



Homebuyer Assistance Program

Loan Underwriting Standards Summary

GUIDELINES AND DISCLOSURE FOR INFORMATION ON LOAN REQUIREMENTS

I. HOMEBUYER QUALIFYING STANDARDS

First-Time Homebuyer: The borrower may not have owned a principal place of residence within the last three (3) years prior to application for the loan (with certain exceptions such as displaced homemakers or mobile home owners in rental parks), nor have ownership in other residential properties. *Please see Appendix A of the Program Guidelines.* [The City does not allow co-signers on the loan.]

Homebuyer Education Training: The borrower must have successfully completed the online Homebuyer Education Training offered by the City of Lompoc prior to applying for a down payment loan. (Direct link to online class: <https://app.ehomeamerica.org/cityoflompop>)

Household Income: The combined income of all household members cannot exceed 120% of Area Moderate Income, adjusted for household size. *Please see Page 5 of the Program Guidelines.*

Income Certification: The borrower(s) must have their income certified as an eligible low-income household by the City of Lompoc prior to applying for a down payment loan. The income certification is in addition to qualifying for the first mortgage loan.

Residency Requirements: Borrowers must be U.S. citizens or permanent alien residents and occupy the home as their primary residence for the duration of the loan. The City does not allow co-signers on the loan.

Employment/Income/Credit: Applicants must secure pre-approval of a fully amortized 30-year fixed rate First Mortgage loan from a participating lender and have satisfactory credit and income stability. Generally applicants must demonstrate 12 months continuous employment.

II. PROPERTY ELIGIBILITY

Location: Properties must be purchased within the boundaries of the City of Lompoc. Unincorporated County areas are not eligible.

Eligible Housing Types: Market-rate detached or attached single-family homes; units in Planned Developments; townhomes; condominiums; and, mobile homes that are on a permanent foundation and have an individual deed to the property. Affordable below market-rate homes with resale restrictions are ineligible for the program.

Physical Condition: The home must be ready for occupancy and have no building, health and safety code violations or deficiencies.

Occupancy Requirements: The borrower and co-borrower must establish residency within 60 days of loan closing and occupy the home as a primary place of residence for a minimum of 10 months each year for the duration of the loan.

Rental and Boarders: Homeowner may not lease or rent the home to another party during the term of the City loan, except for approved good cause. Homeowners may rent out a room provided all borrowers continue to reside in the home (unless prohibited by First Mortgage lender).

III. FINANCIAL

Down Payment Loan: Maximum 18% of the home purchase price, up to \$197,851, and based on homebuyer need. Loans will be structured as 30-year deferred payment secondary loans with simple interest that accrues at 3% per annum.

Assistance CAP: There is a maximum equity Cap of 35%, including the homebuyer equity, City loan and other financing. The City loan will be reduced accordingly if the Cap is exceeded. [See Program Guidelines]

Homebuyer Financing Requirements: Borrowers must contribute at least 2.5% of the home purchase price. Homebuyers may use gifts from relatives, friends and employers as a portion of their own cash if satisfactory documentation is provided and the homebuyer has held these funds for at least 45 days in their own account. The City at its sole discretion may waive the 45-day account seasoning requirement for gifts from immediate relatives, provided documentation is provided. However, in all cases the homebuyer must contribute a minimum of 1% of the cash investment from their own resources rather than gifts.

First Mortgage Loan Requirements: 30-year fixed rate, fully amortized; no balloon payments; no negative amortization; establishment of an impound account for property taxes and insurance; no prepayment penalty. The First Mortgage lenders must be approved Community Partners (*see list*).

Debt Ratios: Generally determined by the First Mortgage lender but with front-end housing costs no less than 22% and no more than 38% and back-end housing and all other long-term debt no greater than 45%. The City retains its right to disapprove a loan if it finds the debt ratios unaffordable for the homebuyer. The City at its sole discretion may approve exceptions to the ratio guidelines.

Loan-to-Value: The down payment loan plus the First Mortgage may not exceed 100% of the appraised value of the home. In certain cases (e.g., other deferred subordinate debt), the combined loan-to-value ratio may exceed 100%, provided the down payment loan and senior debt do not exceed the home's appraised value.

Appraisal: The City will rely on a full appraisal commissioned by the First Mortgage Lender. The appraisal must support the home purchase price. If the purchase price exceeds the appraised value, the City at its sole discretion may approve exceptions up to 105% of the appraisal guideline, provided that the combined first mortgage and City loan do not exceed 100% of the appraised home value, the homebuyer contributes the additional cash and the carrying costs of the home are affordable to the homebuyer.

Loan Repayment: Due at the end of the 30-year term or upon sale, transfer, rental or refinance of the home or failure to occupy as a primary residence or upon default.

IV. USE OF DOWN PAYMENT LOAN

Nonrecurring Closing Costs:

- Credit Report – credit for the borrower cost
- Home appraisal – credit for the borrower cost
- Loan origination fee
- Title, Escrow, Recording and Notary Fees
- Loan Interest Rate Buy-down up to a maximum of one-half point (.5%)
- Home Inspection Report and Home Warranty – credit for the borrower cost

Recurring Costs and Impounds:

- Property Tax Impound – maximum six months
- Prepaid Homeowner's Association fee
- Prepaid Home Insurance

Credit for Loan Qualification Costs:

- Homebuyer Education Course reimbursement – maximum of \$200
- Homebuyer Income Certification reimbursement – maximum of \$300