San Diego Housing Commission

POLICY

Subject: **OWNER-OCCUPIED HOUSING REHABILITATION**		
Number: **PO600.203**	Effective Date: July 20, 1987	

1. PURPOSE

1.1 To state Commission policy and parameters concerning rehabilitation of owner-occupied 1-4 unit properties, including mobile homes.

2. POLICY

2.1 The Program shall be administered in accordance with regulations governing the following source of funds utilized for each specific project and local policies governing housing rehabilitation: Federal Community Development Block Grant (CDBG), Federal HOME Investment Partnerships Program (HOME), and San Diego City Ordinance O-17454.

2.2 Eligible applicants shall own and occupy one-to-four unit residential properties and have incomes that do not exceed 80 percent of the MAI (Median Area Income), as published annually by the U.S. Department of Housing and Urban Development. Eligible applicants who own and occupy a mobile home must have incomes that do not exceed 60 percent of the MAI.

2.3 Applications from eligible one-to-four unit owner-occupants and mobile home owner-occupants shall be accepted on a citywide basis. Applicants for assistance from targeted rehabilitation programs such as the Special Redevelopment Area must reside within the boundaries of these operating areas. Projects funded through the HOME Investment Partnerships Program must be located in HOME eligible census tracts designated within the Consolidated Plan or successor documents.

2.4 Owner-occupied housing rehabilitation loans will follow existing processing procedures currently in place for the Commission's Rehabilitation Program and in accordance with the purpose and policy of the Housing Rehabilitation Program General Policy No. 600.201.

2.5 Owner-occupied one-to-four unit housing rehabilitation loans will be underwritten in accordance with existing Housing Commission Lending Authority Policy No. 600.101.

2.6 Mobile home loans will be underwritten based upon the owner's ability to prove ownership, owner-occupancy, and the unit's need for rehabilitation.

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Authorized:

Signature on File
With Original Document

Carrol Vaughan
Chief Operating Officer

Date

2.7 For eligible owner-occupants of one-to-four unit residences, the following loan terms will be available. Qualification for these terms will be based upon the homeowner's ability to make payments, considering debt and rehabilitation costs in relation to household income:

A. Loans up to $45,000 for single unit and up to $100,000 for 2-4 unit properties:

1) Three percent simple interest loans fully amortized over 15 years.

2) Three percent simple interest partially deferred loans requiring a minimum of $50 per month payment which will be applied first to the interest due and any remaining amount to the principal owed. Full remaining principal and accrued interest will be due upon sale, transfer of ownership, or 15 years from the loan date. If at the end of 15 years a borrower is incapable of repaying the loan, either in a lump sum or monthly payments, the deferred loan may be extended for additional five-year terms. The Chief Executive Officer may waive the minimum monthly payment in the event of hardship.

B. Loans exceeding $45,000 for single unit and exceeding $100,000 for 2-4 unit properties:

1) No (0%) interest deferred Shared Equity loan. No monthly payments are required, and no interest will accrue on loan, however, borrower to repay full amount of loan principal upon future sale, transfer, exchange, conveyance, lease, or rental of subject property ("transfer"), and, if such transfer occurs prior to fifteen (15) years from date of loan, borrower shall also pay a prorated share of equity to the Commission. The amount of "equity" to be shared will be the difference between the "after-rehabilitation value" and the future resale value, less principal balances on senior loan(s) and Shared Equity loans, and credits to borrower for any payments paid by borrower for purchase of the security property (including down payment, installment payments of mortgage principal, escrow fees, transfer taxes, recording fees, brokerage commissions and similar costs of acquisition actually paid by borrower), and money paid by borrower for capital improvements to the property, plus not less than the legal rate of interest on those cash payments. Such capital improvements must be approved by the Commission prior to construction and must be documented to the satisfaction of the Commission. If sold within the first year of rehabilitation loan, borrower to share 50% and Commission 50% of equity. The borrower's share of equity will increase by one (1) percent per year starting at the anniversary date of loan, and Commission's share will decrease by one (1) percent per year. The Commission's share of equity is waived after the fifteenth year of residency.

C. Eligible owner-occupants of mobile homes registered with the State Department of Housing and Community Development (HCD) will be offered a maximum loan of $12,000 for rehabilitation, or $15,000 for the purchase and rehabilitation of a replacement mobile home. These loans will be no interest (0%) partially deferred

15-year loans requiring a minimum of $25 per month payments applied to principal owed. Full remaining principal will be due if prior to expiration of the loan period there is a sale or transfer of ownership. The loan will be completely dismissed upon expiration of the 15-year loan period. The Chief Executive Officer may waive the minimum monthly payment in the event of hardship.

2.8 No-interest deferred loans up to $10,000 may be provided for repair of health, safety and emergency hazards for owner-occupants of one-unit residences with incomes not exceeding 60 percent of the MAI. These no-interest deferred loans will be underwritten based upon proof of ownership, owner-occupancy, and need of rehabilitation, and must be repaid without interest upon sale, transfer, rental or refinance of the subject property. A property owner cannot receive more than one such fully deferred loan for their residence.

2.9 Mobile home repair grants up to $3,500 to eliminate health and safety hazards are available to owner-occupants with incomes not exceeding 60 percent of MAI. These grants are increased to a maximum of $5,000 for residents of mobile home parks determined by the Chief Executive Officer to be distressed. A mobile home owner cannot receive more than one such grant for their mobile home.

2.10 No Interest Deferred Payment Loans up to $5,000 per unit to a maximum of $15,000 per multi-family (1-4 unit) property may be provided to applicants for the costs of abatement or containment of hazardous material. These deferred loans must be repaid without interest upon sale, transfer, rental or refinance of the subject property.

2.11 To be considered eligible for rehabilitation program participation, properties consisting of one residential unit must have an after-rehabilitation appraised value not exceeding 110 percent of the median price of single family homes in San Diego as published by the U.S. Department of Housing and Urban Development.

2.12 For the purpose of program eligibility determination, the income of an applicant shall include all verifiable income.

2.13 To avoid speculation, recipients of owner-occupied rehabilitation loans who sell their residences within three years from the date of the loan will be required to repay the loan at the market interest rate charged at the time the loan is funded. The Chief Executive Officer may waive this requirement based upon individual circumstances.

2.14 Rehabilitation loans will not be originated unless all health, safety and code violations can be corrected. All residential units must at minimum meet Section 8 Housing Quality Standards upon completion.

2.15 The below market interest rates provided in 2.7 may be achieved through direct lending or the Commission's Leveraged Lending Agreement with a private lender(s), if available.