

**REDEVELOPMENT AGENCY
OF THE CITY OF SAN PABLO**

**First-Time Homebuyer
Program Guidelines**

www.ci.san-pablo.ca.us

13831 San Pablo Ave.
San Pablo, CA 94806
(510) 215-3030

Minimum Primary Loan is \$70,000

Effective July 1, 2008

FIRST-TIME HOMEBUYER PROGRAM GUIDELINES

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**Redevelopment Agency
of the City of San Pablo**

FIRST-TIME HOMEBUYER PROGRAM GUIDELINES

1.0. PURPOSE

The Redevelopment Agency of City of San Pablo First-Time Homebuyer Program ("Program") provides assistance in the form of a deferred payment "silent" second priority loan, or third priority if combined with assistance through the CalHome program, as "Gap" financing toward the purchase price and closing costs of affordable housing units that will be occupied by eligible "Homebuyers." The Program is funded by the Redevelopment Agency of the City of San Pablo ("Agency") and will be administered by the Agency or its designee.

1.1. Application Process and Selection

An eligible property is any home in the incorporated area of the City of San Pablo that meets or exceeds local codes. Eligible Homebuyers will be qualified on a first-come, first-served basis, *generally* according to the following schedule:

NOTE: Homeownership training may be offered by the Agency on a periodic basis. It is recommended that all applicants be counseled about the home buying process and the responsibilities and benefits of home ownership.

- A. Homebuyer contacts a lender to begin qualifying for a first mortgage loan according to industry standards which includes providing verification of income, expenses, etc. (information submitted to lender can be used). The lender calculates the price range that the buyer can afford according to the example described in Section 4.1.
- B. The Agency reviews the underwriter packet and approves the applicant for the Program. The Agency provides a letter to the Homebuyer stating that based on the application, the Homebuyer is eligible to participate in the Program. However, a letter of eligibility is not the same as a reservation of funds.

1.2. The Home Purchase Process

The following is a simplified example of how the Program works.

- A. After being pre-qualified by a lender and given a loan amount based on applicant's income and Program ratios, the Homebuyer chooses a real estate agent to help them select a home.
- B. The housing unit selection process is conducted by the Homebuyer.
- C. When a housing unit is selected, an escrow will be opened and the realtor begins scheduling the required inspections.
- D. Upon receipt of an accepted purchase agreement, the lender will process the loan and send the loan package to the Agency at:

Redevelopment Agency of the City of San Pablo
Attn: First Time Homebuyer Program
13831 San Pablo Ave.
San Pablo, CA 94806

- E. Upon receipt of the complete loan package, including required inspections, the Agency will review the package for compliance with Program guidelines and submit the package and recommendation to the Executive Director, or his/her designee, for approval or denial. The Agency provides Homebuyer with a decision letter. If the application is denied, the Homebuyer receives a copy of the Agency's appeal procedures.
- F. When escrow is ready to close, the Agency will send Program loan instructions to the Title Company. The Agency shall be named as an additional loss payee on fire, flood, if required, and extended coverage insurance for the length of the Program loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit.
- G. The Agency submits loan documents to the Escrow Agent.
- H. Escrow Agent prepares both the primary loan and the Program loan documents for execution and returns them to Agency for final review. Upon final Agency approval, an Agency check will be delivered to the Escrow Agent.
- I. Escrow closes, and the documents are recorded with the County. The Agency and the Homebuyer receive copies of the recorded loan documents.
- J. Homebuyer moves into their home.
- K. Agency sets up a monitoring procedure for annual review of Homebuyer's conformance with terms of the loan.

Attached to these Guidelines as Attachment A is an Application Checklist containing items required for all Program loan commitments and funding, including instructions for all documents referenced in the checklist.

1.3 Processing Time

Please allow up to 5 business days for complete review of the First Time Homebuyer packet.

1.4 Homebuyer Funds

Homebuyers must have at least **10%** of the Program loan amount of their own funds in the transaction. For example, if Homebuyer borrows \$100,000 from the Agency, the Homebuyer must have **\$10,000** of Homebuyer's own funds in the purchase of the Home. These funds may be used for the down payment or recurring or non-recurring closing costs, including the appraisal fee, credit report costs, loan origination fees, discount points customary to Homebuyer closing costs, Homebuyer's customary portion of the escrow fees, title insurance, and impound accounts for property taxes and insurance.

The Nehemiah Program is not eligible for the FTHB program. The buyer cannot use Nehemiah funds in place of the 10% homebuyer funds requirement. The borrower can still utilize a monetary gift however the gift cannot be passed through the Nehemiah program.

(See Section 12.0 if Program loan will be made in combination with a CalHome loan.)

1.5 Homebuyer Education

Buying a home can be one of the most confusing and complicated transactions anyone can make. Providing the future Homebuyer with informative and relevant education and training can bring success to the Agency, the Program and, most importantly, the Homebuyer. It has been documented that first-time homebuyers that have had homebuyer education have the ability to handle problems that occur with homeownership. It is recommended that Program participants attend a homebuyer education class. The homebuyer education class may cover such topics as the following: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; and loan servicing.

1.6 Non-Discrimination Requirements

The Program is administered in accordance with the Agency's commitment to non-discrimination and applicable Federal and State regulations. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with Agency funds on the basis of his or her religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status (children), source of income, physical or mental disability, medical condition, national origin, or ancestry, or other arbitrary cause. Homebuyers needing assistance or accommodations to complete the application process will be afforded such assistance/accommodation.

2.0 APPLICANT QUALIFICATION

2.1 Current Income Limits

All applicants must certify that they meet the household income eligibility requirements. The income limits in place at the time of application will apply when determining applicant income eligibility. All applicants must have incomes at or below 120% of the County's area median income (AMI), adjusted for household size, as published annually by the California Department of Housing and Community Development.

<i>2008 INCOME LIMITS (Moderate)</i>								
The following annual income limits are based on the number of people in the household. To qualify, the combined income of all adult household members must be between 81-120% of the Contra Costa County median.								
% of median	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8 People
120%	72,300	82,600	93,000	103,300	111,600	119,800	128,100	136,400
<i>2008 INCOME LIMITS (Low)</i>								
The following annual income limits are based on the number of people in the household. To qualify, the combined income of all adult household members must be 80% or less than the Contra Costa County median.								
% of median	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8 People
80%	46,350	53,000	59,600	66,250	71,550	76,850	82,150	87,450

The maximum front-end ratio for low-income Homebuyers is 30%. The maximum front-end ratio for moderate-income Homebuyers is 35%.

2.2 Definitions

- A. “Household” means one or more persons who will occupy a housing unit.
- B. “Household Income” is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. For those types of income counted, gross amounts (before any deductions have been taken) are used, and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household’s projected ability to pay must be used, rather than past earnings, when calculating income.
- C. “Homebuyer” means an individual who meets the income eligibility requirements and is not currently on title to real property and has not owned a home during the three-year period before the application for Program assistance, except that the following individuals may not be excluded from consideration as a Homebuyer:
 - 1. A displaced homemaker (example: non-working individual) who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
 - 2. A single parent (example: a divorced person) who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; and
 - 3. An individual who owns (and is planning to sell the unit as part of purchasing a home on real property) or owned, as a principal residence during the three-year period before the purchase of a home with Program assistance, a dwelling unit whose structure is:
 - a) not permanently affixed to a permanent foundation in accordance with local or state regulations (example: mobile home); or
 - b) not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure (example: substandard unit).

Documentation of Homebuyer status will be required for all Homebuyers.

2.3 Income Qualification Criteria

Projected Household Income of the Homebuyer will be used to determine whether the Homebuyer is above or below the income limits established by the Agency. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing, kept in the applicant file and held in strict confidence.

Assets. There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual income. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. *(Note: It is the income earned – for example, interest on a savings account – not the asset value, which is counted in annual income.)*

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including: penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

2.4 Legal Residency

A Homebuyer and all household members must be either a citizen of the United States of America or permanent resident.

3.0. HOUSING UNIT ELIGIBILITY

3.1 Location and Characteristics

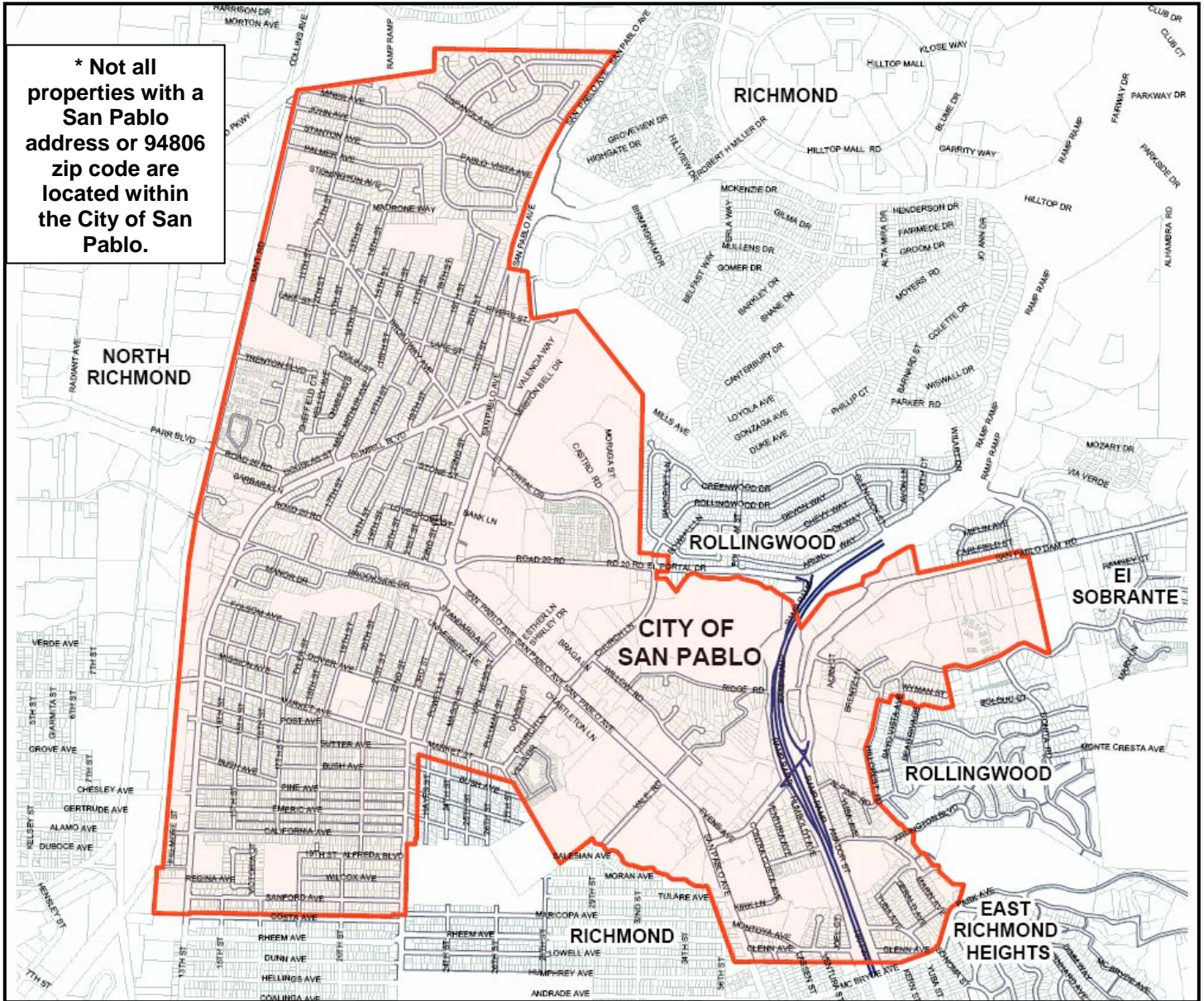
- A. Housing units to be purchased must be located within the eligible area. The eligible area is within the City of San Pablo city limits.
- B. Housing unit types eligible for the Program are new or previously owned single-family detached houses, condominiums, townhouses, units in residential loft structures or manufactured homes in common-interest developments or on a single-family lot and placed on a permanent foundation system.
- C. All housing units must be in compliance with State and local codes and ordinances.
- D. Applicants who qualify for the FTHB program and are purchasing a home in a new development can have FTHB funds set aside for a maximum of 60 days of the projected close of escrow date.

If an escrow does not close in 60 days and the delay is in part of the developer, then an extension may be granted.

If escrow does not close because construction on the home was never completed due to developer bankruptcy, then an applicant must start the whole FTHB process and qualify with a new offer on a home.

3.2 Map of City Boundaries

Please use this map alongside your favorite mapping system to help you identify if the subject address is located within the City Boundaries. Homes located in Richmond, Montalvin Manor, Tara Hills, El Sobrante, Rollingwood are not eligible as they are not located within the City of San Pablo.



3.2 Condition and Inspection

Once the Homebuyer has executed a purchase agreement for a housing unit and prior to a commitment of Program funds, the following steps must be taken for the housing unit to be eligible for purchase under the Program:

- A. The Homebuyer is required to obtain a Residential Health and Safety inspection administered by the City of San Pablo's Building Division to review the home's compliance with building codes. This will help ensure that the Homebuyer will not purchase a substandard home or a home needing major repairs.

1. Residential Health & Inspection Program (RH&S)

This program establishes the procedures for the inspection of all single family residential units sold within the San Pablo city limits.

An RH&S inspection is required for properties that are for sale and the unit is more than ten years old (from the original construction date).

2. What is a temporary resale certificate of compliance?

If the seller cannot complete all work needed to remove or mitigate potential threats to health and safety before close of escrow, the buyer may sign a temporary certificate of compliance. This document states that the buyer is purchasing the property in an "as-is" condition and the buyer is also assuming all obligations of the owner and shall comply with the City's codes within sixty days of close of escrow.

3. What is the fee for an RH&S inspection?

- Condominium or Townhouse \$125
- Single Family \$175

4. What is the procedure to file an application and schedule an inspection?

You may download an application from our City website at:

http://www.ci.san-pablo.ca.us/main/documents/RHSapplication_001.pdf

You can fax your application to (510) 235-9417, and pay by phone with a credit card (Visa or Mastercard) by calling Mayra Corleto (510) 215-3061 or deliver it to:

Residential Health & Inspection Program
Building #3
13831 San Pablo Avenue
San Pablo, CA 94806

If a buyer is purchasing a former rental property, an RH & S inspection is also required in all such cases.

- B. The Homebuyer must acknowledge receipt of and approve a complete home inspection performed by a certified home inspector approved by the

Homebuyer to determine the condition of items such as the foundation, roof, doors, windows, plumbing, etc. This will help ensure that the Homebuyer will not purchase a substandard home or a home needing major repairs.

- C. The Homebuyer must acknowledge receipt of and approve a pest inspection report performed by a certified pest inspector approved by the Homebuyer for each housing unit. Smoke detectors will be installed if there are none in place. Homebuyers are encouraged to secure a homeowner's warranty policy as part of the purchase of a resale housing unit.

4.0 THE PRIMARY LOAN

Prior to obtaining a loan from the Agency, a Homebuyer must provide evidence of financing for the maximum amount the primary lender is willing to loan (the "primary loan").

4.1 Qualifying Ratios

Primary loans underwritten by FHA, USDA Rural Development, Fannie Mae, Freddie Mac, or CalHFA are acceptable to establish creditworthiness, repayment ability, and dependability of income. The lender shall qualify the Homebuyer using the following ratios:

- A. The front-end ratio shall be 30% (up to 35% for moderate-income Homebuyers). A front-end ratio is the percentage of a Homebuyer's gross monthly income (before deductions) that is available to cover the cost of PITI (loan principal and interest payments, property taxes and property insurance). **The minimum shall be 30% for moderate-income homebuyers.**
- B. The back-end ratio, which shall include PITI plus any other monthly debt payments like car or personal loans and credit card payments, should not exceed 45%. Suggested loan to value ratios based on FICO and back-end ratios are as follows:

97.01 - 100% Combined Loan to Value
FICO score 720 Over-all ratio: 45%
FICO score 660 Over-all ratio: 41%
FICO score 620 Over-all ratio: 38%

Up to 97% Combined Loan to Value
FICO score 620 Over-all ratio: 45%

The minimum credit score allowed is 620. Exceptions may be requested based on lender approval.

4.2 Utility Schedule

The Agency has developed a utility schedule based on the US Department of Housing and Urban Development Utility Schedule (2008) to calculate monthly utility costs based on housing type and bedroom size. The following schedule is a monthly average of utility costs and should be included in the monthly household expenses. The utility schedule will be included in the evaluation of the information provided in the loan application, along with credit history, to

ensure the buyer not only meets the credit and affordability underwriting guidelines but also provides clear understanding of the total monthly housing expenses

The schedule is an average of gas and electric utilities. The schedule includes air conditioning, water, sewer, trash collection, range/microwave and refrigerator costs.

UNIT TYPE: CONDO

Utility or Service	Average Monthly Dollar Allowance						
	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6/7 BR
TOTAL AVERAGE MONTHLY COSTS	\$118.00	\$144.50	\$169.50	\$194.00	\$232.00	\$257.50	\$283.50

UNIT TYPE: DETACHED HOUSE

Utility or Service	Average Monthly Dollar Allowance						
	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6/7 BR
TOTAL AVERAGE MONTHLY COSTS	\$140.00	\$176.50	\$211.00	\$247.00	\$300.50	\$335.50	\$364.00

4.3 Interest Rate

For a Program loan, the rate of interest shall be fixed and not an adjustable rate mortgage, or “ARM.” If “Risk Rates” are applied (an interest rate that reflects the primary lender’s loan risk), each loan shall be evaluated by the Agency on a case-by-case basis. No negative amortizations are allowed.

(See Section 12.0 if Program loan will be made in combination with a CalHome loan.)

4.4 Loan Term

The primary loan shall be fully amortized and have a term “all due and payable” in no fewer than 30 years. The Program loan shall be a 30-year deferred payment loan. There shall not be a balloon payment due under the primary loan before the maturity date of the Program loan.

The loan interest rate on Agency FTHB loan will be 0% and payable when the property is sold, refinanced (see section 10 for exception), transferred or 30 years after purchase, whichever comes first. The homebuyer will be required to pay to the Agency a shared appreciation portion of the net appreciation of the home that is equal to the percentage of the purchase price of the home financed by the FTHB Program loan.

4.5 Homeowners Insurance, Impound Account Required

All Homebuyers are required to have homeowners insurance. An impound account for property taxes and homeowner insurance will be required to be set-up at close of escrow with the primary mortgage lender.

5.0. THE PROGRAM LOAN

5.1 Maximum Amount of Program Assistance

The maximum amount of financial assistance to a moderate-income Homebuyer toward purchase of a home is \$200,000.00. Loans are available on a first come, first fund basis.

(See Section 12.0 if Program loan will be made in combination with a CalHome loan.)

5.2 Non-Recurring Closing Costs

Non-recurring costs such as credit report, escrow, closing and recording fees, title report and title insurance, title updates and/or related costs may be included in the Program loan.

5.3 Affordability Parameters for Homebuyers

The actual amount of a Homebuyer's Program subsidy shall be computed according to the housing ratio parameters specified in Section 4.1. Each borrower shall receive only the subsidy needed to allow them to become homeowners (the "Gap") while keeping their housing costs affordable. The primary lender will use the ratios in Section 4.1 to determine the amount of the primary loan and, ultimately, the Program subsidy amount required, bridging the Gap between the purchase price (less down payment) and the amount of the primary loan.

5.4 Rate and Terms for Program Loans

All Program assistance to Homebuyers shall be made in the form of a deferred payment loan, with no required payments until the maturity date of the loan, **subject to a shared appreciation provision upon payoff.**

(See Section 12.0 if Program loan will be made in combination with a CalHome loan.)

- A. The Program loan term shall be for 30 years.
- B. The Program loan shall not accrue interest.
- C. Shared Appreciation. The payment to the Agency of a share of the appreciated value of the home is required in connection with a transfer of the home before the end of the Program loan term or upon a default of the Homebuyer under the Program loan documents. The calculation of shared appreciation is as follows:
 1. Gross appreciation is calculated by subtracting the original purchase price from the current fair market value of the home (the current fair market value is as agreed to by the Homebuyer and the Agency or as determined by appraisal);
 2. Net appreciation is calculated by subtracting the Homebuyer's applicable closing costs in connection with a sale of the home, the Homebuyer's cash contribution in the original purchase transaction, and the documented value of capital improvements from the gross appreciation amount;

3. The Agency would receive the portion of the net appreciation that is equal to the percentage of the purchase price of the home financed by the Program loan, less 5%. The discount of 5% is to account for payments made by the Homebuyer during the term of the Program loan for property taxes, insurance, maintenance, interest and other expenses paid by the Homebuyer.

For example, if the Agency loan equals 20% of the purchase price of the home, the Agency would be owed 20% minus 5%, or 15%, of the net appreciation of the home.

4. Example of Shared Appreciation Calculation:

Homebuyer's Purchase Price for the Home:	\$ 320,000.00
Program loan amount:	\$ 40,000.00
Percentage of Home's Purchase Price Financed by Program loan:	12.5%
Minus 5% Program loan discount:	7.5%
Fair Market Value of Future Sales Price:	\$ 420,000.00
Minus Homebuyer's Purchase Price:	<u>\$ (320,000.00)</u>
Gross Appreciation Amount:	\$ 100,000.00
Minus Homebuyer's Cash Payments at Purchase of Home:	\$ (4,000.00)
Minus Homebuyer's Capital Improvement Investments:	\$ (4,000.00)
Minus Homebuyer's Closing Costs at Sale of Home:	<u>\$ (6,000.00)</u>
Net Appreciation Amount:	\$ 86,000.00
Shared Appreciation Payment (Net Appreciation times 7.5%):	\$ 6,450.00

5. No Shared Depreciation. The Agency will not share in any depreciation or loss in value of the Home if the Homebuyer sells the Home at a loss.
6. All sales of the Home shall be done at "arms length" and in good faith.

D. Loan Disclosure Agreement. Prior to the close of escrow for the Home, Homebuyer will be required to sign a Loan Disclosure Agreement that acknowledges that the Homebuyer understands the repayment of Program loan principal and payment of shared appreciation at the termination of the Program loan.

E. Owner-Occupancy. The Homebuyer must occupy the property as the Homebuyer's principal place of residence. The Homebuyer is not permitted to rent or lease the property. When the property is no longer the principal place of residency, or upon discovery of willful misrepresentation or fraud in connection with the program, the full principal amount of the Agency loan shall become due and payable immediately.

- F. Agency must approve sale of home if, the Agency will incur a loss in relation to sale of the home.
- G. Homebuyer must sign shared appreciation notification acknowledging they understand the repayment of the funds at close of escrow.

5.5 Loan to Value Ratio

The loan-to-value ratio for the Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the purchase price.

5.6 Co-Borrowers and Co-signers

The City of San Pablo FTHB program will not allow for a non-occupying, co-borrower or co-signer. The borrower must be able to make their monthly payments without depending on outside assistance.

5.7 Fraud For Housing

A home buyer and/or his representatives (realtor, underwriter, mortgage broker) that attempts to acquire and maintain ownership of a house under false pretenses, misstatement, misrepresentation, or omission to purchase a home will be immediately disqualified from the City of San Pablo's First Time Homebuyer Program.

6.0 PROGRAM LOAN REPAYMENT

6.1. Payments are Voluntary

The Program loan is a deferred payment loan, which means that payments are not required until the Homebuyer ceases to occupy the property or the property is sold, transferred or refinanced, or at the end of the term of the Program loan. However, Homebuyers may begin making voluntary payments to the Agency at any time, upon notification to and approval of the Agency.

6.2 Receiving Loan Payments

- A. Program loan payments will be made to:

Redevelopment Agency of the City of San Pablo
Attn: Finance Director
13831 San Pablo Avenue
San Pablo, California 94806

- B. The Agency will be the recipient of loan payments and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in an Agency Program Income Account. All loan payments are payable to the Agency. The Agency may, at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

6.3. Due Upon Sale, Transfer or Non-Owner-Occupancy

Loans are due upon sale or transfer of any interest in the home or upon the loan maturity date. The loan will be in default if the Homebuyer no longer occupies the home as his/her principal residence, or rents or leases the home, or fails to maintain required hazard insurance or fails to pay property taxes.

6.4. Loan Monitoring Procedures

Agency will monitor Homebuyers and their housing units to ensure adherence to Program requirements including, but not limited to, the following:

- A. Owner-occupancy.
- B. Property tax payment.
- C. Hazard insurance coverage.
- D. Good standing on primary loans.
- E. General upkeep of housing units.

7.0. PROGRAM LOAN PROCESSING AND APPROVAL

7.1 Program Loan Processing

- A. **Loan Processing.** All Homebuyers or their representatives will be provided an eligibility packet with all the necessary forms, disclosures, information, and application. They should submit a complete application packet with all the Agency Program loan documents executed as well as all the information from the primary lender. The Homebuyer should submit: 1) accepted property sales contract with proper seller notification; 2) mortgage application with good faith estimates and first mortgage disclosures; 3) full mortgage credit report and rent verification; 4) current third party income verifications and verifications of assets; 5) homeownership education certificate. Staff will work with local lenders to ensure Homebuyers receive only the benefit from the Agency's Program needed to purchase the housing unit and that leveraged funds will be used when possible.
- B. **Credit-worthiness.** Qualifying ratios are a guideline in determining a potential Homebuyer's credit-worthiness. Many factors such as credit history, amount of down payment, and size of loan will influence the decision to approve or disapprove a particular loan. The Homebuyer's credit history will be reviewed by the Agency and documentation of such maintained in the loan file. The Agency may elect to obtain a credit report or rely on a current copy obtained by the primary lender.

Creditworthiness includes a credit score of at least 620, and the Homebuyer must not have filed for bankruptcy within the last two (2) years.
- C. **Documents from Primary Lender.** After initial review of the Homebuyer's application packet, the Agency will request any additional documents needed. Documents may be faxed but originals shall be received through the mail before Program funds are committed to escrow. Based on receipt and review of the final documents, the Agency will complete an income certification and homebuyer certification (review of credit report and income taxes). Documentation of affordability will then be verified and subsidy requirement determined.

D. **Disclosure of Program and Loan Information to Homebuyers.** The Program's application and disclosure forms contain a summary of the loan qualifications of the borrower with and without Program assistance. Housing ratios with and without Program assistance are also outlined in these guidelines. Information on the Program's application will be documented with third party verifications in the file. For example, the sales contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, pest and title reports will provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The primary lender's approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the primary lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Program loan. By reviewing and crosschecking all the primary lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

E. **Homes not constructed or under construction.** Applicants who qualify for the Program and are purchasing a home that is under construction or not yet constructed may have Program funds set aside for a maximum of 60 days from the projected close of escrow date.

If escrow does not close in 60 days and the delay is due to the developer's actions, an extension may be granted. A detailed explanation may be requested from the developer.

If escrow does not close in 60 days and the delay is due to the buyer's actions, an extension will not be granted.

If escrow does not close because construction of the home was not completed due to developer bankruptcy, the reserved funds will be unreserved and the applicant must re-qualify for the Program.

7.2 Completion of Underwriting and Approval of Program Loan

Once the loan approval package has been completed, the Agency will review the request and may approve it with or without conditions. Upon approval, a final closing date for escrow is set and Program funds are accessed for the Homebuyer.

7.3 Primary and Program Loan Document Signing

The Homebuyer signs the promissory notes, deeds of trust and lending disclosure notices (Good Faith Estimate, Truth in Lending, etc.). Following signature, the deeds of trust are recorded with the County Clerk/Recorder (the primary loan recorded in first position and the Program loan recorded in second position), and the Request for Notice of Default is also recorded with the County Clerk/Recorder.

7.4 Escrow Procedures

The Title Company shall review the escrow instructions provided by the primary and

Program lenders and shall issue a California Land Title Association (CLTA) and the American Land Title Association (ALTA) title insurance policies after closing. The CLTA policy is issued to the homebuyer and protects them against failure of title based on public records and against such unrecorded risks as forgery of a deed. The ALTA policy is issued to each lender, including the Agency, providing additional coverage for the physical aspects of the property as well as the homebuyer's title failure. These aspects include anything which can be determined only by physical inspection, such as correct survey lines; encroachments; mechanics liens; mining claims and water rights. The lender instructs the Title Company in the escrow instructions as to what may show on the policy, the amount of insurance on the policy (all liens should be covered), and the loss payee (each lender should be listed as a loss payee and receive an original ALTA policy).

A timely closing of escrow is essential. Failure to notify the City of a problematic, delayed or cancelled escrow transaction will result in ineligibility to participate in the City of San Pablo's First Time Homebuyer Program. It is the home buyer's and/or his representatives (realtor, underwriter, mortgage broker) responsibility to notify the City should the above events occur.

8.0 SUBORDINATE FINANCING

In order for a low or moderate-income household to obtain a home, several funding sources might be required. Subordinate loans may be used to cover mortgage costs that exceed the Program maximum loan amount. All subordinate liens must have the payments deferred and the term must be for at least as long as the term of the Program loan.

9.0 EXCEPTIONS AND SPECIAL CIRCUMSTANCES

9.1. Definition of Exception

An exception is any case to which a standard policy or procedure, as stated in the guidelines, does not apply. A Homebuyer treated differently from others of the same class would be an exception.

9.2. Procedure for Exceptional Circumstances

- A. The Agency staff or agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Agency's recommended course of action and any written or verbal information supplied by the Homebuyer.
- B. The Agency shall make a determination of the exception. The request can be presented to the Agency's loan committee and/or governing body for a decision.

10.0 REFINANCING

The Agency will not allow refinancing of the primary loan for the purpose of taking "cash out" of the Home. If the Homebuyer wishes to refinance the primary loan and receive cash out of equity, the Program loan must be repaid in full.

The Agency may permit the Homebuyer to refinance the primary loan on the Home for a more

favorable rate and term. In the event the Agency permits such a refinancing, the Agency can subordinate to the refinancing of the primary loan and the Program loan will not be required to be paid in full. Closing costs of the refinancing can be included in the new loan, and the combined loan-to-appraised value shall not exceed 100%.

The Agency will permit refinancing of the primary loan only if the refinancing will not endanger the Agency's position or security in the Program loan, or increase the Homebuyer's payments to such an extent that total housing payments will exceed the Agency's affordability guidelines. The Agency will not permit the Homebuyer to place any other liens or encumbrances on the Home, which could endanger the Agency's security in the Program loan or the ability of the Homebuyer to repay the Agency's subsidy.

If the Homebuyer is in need of emergency funds to preserve the Home, the Agency may, in its sole discretion, allow subordination of financing to allow for some cash out of equity. For example, if the Home is in need of emergency improvements, such as a new roof, the Agency may, on a case-by-case basis, allow a subordination of new financing that would assist in preserving the Home and the Agency's original investment.

11.0 DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. The appeal must be made in writing. Agency has 30 days to review the appeal, seek recommendations from the loan committee, or if none, the Agency's governing body, and respond in writing to the applicant.

12.0 COMBINATION WITH CALHOME LOAN

Certain requirements and provisions of a Program loan are changed when a Program loan is made to a Homebuyer in combination with a CalHome loan:

- A. A Homebuyer is not required to have at least 10% of the Program loan amount of their funds in the purchase of the Home, pursuant to Section 1.3.
- B. A fixed rate loan as stated in Section 4.2 is not required. The primary loan may be an ARM that has a 5, 7, or 10-year fixed starting interest rate with 30-year amortization.
- C. The maximum amount of financial assistance under this Program is \$75,000.
- D. Up to \$15,000 of the Program loan is eligible to be forgiven after ten (10) years.

Attachment A

**REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO
FIRST TIME HOMEBUYER LOAN PROGRAM
Application Checklist**

The Items Below Should Be Submitted With The Underwriters Packet

Note: In order to process this application, it must be complete with all applicable documents.

<u>Underwriter Packet Checklist</u>
Items required for all Loan Underwriter files submitted to the Agency for review. Please submit in the order listed below and tag the sections. Failure to do so may delay the review process.
<input type="checkbox"/> Uniform Underwriting and Transmittal Summary
<input type="checkbox"/> Good Faith Estimate
<input type="checkbox"/> Purchase Commitment Letter
<input type="checkbox"/> Uniform Residential Loan Application
<input type="checkbox"/> Credit Score Information Disclosure and Credit Report
<input type="checkbox"/> Loan Processor Certification
<input type="checkbox"/> Earnings Statement (VOE form or one month most recent pay-stubs)
<input type="checkbox"/> W2 and last 3 years of Tax Returns
<input type="checkbox"/> Bank Statements
<input type="checkbox"/> Evidence of Additional Down Payment Assistance
<input type="checkbox"/> Accepted Purchase Contract and Counter Offers
<input type="checkbox"/> Preliminary Title Report
<input type="checkbox"/> Applicant Identification (US Patriot Act Form)
<input type="checkbox"/> Appraisal

<u>Redevelopment Agency Application Checklist</u>
Please submit in the order listed below and tag the sections. Failure to do so may delay the review process.
<input type="checkbox"/> Credit Authorization and Privacy Disclosure Form
<input type="checkbox"/> Resident Health and Safety Inspection _____
<input type="checkbox"/> No Income Affidavit _____
<input type="checkbox"/> Verification of Household Composition _____
<input type="checkbox"/> Acknowledgement form for home and pest inspection
<input type="checkbox"/> Acknowledgement of Shared Appreciation

Instructions on all referenced documents follow this checklist

**REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO
FIRST TIME HOMEBUYER LOAN PROGRAM
Instructions for Application Checklist**

UNDERWRITER PACKET CHECKLIST

Underwriting file

A copy of your complete underwriting file will be requested.

Good Faith Estimate

Please submit your Good Faith Estimate that your first mortgage lender has approved.

Purchase Commitment Letter/First Mortgage Loan Commitment/Approval Letter

Please submit your first mortgage loan commitment/approval letter. Also include the contact information of the Loan Officer assisting you with your loan.

Signed Residential Loan Application

Please submit a copy of the Residential Loan Application submitted to your mortgage lender or submit a new application. Please complete all sections of this application form. Should an item not apply to you, please write “not applicable.”

Credit Score Information Disclosure and Credit Report

If you have a current credit report, please include this in your packet. If you do not have a credit report, you will be required to authorize the Redevelopment Agency City of San Pablo to request and review your credit information.

Blanket Certification/Loan Processor Certification

The Blanket Certificate or Loan Processor Certification is a letter written by the loan processor stating that information in the underwriting packet/loan package consists of original documents and is true and correct.

Four Recent Paycheck Statements or Current Profit and Loss Statement if Self-Employed

Please provide your last four paycheck stubs with the dates issued, year-to-date income paid and other current income statements for each household member who is age 18 and older.

- If employment of any household member is inconsistent or seasonal or in some other manner varies substantially from pay period to pay period please include at least four more paycheck stubs.
- If a household member is 18 years of age or older and is a full time student, income earned is not counted toward the household income. However the full time student must provide current verification of enrollment.
- Self-employed individuals must include most recent Profit & Loss Statement.

Reportable Income

All income received by any household member 18 years of age or older must be included with your application. Sources of income include:

- Compensation for services rendered including fees, commissions, tips, and bonuses. Net income derived from private businesses
- Gains from dealings in commercial property
- All interest, dividends, and royalties
- Winnings
- Alimony and child support
- Annuities, life insurance, and endowment contracts
- Income from pensions
- Income from an interest in an estate or trust
- Public benefits including but not limited to TANF, SSI, disability income

Three Most Recent Years of Federal Income Tax Returns

Please provide your federal income tax returns for the last three (3) years.

Current Bank Statements

Please submit the three (3) most current statements from all financial institutions where you or any household member 18 years and older hold any accounts. The financial institution statement must include all pages, the names or names of the account owner, and all transactions occurring during the reporting period.

- This includes checking and savings accounts from banks, savings and loans, credit unions, and brokerage houses accounts (i.e. stocks, mutual funds, or bonds).
- Stock and mutual funds accounts statements included the number of shares and value of each share be indicated and dividends received.

Evidence of Additional Down Payment Assistance

If you intend to you use other sources of down payment assistance in addition to this loan, please include proof of these funds. This could be a gift of money from a relative, Mortgage Certificate Credit from the County of Contra Costa County, or any other program providing assistance.

Purchase Agreement

Please provide a copy of your complete purchase agreement. Also include the contact information of the real estate agent assisting you with the purchase transaction.

Preliminary Title Report

Please provide a copy of your preliminary title report. A preliminary title report is a document prepared on real property once an escrow is opened, but prior to closing.

Applicant Identification (US Patriot Act Form)

Please complete a US Patriot Act Form. The information being requested and observed is for compliance with the requirements of section 326 of the USA Patriot Act implementing customer identification and verification requirements.

Appraisal

Please attach an appraisal of the property.

REDEVELOPMENT AGENCY APPLICATION CHECKLIST**Credit Authorization and Privacy Disclosure Form**

The form authorizes and instructs the Redevelopment Agency of the City of San Pablo to obtain and review a credit report for the purpose of evaluating financial readiness to purchase a home and/or to engage in post-purchase counseling activities.

Residential Health and Safety Inspection

A Residential Health and Safety inspection is required for properties that are for sale when a single-family, owner occupied unit is more than ten years old (from the original construction date). If a buyer is buying a rental property, an RH & S inspection is also required.

No Income Affidavit

Adult member(s) of the household (other than a full time student) that do not claim income must complete and submit an affidavit swearing that they do not earn income.

Verification of Household Composition

Household composition, the identity of the household members and their relationship must be verified including self.

Acknowledgement form for home and pest inspection

Forms must be initialed and signed verifying that you have acknowledged receipt of and approved a complete home inspection performed by a certified home inspector.

Acknowledgement of shared appreciation

Form must be initialed and signed verifying that you have acknowledged that there will be a shared appreciation with the Redevelopment Agency in the purchase of the home.