Joint program to help low-income families buy homes

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Some low-income families who have no hope of purchasing a home will soon be able to take advantage of a program that will allow them to buy in the communities of Southeast San Diego, City Heights and Normal Heights.

Key to the program is a $1.2 million subsidy from the Federal Home Loan Bank of San Francisco, which will provide a bridge between the purchase price of the homes and the amount of money families are able to put toward a down payment and mortgage.

Jointly operating the program are the San Diego Housing Commission and HomeFed Bank, which was awarded the $1.2 million grant.

The program is expected to serve as many as 67 low-income households making no more than 60 percent of San Diego's median income. For a family of four, the upper income limit would be $24,800 a year.

Beginning Oct. 12, HomeFed will conduct one- and two-day seminars to educate prospective homeowners not only on the home-buying process, but also on how to maintain good credit and budget their finances. The seminars will continue through Nov. 21. Attendance is required for anyone interested in qualifying for a loan.

Information on the program and the dates and locations of the seminars may be obtained by calling HomeFed at 699-8154.

In order to participate in the program, prospective candidates must be able to afford a monthly payment equal to 36 percent of of their gross pre-tax income, have a good credit history and be able to make a down payment of 5 percent of the purchase price. Anyone who lives in San Diego County is eligible to apply.

While the seminars are open to anyone, interested participants will have to complete a pre-qualification worksheet and later be formally qualified by HomeFed.

Lotteries will be held at 10 a.m. Dec. 7 in Southeast San Diego, City Heights and Normal Heights in order to choose candidates for the loans.

"Normally, someone who makes 60 percent of the median income would probably be renting," said Deborah Brady-Davis, director of community investment activities at HomeFed Bank. "This provides an opportunity that would not exist but for this program."

So intense has interest been in the program that nearly 500 people made inquiries of
HomeFed during one two-week period last month, she noted.

Once program participants qualify and are selected, they will have 60 days in which to find a home and initiate the loan process. Actual funding of the loans is expected to begin in February or March, Brady-Davis said.

A total of 24 loans will be allocated to City Heights, 19 to Normal Heights and 24 to Southeast San Diego.

As part of the program, HomeFed will provide nearly $4.8 million conventional first trust deed mortgages, while the Housing Commission will offer an additional $335,000 to assist homebuyers with closing costs.

For a family purchasing a $90,000 home, a down payment of $4,500 would be required, in addition to maximum monthly mortgage payments of $620. The Federal Home Loan Bank would provide a second trust-deed subsidy of $20,000 for which no monthly payments would be required.

If program participants remain in their homes for at least 15 years, the "silent" second trust deeds will be forgiven. If they leave before the 15-year term has expired and do not sell to another low-income household, the loan will have to be repaid with 10 percent interest, Brady-Davis said. However, if another household earning 60 percent or less of the median income purchases the property, no interest on the second trust deed will be required.