



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
123 E. Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department No.: 057
For Agenda Of: 11/14/17
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2485
Director(s)
Contact Info: Dinah Lockhart, Community Services Deputy Director (805) 568-3523

SUBJECT: County Homebuyer Assistance Program Loan No. 00-05, Proposed Amendment (Supervisory District 4)

County Counsel Concurrence

As to form: Yes

Planning and Development:

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- A. Approve and authorize the Chair to execute an amendment (Exhibit A) to the Promissory Note for the "shared equity" County HAP Loan No. 00-05, which will allow the home owner to borrow an amount of up to \$203,000 against the owner's share of equity only.
- B. Approve and authorize the Chair to execute a Subordination Agreement (Exhibit B) that subordinates the County's existing Deed of Trust securing HAP Loan No. 00-05 to a new deed of trust securing a loan in the amount of up to \$203,000.
- C. Determine that the recommended actions are not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the project is a creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and direct staff to file a Notice of Exemption (Exhibit E).

Summary Text:

The County’s Homebuyer Assistance Program originated a silent second mortgage for the subject family in the amount of \$30,000 on October 25, 2000. The intent of the HAP program was to assist first time homebuyers earning up to 80% of the Area Median Income in purchasing a principal residence in the County of Santa Barbara.

The Promissory Note for the HAP Loan No. 00-05 (Exhibit C) (“HAP Note”) is secured by the County of Santa Barbara Homebuyer Assistance Program Subordinate Deed of Trust (Exhibit D) (“HAP Deed of Trust”). The HAP Note provides that, in the event of a Transfer or Refinance of the mortgage in first lien position, the owner will pay to the County a percentage of the property’s equity (“County Equity Share”). The County Equity Share percentage is calculated as follows:

$$\text{(County capital contribution)} / \text{(County capital contribution + Owner capital contribution)}$$

The owners have requested that the County subordinate our HAP Deed of Trust to a new mortgage, allowing the owners to pull cash out of their portion of the home equity and finalize their divorce.

Background:

When the owner approached the County with a request to borrow against the property, staff evaluated the request and proposed several options, including pre-payment of the County Equity Share. The owner also had the option of taking out a second mortgage without requesting that the County subordinate to the new loan. Due to the inability to qualify for a second mortgage with a lender who would agree to be in a junior position to the County’s HAP Deed of Trust, the owner has elected to pursue a new first mortgage in the amount of \$203,000 to pull cash out of their equity and settle divorce proceedings. This option requires the County to subordinate its HAP Deed of Trust to a deed of trust securing this new first mortgage of \$203,000 placing the new loan in first lien position.

HCD estimates that if this payment were due now the repayment amount would be between \$59,250 and \$61,500. The current fair market value of the home ranges between \$395,000 and \$410,000 and the owner’s equity share ranges between \$335,750 and \$348,500. However, no amount is due at this time because the owner does not propose to Transfer and does not propose to Refinance. The current owners of this subject property are seeking to take out a new mortgage to settle their divorce and obtain an affordable mortgage payment so that the husband may remain in the home and raise their children. This new mortgage will require that the County subordinate our existing HAP Deed of Trust.

HCD proposes amending the HAP Note to ensure that the new mortgage is only being taken out against the owner’s share of equity in the home. This will ensure that payments on the new loan will not dilute the County Equity Share in the event that a repayment becomes due at a later date.

Impacts:

Budgeted: Yes

Special Instructions:

Return a copy of the Minute Order to Andrew Kish, HCD, Property Management Program.

Attachments:

- Attachment A – Amendment to the Promissory Note for HAP Loan No. 00-05
- Attachment B – Subordination Agreement
- Attachment C – Promissory Note for HAP Loan No. 00-05
- Attachment D – HAP Loan Deed of Trust
- Attachment E – CEQA Exemption

Authored By:

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