



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Housing and
Community
Development
Department No.: 055
For Agenda Of: June 5, 2007
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department John Torell, CPA
Director(s)
Contact Info: Pat Gabel, Housing Finance Division Manager
SUBJECT: Homebuyers Assistance Program Subordination Agreement, 5th District

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: No

Recommended Actions: That the Board of Supervisors:

- A) Authorize the Housing Director to execute the attached Subordination Agreement (Attachment A), pursuant to a \$25,000 “soft second” loan awarded in 1999 under the Homebuyers Assistance Program (HAP), to Ruben and Brenda Corona (the “Borrowers”) for purchase of a property located at 1034 Kingston Drive in Santa Maria; and
- B) Authorize the Housing Director to execute the attached First Amendment to Promissory Note permitting re-financing of the first mortgage to include costs associated with replacement of the roof and improvements to the kitchen of the home.

Summary Text:

In 1999, Santa Barbara County’s Housing and Community Development Department provided downpayment assistance in the amount of \$25,000 to Ruben and Brenda Corona to purchase a property located at 1034 Kingston Drive in Santa Maria. At that time the purchase price of the home was \$118,000, and the Corona household contributed \$11,300 of their own savings towards the purchase. The first mortgage was in the amount of \$81,700. In consideration of receiving the down payment assistance, the Borrower’s executed a Promissory Note Secured by a Subordinate Deed of Trust and Borrower’s Agreement to the Conditions of the Loan (“Note”). Among other things, the Note limited the Borrower’s ability to refinance their first deed of trust.

The Corona’s are currently seeking to refinance the first mortgage on their home to finance an additional \$19,422 in funding to add a new roof to the home and to perform some permanent kitchen upgrades.

Refinancing of loans secured against the property for the purpose of taking out equity for approved property improvements is allowed under the County's HAP Program Guidelines: "Refinance of the first mortgage is permitted without prepaying the County's loan only in cases where (1) the new loan is at a lower interest rate and no additional funds are being borrowed outside of the remaining debt on the first mortgage or (2) the additional funds are being obtained entirely to pay for substantial, non-luxury improvements approved in advance by the County (e.g., bedroom or bathroom addition, roof replacement, electrical upgrade, etc.)."

Performance Measure:

Safe and healthy families; housing for all segments of the population.

Fiscal and Facilities Impacts:

n/a

Fiscal Analysis:

Based on the currently appraised value of the property of \$370,000, HCD staff has reviewed and analyzed the loan and documentation related to this subordination request and concluded that the proposed subordination and Note amendment do not put the county funding at-risk as the Corona's purchased the property for \$118,000 in 1999. Therefore, staff recommends approval of the loan subordination request and amendment to Promissory Note.

Staffing Impacts:

Legal Positions:

n/a

FTEs:

n/a

Special Instructions: Please call ext. 3520 for pick-up of one (1) original Subordination Agreement and one (1) Amendment to Promissory Note.

Attachments:

Attachment A: Subordination Agreement

Attachment B: First Amendment to Promissory Note

Authored by:

Carlos Jimenez, Senior Housing Program Specialist

cc: