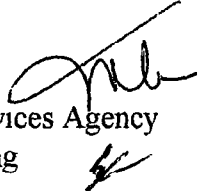


County of San Mateo  
Human Services Agency  
Office of Housing

DATE April 19, 2001  
HEARING DATE May 8, 2001

**TO:** Honorable Board of Supervisors

**FROM:** Maureen D Borland, Director, Human Services Agency  
Steve Cervantes, Director, Office of Housing



**RE: Resolution Authorizing a Modification to the START and StartPLUS Down Payment Assistance Loan Program, Eliminating the Maximum Purchase Price Limit, Increasing the Down Payment Assistance Loan Amount and Authorizing Future Program Changes be Approved by the Human Services Agency Director and the Director of the Office of Housing**

RECOMMENDATION

Adopt a resolution authorizing a modification to the START and StartPLUS down payment assistance loan program eliminating the maximum purchase price limit, increasing the down payment assistance loan amount to \$65,000 and authorizing future program changes be approved by the Human Services Agency Director and the Director of the Office of Housing

BACKGROUND

The "START" loan program was initiated in April, 1994, to assist low- to moderate-income first-time homebuyers by supplementing their down payment with a long term, low interest rate, second mortgage loan. A smaller unsecured loan, known as "StartPLUS", was also available to lower income applicants to help pay closing costs and/or provide additional down payment money. Within 8 weeks, the entire \$5 million allocation was distributed and 125 low- to moderate-income families became new homeowners. The \$5 million funding pool consisted of \$3 million of County General Funds (a portion of the proceeds from the sale of the County-owned Polhemus site) and \$2 million from a HUD special purpose grant.

DISCUSSION

According to the San Mateo County Association of Realtors's Report of Completed Sales for year 2000, the average sales price of a single family home in San Mateo County was \$667,500 and \$396,100 for condominiums and townhouses (excluding sales in Atherton, Hillsborough, Portola Valley and Woodside whose average sales prices typically exceed \$2 million).

High housing prices have diminished the START program's effect of providing the level of substantive assistance needed at the current subsidy amount of \$55,000 and the existing purchase price limit of \$360,000 has prevented some prospective home buyers from purchasing, even though they met the income criteria and had the capacity purchase above the current limit.

Staff is proposing that the down payment loan amount be raised to a maximum of \$65,000 and the purchase price limit be eliminated and allow the borrower's income and financial position to dictate their purchase price. There

are existing program restrictions that will prevent access to the program by those who are not eligible (i.e., buyer's gross annual household income cannot exceed 120% of the area median income, adjusted for household size, they cannot own other real property and their liquid assets cannot exceed \$100,000) At present, the cities of Belmont, Foster City and San Carlos offer down payment assistance programs that have no purchase price limit

**CURRENT LOAN TERMS AND RECOMMENDED CHANGES**

	<i>CURRENT</i>	<i>RECOMMENDED</i>
<b>Maximum Purchase Price</b>	\$360,000	No Limit
<b><u>START Loan Amount</u></b>	The lesser of 25% of the purchase price or \$55,000	The lesser of 25% of the purchase price or \$65,000
Term	35 yrs - payments are deferred for the first 5 years, but interest accrues on a simple interest basis during this period	Same
Interest Rate	3%	Same
Monthly Payment Beginning in the 6 <sup>th</sup> year	\$ 266.66 - Beginning in the 6 <sup>th</sup> year, amortized over the remaining 30 years	\$315.15 Beginning in the 6 <sup>th</sup> year, amortized over 30 years.
Maximum Household Income	120% of HUD area median income adjusted for household size	Same
<b><u>StartPLUS Loan Amount</u></b>	\$5,000 - secured by a Deed of Trust	Same
Term	Loan remains on the property until it is sold, title is transferred or it ceases to be owner-occupied	Same
Interest Rate	0%	Same
Payments	No monthly payments required	Same
Maximum Household Income	80% of HUD area median income adjusted for household size	Same

The recommended changes are essential to strengthening the program's effectiveness by providing more substantive assistance that is crucial to lower- and moderate-income first-time homebuyers and will increase buying opportunities by allowing access to a larger portion of the county's housing stock

In addition HCD staff continues to explore alternative programs to better serve low to moderate first-time homebuyers The Office of Housing, in collaboration with the City San Mateo, has formed the Countywide Housing Investment Partnership (CHIP), a consortium comprised of representatives from nine local cities, mortgage lenders, real estate brokers, school districts and other interested parties The group's objective is to design a mutually acceptable investment grade down payment assistance program that is more responsive to the needs of targeted households throughout the county Further, it seeks to maximize program funding by leveraging local municipal moneys against state and federal funds as well as the capital of other investor partners such as county employers, pension funds and private foundations

Authorizing approval of future changes at the Agency level will allow the Office of Housing to more quickly initiate program modifications to adapt to rapidly changing real estate market conditions

OTHER REVIEWING AGENCIES

The resolution has been reviewed and approved by the County Counsel's Office

FISCAL IMPACT

This program has no impact on the general fund. New loans are funded from the proceeds of monthly loans payments and loans that are paid off. Loan processing and servicing costs are paid by fees collected from borrowers.

# EXHIBIT A

## PROGRAM DESCRIPTION

### START AND STARTPLUS LOAN PROGRAM FOR FIRST-TIME HOMEBUYERS

#### Eligible Borrowers

Must be first-time homebuyers (*Borrowers cannot have owned a home as their principal residence within three years prior to applying for the program*)

Borrowers may not own other real property at the time of purchase and cash and cash equivalent assets (excluding retirement funds) may not exceed \$100,000

At the time of application, at least one borrower in the household must be living or working in San Mateo County

#### Eligible Properties

No Maximum Purchase Price

Borrowers may purchase, single family dwellings, including condominiums or townhouses Duplexes and other multi-family dwellings are not eligible

Dwellings must remain owner-occupied for the term of START loan

#### START Loan Terms

The START loan is a second mortgage loan program designed to provide down payment assistance to low- to moderate-income, first-time homebuyers

#### Loan Amount

The lesser of \$65,000 or 25% of the purchase price

#### Loan Term

35 years (Payments are deferred for the first 5 years but interest accrues, on a simple interest basis, during that time)

#### Interest Rate

3%

#### Payment Terms

Regular monthly payments of principal and interest begin the 61<sup>st</sup> month and are amortized over the remaining 30 years The balance of the loan, including accrued interest is due on sale, transfer of title or when property ceases to be owner-occupied

#### Income Restriction

Gross annual household income cannot exceed 120% of the area median income, adjusted for household size

StartPLUS Loan Terms

The StartPLUS loan is an additional secured loan, used in conjunction with the START loan, to assist lower income borrowers with additional down payment and/or closing costs

Loan Amount	\$5,000
Loan Term	Due at the time of sale, transfer of title or when property ceases to be owner-occupied
Interest Rate	0%
Payment Terms	There are no payments required on this loan
Income Restriction	This loan is available to borrowers with annual household incomes that do not exceed 80% of the area median income, adjusted for household size.

*Borrower(s) are responsible for obtaining their own first mortgage from a lender of their choice and must have sufficient assets to pay a down payment and applicable closing costs*

The County's loan processing fee is currently \$300 but may be changed, as required, to cover program administration costs

**RESOLUTION NO. \_\_\_\_\_**

**BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA**

**\* \* \* \* \***

**RESOLUTION AUTHORIZING A MODIFICATION TO THE START AND STARTPLUS DOWN PAYMENT ASSISTANCE LOAN PROGRAM, ELIMINATING THE MAXIMUM PURCHASE PRICE LIMIT, INCREASING THE DOWN PAYMENT ASSISTANCE LOAN AMOUNT AND AUTHORIZING FUTURE PROGRAM CHANGES BE APPROVED BY THE HUMAN SERVICES AGENCY DIRECTOR AND THE DIRECTOR OF THE OFFICE OF HOUSING**

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**RESOLVED**, by the Board of Supervisors of the County of San Mateo, State of California, that

**WHEREAS**, in 1994 the County implemented a successful county-wide home ownership loan assistance program known as "START", to assist low- and moderate-income first-time homebuyers, and

**WHEREAS**, the "START" program has to date funded 209 loans totaling \$7,987,725, and

**WHEREAS**, the "START" loan has played a critical role in creating affordable housing opportunities for low- and moderate-income first-time homebuyers who may not have otherwise been able to achieve homeownership, and

**WHEREAS**, modification of the program's terms to eliminate the maximum purchase price limit, increase the maximum loan amount to \$65,000 and authorizing the Human Services Agency Director and Director of the Office of Housing to approve future program changes, are necessary to more effectively respond to the needs of prospective first-time homebuyers, and

**WHEREAS**, there has been presented to the Board of Supervisors for its consideration and acceptance, the revised San Mateo County First-Time Homebuyer Program, attached hereto as Exhibit A, reference to which is hereby made for further particulars, and the Board of Supervisors has examined and approved the program description and desires to revise the existing program,

**NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED**, that this Board of Supervisors approves and accepts the changes to the San Mateo County First-Time Homebuyer Program

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