



# Affordable Financing

By Harlan Green

This monthly affordable housing series has included profiles of private, governmental, and not-for-profit developers. So now is the time to cover affordable financing that is available, including down payment assistance programs, below market interest rates and educational assistance for first-time homebuyers, as well as update you on some upcoming projects.

For starters, did you know that Bermant Development Company has more than 400 residential units on the South Coast in various planning stages? Construction has already started on the Paseo Chapala units, where 8 of the 29 units will be in the affordable range above commercial units. Bermant Homes President John Campanella thinks that Paseo Chapala will be completed by the fall or winter of 2005, and include 5 at 100% median income (\$51,800/year income range for 2), plus 3 at 120 percent of median-income or higher.

Montecito Street's 90 units will all be in the affordable range for local workers--from 120 to 160 percent, according to its designers, Peikert Group Architects. That would put the price for a 2-bedroom unit from \$271,800 to \$376,400 at the 2004 median income level.

We should start by saying that the one truly below market mortgage program is Cal-Vet-or California Dept. of Veteran Affairs--which only offers home loans to California Veterans who are first time home buyers! These loans are backed by tax-free state bonds--hence the lower interest rates. What is a first-timer? One

who hasn't owned a home in the last 3 years. You can contact the state agency to get more information on a Cal-Vet loan. Another condition is that actual title is held by Cal-Vet with what is called a land contract of sale. Once the loan is paid off, title is formally deeded to the homeowner. It is therefore difficult to obtain so-called junior liens behind Cal-Vet's first mortgage--such as an equity line--for that reason.

The county's Dept. of Housing & Community Development (HCD) still offers real down payment assistance up to \$60,000 to first-timers in the low-income range--but only in North County locations like Lompoc, Santa Maria and Orcutt. And it must be a so-called market rate unit--meaning that it has no resale controls. Their definition of a first time homebuyer is slightly different. A divorcee who had an ownership interest within the past 3 years is also eligible, for example--but lost the home in the divorce.

HCD is contemplating changing their down payment program, according to HCD housing specialist Tim Wong, because there have been no takers since Dec. 2003! This is even though no interest is charged, and up to \$40,000 is forgiven over a 30-year period. The problem? Escalating property values, of course, which has put housing ownership out of the reach of low-income buyers, who cannot earn more than \$51,750 annually for a family of four, for example. Tim can be contacted at 568-3523 for more information.

The National Homebuyers Fund is a private non-profit corporation that will pay up to 7 percent

of the closing costs for a first-time homebuyer. It is affiliated with Fannie Mae, and FHA programs, who do offer favorable qualification treatment for first-time homebuyers. The NHF monies are re-payable over 20 years at a nominal interest rate. NHF's website is [www.nhfloan.org](http://www.nhfloan.org) for more information.

The application for either loan assistance or to qualify for the purchase of a price-controlled affordable unit is not complicated. It is a two-step process. The first-timer must apply to a lender and be pre-qualified for a maximum loan amount. They then take that pre-qualification letter to the city or county housing agencies, where their income category is determined. This requires 2 years of federal tax returns, current pay stubs, a credit report. They must also specify how much cash is available for the down payment.

The city also allows non-occupant cosigners, such as parents, though the owner-occupant must be responsible for 28 - 40 percent of the fixed housing expenses, including the mortgage payment, taxes, and insurance/homeowners fees. Up to 20 percent of the purchase price can also be gifted by family members. You can contact the city's Housing Programs Specialist Deirdre Randolph for more information at 564-5461.

The city has a



good housing rehabilitation loan program--up to \$80,000 per unit. Santa Barbara rehabilitates some 53 units per year, according to Carol Carpenter, Program Specialist. Many of them have been upgrades to rental units owned by non-profit corporations such as the Community Housing Corp. and People's Self Help Housing Corporation. But the city also encourages single-family owners to apply who are in the low-income categories, especially the elderly and disabled. The city will handle the whole process, from permits to hiring the contractor and supervising completion.

What other affordable projects are nearing a start date on the South Coast? People's Self Help is building 6 Victoria St. bungalows and 12 units as part of the new Granada Garage project. Progress can be monitored at its [www.granadagarage.com](http://www.granadagarage.com) website. The Peikert Group will be building 40 housing units of work-live condominiums (an office or storefront downstairs in some units) at 4646 Carpinteria Ave, Carpinteria (Narang Nursery location), 130 units at Yananoli and Garden Sts. (40 units are in

affordable range), 37 condominiums in Old Town Goleta (6 affordable), and 36 units of affordable, mixed use housing on Meadowvale and 246 in Santa Ynez soon.

It will take the twin virtues of persistence and patience to acquire one of these units, of course, but ownership opportunities will increase for local employees as more money flows into workforce housing construction, particularly. Even the city of Goleta will eventually get into the act, once its Old Town redevelopment agency begins to generate substantial revenues. But only continued public pressure will make affordable housing a priority for city and county elected officials.

Harlan Green is a syndicated financial columnist and Mortgage Banker at Bankers Mortgage of Santa Barbara, Inc. Please address questions and comments to: S B News-Press Classified Dept., P.O. Box 1359, Santa Barbara, CA 93102-1359, or email: [bankersmortgageofsb@verizon.net](mailto:bankersmortgageofsb@verizon.net) ©2005

