TO: Mayor and City Council
FROM: Steven J. Pinkerton, Director
Housing & Redevelopment Department

SUBJECT: RESOLUTION: COMBINED DOWN PAYMENT ASSISTANCE/REHABILITATION LOAN IN THE AMOUNT OF $66,000 FOR THE PURCHASE AND REHABILITATION OF A SINGLE-FAMILY RESIDENCE LOCATED AT 703 SOUTH BROADWAY AVENUE

RECOMMENDATION

It is recommended that a resolution be adopted: 1) approving a combined Down Payment Assistance/Rehabilitation Loan in the amount of $66,000 ($39,200 from the CALHOME Program Loan, $10,800 from the American Dream Loan Pool, and $16,000 from HOME funds) to Vanny and Chester Atkins for the purchase and rehabilitation of a single-family residence located at 703 South Broadway Avenue; and 2) directing the City Manager to take whatever actions are necessary and appropriate to carry out the intent of the resolution.

Summary

A resolution is requested that approves a $66,000 Combined Down Payment Assistance/Rehabilitation Loan to Vanny and Chester Atkins for the purchase and rehabilitation of a single-family residence located at 703 South Broadway Avenue.

DISCUSSION

Background

The City Council approved modifications to the City’s housing programs in order to meet continuing demand for financial assistance from low- and moderate-income homebuyers who have insufficient income and down payment funds to purchase a home. These changes became effective July 1, 2004, and include a small grant/forgivable loan component, five percent equity recapture, and provisions for both a down payment/rehabilitation loan, if the prospective buyer qualifies. The revised down payment program is still subject to underwriting guidelines.

Eligible homebuyers must: 1) qualify for a primary first mortgage loan from a private lending institution; 2) have acceptable credit; 3) complete an acceptable homebuyer training course; and 4) the property must serve as their primary residence and have an initial purchase price that does not exceed the Department of Housing and Urban Development’s (HUD’s) Single-Family Mortgage Limits under Section 203(b) of the National Housing Act (currently at $261,609).

The City loan will be in second position behind the primary mortgage and will be deferred for 30 years at an interest rate of zero percent.
RESOLUTION: COMBINED DOWN PAYMENT ASSISTANCE/REHABILITATION LOAN IN THE AMOUNT OF $66,000 FOR THE PURCHASE OF 703 SOUTH BROADWAY AVENUE, STOCKTON

Present Situation

Bank of America will be financing the first mortgage utilizing $122,800 in State of California conventional loan funds at 4.50% fixed interest with a PITI monthly payment of $845.53. Additionally, the buyers qualify for and will be receiving State of California Down Payment Assistance in the amount of $5,400 at 3% interest, deferred for 30 years; and State of California Homebuyer Assistance funds in the amount of $5,400 at 3% interest, deferred for 30 years.

The ratios, income, purchase price, rate, term, loan amount and loan-to-value are stated below:

Purchase Price: $180,000.00
Rehabilitation Funds: $16,000.00
Fixed Interest Rate: 4.50%
First Mortgage Term: 30 Years
First Mortgage Amount: $122,800.00
State Downpayment Funds: $5,400.00
State Homebuyer Assistance Funds: $5,400.00
City Loan Amount: $66,000.00

A) Loan to Value:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Program Guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Housing Debt (All Mortgages)</td>
<td>$199,600.00</td>
<td>103%</td>
</tr>
<tr>
<td>Appraisal (After Rehabilitation)</td>
<td>$194,000.00</td>
<td>104%</td>
</tr>
</tbody>
</table>

B) Housing Debt Ratio:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Program Guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Debt (PITI – 1st Mortgage)</td>
<td>$845.53</td>
<td>38%</td>
</tr>
<tr>
<td>Monthly Income</td>
<td>$2,243.00</td>
<td>38%</td>
</tr>
</tbody>
</table>

C) Total Debt Ratio

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Program Guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt (PITI + Consumer Debt)</td>
<td>$875.53</td>
<td>39%</td>
</tr>
<tr>
<td>Monthly Income</td>
<td>$2,243.00</td>
<td>41%</td>
</tr>
</tbody>
</table>

FINANCIAL SUMMARY

The forgivable closing cost component of the Down Payment Assistance Program will be funded through a $5,000 HOME American Dream Initiative-funded forgivable loan after five years. The down payment portion of the loan will be funded with $39,200 of State of California CALHOME funds and an additional $5,800 in HOME American Dream Initiative
RESOLUTION: COMBINED DOWN PAYMENT ASSISTANCE/REHABILITATION LOAN IN THE AMOUNT OF $66,000 FOR THE PURCHASE OF 703 SOUTH BROADWAY AVENUE, STOCKTON

funds. The rehabilitation portion of the loan will be funded with $16,000 of HOME funds. There are sufficient funds in CALHOME account number 060-0000-334-97-30 ($39,200), HOME American Dream Initiative account number 059-8533-992.90-58 ($10,800), and HOME account number 059-8533-992.90-58 ($16,000) to accommodate this loan.

Respectfully submitted,

STEVEN J. PINKERTON, DIRECTOR
HOUSING AND REDEVELOPMENT DEPARTMENT

SJP:LD:jb

APPROVED BY THE CITY MANAGER:

MARK LEWIS, CITY MANAGER
RESOLUTION AUTHORIZING A COMBINED DOWN PAYMENT ASSISTANCE/REHABILITATION LOAN IN THE AMOUNT OF $66,000.00 TO VANNY AND CHESTER ATKINS—703 SOUTH BROADWAY AVENUE

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Manager is hereby authorized and directed to execute, on behalf of the City of Stockton, a down payment assistance/rehabilitation loan by the City of Stockton to VANNY and CHESTER ATKINS in the amount of Sixty-six Thousand and No/100 Dollars ($66,000.00) ($39,200 from the CALHOME Program Loan, $10,800 from the American Dream Loan Pool and $16,000 from HOME funds).

2. The loan is to be evidenced by promissory notes secured by a deed of trust on the property located at 703 South Broadway Avenue in the City of Stockton, California.

3. The City Manager is hereby authorized and directed to take whatever actions are necessary to carry out the purpose and intent of this resolution.

PASSED, APPROVED and ADOPTED ____________________________

ATTEST: ____________________________

GARY A. PODESTO, Mayor
of the City of Stockton

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

City Atty
Review Date December 3, 2004