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

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Proposed Revisions to the FTHB Program

Introduction

- SDHC has operated an FTHB Program since 1992 to help low-income households achieve homeownership.
 - Provided more than \$190.8 million in assistance (loans, grants and mortgage credit certificates).
 - Assisted more than 5,900 homebuyers.
 - **Deferred-Payment, Second Trust Deed Loan Program**
 - Buyer Down Payment: 3 percent of the purchase price
 - Program Loan Amount: Up to 17 percent of the purchase price
 - Interest Rate: 3 percent simple interest
 - Deferred for 30 years, no monthly payments
- 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).



Proposed Revisions to the FT HB Program

Current Market Conditions

- August 2021:
 - Single-family home median price in San Diego: \$835,000
 - 14 percent increase compared to the same time last year
 - Source: California Association of Realtors
- November 30, 2021:
 - 25 percent home price gain in a year in the San Diego metropolitan area
 - Source: S&P CoreLogic Case-Shiller Indices, as reported by *San Diego Union-Tribune*
- Difficult for first-time homebuyers to purchase a home with the current loan amount of 17 percent of the purchase price
 - Extraordinarily high price of homes
 - Limited inventory in the San Diego market



Proposed Revisions to the FTHB Program

Loan Amount Revision

- SDHC staff continuously monitors the program and responds to market conditions by taking action to revise program parameters.
- SDHC staff recommends modifying the deferred-payment loan program to provide a range of assistance between **17 percent and 22 percent** of the sales price based on the applicant's *need*.



Proposed Revisions to the FTHB Program Example

- Three-person household with an annual income of \$87,000:

\$632,000	Purchase Price
-\$107,440	Housing Commission Deferred-Payment Loan (17% of Purchase Price)
-\$18,960	Minimum 3% Buyer's Down Payment
\$505,600	First Trust Deed Loan Amount
3.25%	Interest Rate on First Trust Deed Loan
30	Term
\$2,200.40	Principal & Interest Payment
\$658.33	Property Taxes
\$100.00	Hazard Insurance
\$2,958.74	Total Housing Payment

Debt to Income Ratio

Housing	40.81%
Total	44.95%

\$665,000	Purchase Price
-\$146,300	Housing Commission Deferred-Payment Loan (22% of Purchase Price)
-\$19,950	Minimum 3% Buyer's Down Payment
\$498,750	First Trust Deed Loan Amount
3.25%	Interest Rate on First Trust Deed Loan
30	Term
\$2,170.59	Principal & Interest Payment
\$692.71	Property Taxes
\$100.00	Hazard Insurance
\$2,963.30	Total Housing Payment

Debt to Income Ratio

Housing	40.87%
Total	45.01%

- With the increase in loan amount, this buyer's purchasing power would increase by \$33,000.



Proposed Revisions to the FTHB Program Outreach Plan

Promote the program and encourage more applications:

- Multiple Lender/Realtor trainings
- Several FTHB workshops
- Informational flyers
- Outreach to banks/credit unions
- FTHB “How to Apply” video on FTHB website
- FTHB program enhancements already implemented
 - Close in 30 days
 - Pre-approval letter



Proposed Revisions to the FTHB Program Staff Recommendations

Recommend that SDHC Board of Commissioners take the following actions:

- 1) Approve a modification to the City of San Diego First-Time Homebuyer Program's Deferred Loan Program to provide a deferred-payment, second trust deed loan of 17 percent to 22 percent of the purchase price based on the applicant's need, with the interest rate set at 3 percent; and
- 2) Authorize the President & CEO, or designee, to execute all necessary documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals.



Proposed Revisions to the FTHB Program

Questions & Comments

