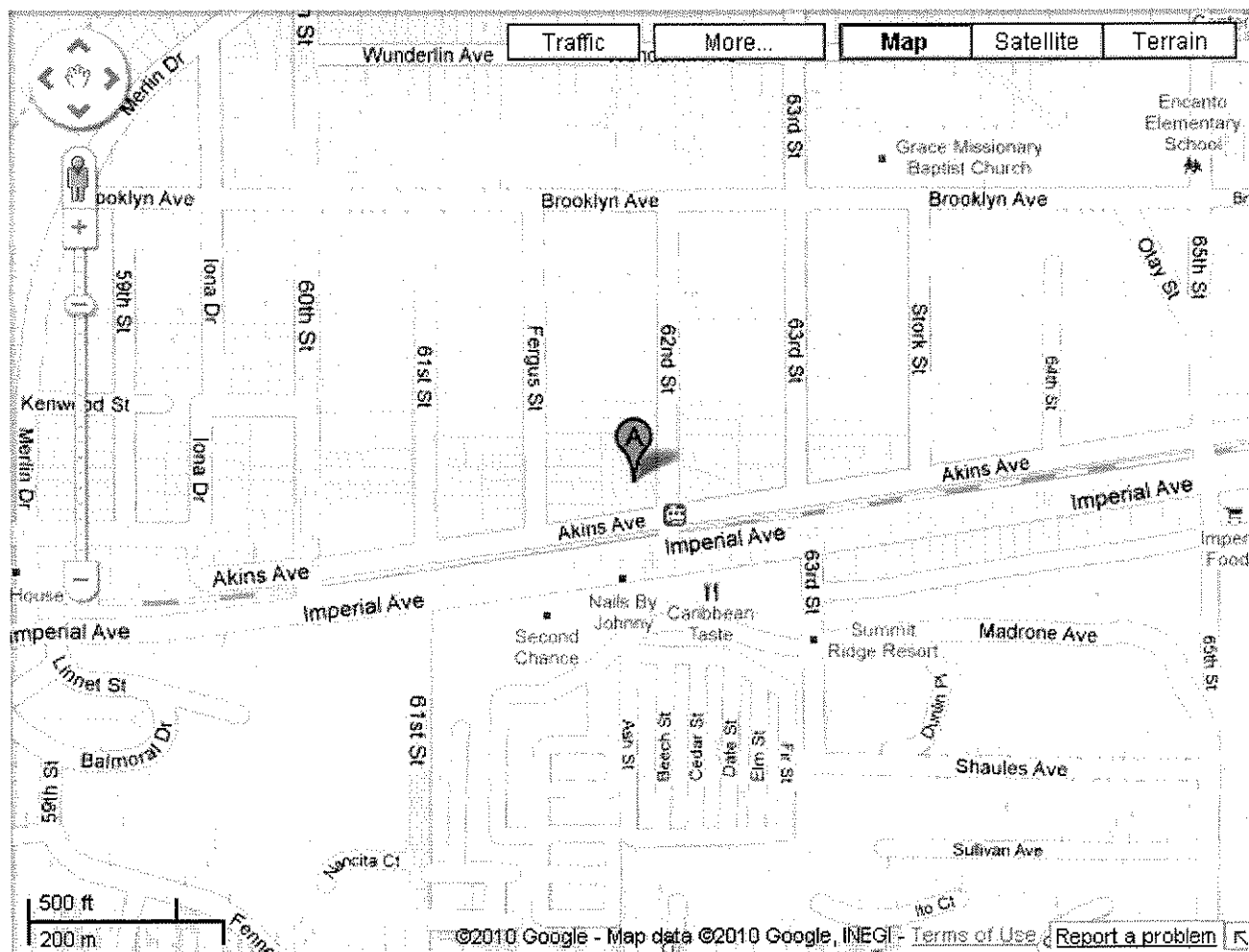
D. Lawrence Clemens
Senior Vice President

Approved by,



Carol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachment 1
Location Map



Address:



518 62nd St
San Diego, CA 92114