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Via Electronic Mail

The Estate of Edward E. Drew
C/O Cody Hancock
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I am writing in response to our phone conversation and your request regarding a resale price and restrictions on selling the property located at 79268 Sign of Spring, La Quinta, California, under the provisions of the second trust deed loan received from the City of La Quinta Housing Authority ("Authority"), which was provided to this property in February 2007 under the La Quinta Housing Program—Watercolors Senior Housing Project.

This property received a "silent" second trust deed loan from the Authority because, at the time, the owner was able to qualify as moderate-income in purchasing a home. When combined with the maximum first mortgage that could be obtained, the Authority's second trust deed loan allowed the purchase of this home. The Authority loan requires that for the 45-year term (February 2052), the property is sold to another moderate-income household at a sales price that results in a monthly affordable housing cost to the buyer. If the home sells as an affordable unit, the purchaser would obtain their new first mortgage and assume the existing Authority loan of \$48,000 for the remainder of the 45-year term (February 2052).

The 2026 income limits for moderate-income households would be households with combined gross incomes that fall within the range below.

	1 person	2 people	3 people	4 people
Not less than	68,901	78,751	88,601	98,401
Not more than	89,450	102,250	115,250	127,800

Monthly affordable housing cost means that the total monthly housing costs (the principal and interest payment on the first mortgage, property taxes and insurance, mortgage insurance and homeowner's association fees of \$316, and a \$75 monthly utility allowance) must be less than the monthly amount established by California Redevelopment Law, which in this case is \$3,417 for a moderate-income household in a unit this size.

This is a 3-bedroom home. Based on a home of this size, I have to make several assumptions that will enable me to calculate a sales price for this property that would maintain the property's recorded affordability and resale restrictions. To do this, I have to use a "worst case" example because a potential buyer's situation is unknown before the property is listed for sale. Therefore, the assumption I used is that the buyer will make a down payment of 3% and be able to obtain a conventional loan at a 8% interest rate. These assumptions result in a sales price of approximately \$405,000. If the buyer received a loan that required mortgage insurance, the maximum sales price would be roughly \$380,000 to maintain the affordability restrictions. If a potential buyer could obtain a lower interest rate or increase the downpayment, the sales price could be increased slightly, market conditions permitting. **The MAXIMUM downpayment for this property cannot exceed 20% of the total sales price, which would result in a sales price of approximately \$478,000. Therefore, the listing price for this property would need to fall in between \$380,000 and \$478,000. Be advised that the property must be able to obtain an appraisal to support the purchase of the property at the listed price. Listing the property at a price that exceeds what the market will bear will not have an appraisal that supports the purchase. If listed at the higher amount, the potential pool of buyers is reduced significantly.**

Please understand that the above sales prices are the maximum that will maintain the affordability restrictions under the scenarios I described above. Therefore, the sales prices I have provided should not be interpreted as the market value of this property, which I am not qualified to establish. However, because your property has recorded affordability restrictions, the value of your property is not market value; it is the value that will maintain these restrictions. Additionally, the property should be priced attractively so there is an incentive for a potential moderate-income purchaser to be willing to assume the existing second trust deed loan and its restrictions.

If the home is sold as an affordable unit, you will keep any equity, less the Authority loan, and after the first mortgage loan (if applicable) and closing costs have been paid. The Authority loan would remain an encumbrance on the property and assumed by the buyer for the remainder of the 45-year term (February 2052).

I hope this adequately addresses your questions. I am always available to answer any questions and can be reached at (760) 900.9668.

Sincerely,
Becky Caha
Becky Caha
Housing Program Consultant