



# City of Lompoc

## Homebuyer Assistance Down Payment Loan Program Program Guide and Disclosure



## 2016

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### **Program Management Consultants**

Housing Trust Fund of Santa Barbara County  
P. O. Box 60909  
Santa Barbara, CA 93160  
(805) 685-1949 [www.sbhousingtrust.org](http://www.sbhousingtrust.org)

Peoples' Self-Help Housing Corporation  
3533 Empleo Street  
San Luis Obispo, CA 93401  
(805) 781-3088 [info@pshhc.org](mailto:info@pshhc.org)



*\*The City has an approved list of First Mortgage Lenders where you can obtain your First Mortgage Loan and receive assistance in applying for a Homebuyer Assistance Program Down Payment loan (see Appendix D). You may use any realtor or broker you choose to locate your home; it is helpful if your realtor has attended an informational workshop and is familiar with the City's down payment loan program.*

# City of Lompoc

## Homebuyer Assistance Down Payment Loan Program Guide

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# City of Lompoc

## Homebuyer Assistance Down Payment Loan Program

### I. PROGRAM OVERVIEW

The Homebuyer Assistance Down Payment Loan Program (Program) is a program of the City of Lompoc (City), in collaboration with community partners the Housing Trust Fund of Santa Barbara County (HTF) and Peoples' Self-Help Housing Corporation (PSHHC), to expand homeownership opportunities in the community of Lompoc. The program helps bridge the homeownership affordability gap for local residents by providing 30-year deferred payment loans up to \$50,000 per household to assist first-time low-income homebuyers in purchasing a home in the City. Funds can be used for down payment costs for households who earn up to 80% of the Area Median Income (AMI), adjusted for household size. The loans have no current interest or principal payments, accrue 3% simple interest annually and are repaid upon sale, transfer or refinancing of the home or at the end of the loan term. Qualified applicants may also be eligible for a closing costs grant up to \$3,500. Funding for the Program has been provided through the City.

The Program removes financial barriers to the dream of homeownership by lowering home acquisition and carrying costs. The Program enables qualified families to purchase a home that provides a stable residence that strengthens the family, the neighborhood and the community.

### II. HOMEBUYER ELIGIBILITY REQUIREMENTS

Homebuyers seeking a down payment loan must meet the following minimum criteria:

- Applicant(s) must be a first-time homebuyer and not have owned a principal residence within three years from the date of Program application, and may not own other residential property.<sup>1</sup>
- Applicant(s) must be a low-income household and have the household income certified by the Program management consultant PSHHC.
- The homebuyer must occupy the home as the primary residence for the duration of the loan.
- The home size must be sufficient for the household so that there is no overcrowding.
- Applicant(s) must attend and complete a PSHHC Homebuyer Education Training class.
- Applicant(s) must secure pre-approval of a 30-year fixed rate First Mortgage loan from a participating lender and have satisfactory credit and job/income stability.
- Applicant(s) must contribute at least 3.5% of the home purchase price and closing costs and must invest any other liquid assets in excess of \$15,000 for the purchase of the home.

### III. ELIGIBILITY OF THE HOME

Homebuyers may apply for down payment loan assistance to purchase market-rate homes located within the City that meet the criteria outlined below. Affordable below market-rate

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<sup>1</sup> Some exceptions are allowed, such as for displaced homemakers and owners of mobile homes in mobile home rental parks. The First-Time Homebuyer definition is provided in Appendix A.

homes with resale restrictions or homes that require substantial rehabilitation are ineligible for the program.

**A. Location of the Home:** The home must be located within the City.

**B. Type of Home:**

- **Allowed Types:** Detached or attached single-family homes; units in Planned Unit Developments; townhomes; condominiums<sup>2</sup> and mobile homes that are on a permanent foundation and have an individual deed to the property.
- **Ineligible Home Types:** Vacation homes, investment properties, multi-family buildings, second units, life care facilities and cooperatively owned or other forms of ownership where the homebuyer does not have an individual deed to the property.
- **Habitability:** Homes must be completed and ready for occupancy and meet Building and Health and Safety Code standards, including no peeling lead paint. The City requires that the home be inspected by a professional home inspection service.

#### IV. HOUSEHOLD INCOME TARGETING

Applicants for the Program must have combined household incomes that do not exceed 80% of AMI, adjusted for household size.

AMI is determined annually by the U.S. Department of Housing and Urban Development. Santa Barbara County AMI is currently \$75,400<sup>3</sup> for a family of four and is adjusted for household size. An eligible family of four could earn a maximum of \$75,400 annually. *Homebuyer income limits by household size are shown in Appendix B.*

#### V. DOWN PAYMENT LOANS

**A. Type of Loan**

The down payment loans offered under this Program are subordinate financing, secured by a second position on the home. The loans are deferred “soft seconds,” with no current interest or principal payments. Instead, the interest will accrue at 3% simple interest annually and is due, along with the loan principal, at the end of the loan term or upon sale, transfer or refinancing of the home. The Program loan will become due when the borrower sells or transfers the property ceases to maintain the residence as his/her primary residence converts the home to a rental property or refinances the first mortgage. Program loans do not generally become due in the case of death or divorce when the beneficiary or remaining spouse uses the home for his/her primary residence.

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<sup>2</sup> Homebuyers should be aware that First Mortgage Lenders may have varying requirements that 50-70% of the units in a condominium project be owner occupied in order for the unit to be eligible for a First Mortgage loan.

<sup>3</sup> The Program will use the State Department of Housing and Community Development ‘Hold Harmless Policy’ which protects maximum income limits from decreases in the AMI. Therefore, 2016 maximum income limits will be based on a median income of \$75,400 for a household of four.

## **B. Maximum Loan Limits and Assistance Levels**

The maximum down payment loan amount under this Program will be \$50,000. The amount of the individual homebuyer loan will be based on the home purchase price, homebuyer income and need. The Program loan may not be for more than the homebuyer needs to purchase the home with affordable monthly payments. The City may from time to time adjust the maximum Program loan amount, based on program experience.

The maximum portion of the Program loan that can be used toward the down payment is 16.5% of the home purchase price, up to a limit of \$50,000. Homebuyers may also choose to apply a portion of the Program loan proceeds towards other eligible nonrecurring and recurring closing costs and expenses incurred in qualifying for the Program loan, as long as the homebuyer contributes a minimum of 3.5% of the total down payment and closing costs. [*Some lending partners may require a 5% down payment.*] The City and its Program consultants, in coordination with the First Mortgage Lender, will calculate the amount of the Program loan needed to assist the buyer in purchasing an individual home.

Homebuyers may also receive financial assistance from other sources such as the Federal Home Loan Bank Workforce Initial Subsidy for Homeownership (WISH) Program or Neighborhood Housing Services, etc. to help them purchase the home. However, there is a total amount or cap on the amount of down payment assistance the homebuyer may receive from all combined sources and still receive the maximum Program loan for their individual home purchase. If the combined down payment, including the homebuyer portion, Program loan and other assistance, exceeds 35% of the home purchase price, the amount of the Program loan will be reduced accordingly, so that the 35% maximum assistance level will not be exceeded. The purpose of this policy is to use the Program down payment loan funds to assist homebuyers who truly have a financial need and to deploy the funds to assist as many homebuyers as possible.

**C. Uses of the Loan:** The primary purpose of the Program loan is to provide down payment assistance in purchasing the home. However, the homebuyer may also apply the Program loan proceeds to pay for nonrecurring closing costs, for an interest rate buy-down on the first mortgage loan and for certain costs associated with qualifying for the Program loan.

*Eligible uses of the Program loan are listed in Appendix G.*

## **VI. CLOSING COST GRANTS**

Homebuyers who purchase a home within the City with a Program loan may be eligible for a closing cost grant of up to **\$3,500** per household to help pay for closing costs such as first mortgage loan origination and processing fees, title and escrow fees and mortgage insurance. The Closing Cost Grant provides additional homebuyer financial assistance to help qualified families purchase a home. The City, in its sole discretion, will determine the amount of the Closing Cost Grant available to eligible homebuyers.

## **VII. HOMEBUYER FINANCING REQUIREMENTS**

**Borrower Match:** Homebuyers must qualify for a fully amortized **30-year fixed rate** first mortgage from a Program approved lender and provide a cash investment of at least 3.5% of the

purchase price and closing costs of the home. Homebuyers must also invest any other liquid assets in excess of \$15,000 to purchase the home.

**Down Payment Source:** Homebuyers may use gifts from relatives, friends and employers as a portion of their 3.5% cash requirement if satisfactory documentation is provided and the homebuyers have held these funds for at least 45 days in their own account. The City, at its sole discretion, may lower or waive the 45-day requirement if gift funds are provided from immediate relatives and clearly documented. However, in all cases, the homebuyers must contribute a minimum of 1% of the cash investment from their own resources rather than gifts. Contributions from home sellers or others or loans do not qualify as the homebuyers' own funds. Homebuyers may also receive grants or contributions from other homebuyer assistance programs (such as WISH or Neighborhood Housing Services sources) toward a larger down payment amount and closing costs, as long as the homebuyer provides the minimum 3.5% cash portion.

## VIII. HOMEBUYER EDUCATION

Applicants seeking a Program loan must attend a Homebuyer Education Training course provided by PSHHC prior to applying for the Program loan or making an offer on a home. The Homebuyer Education Training course provides applicants the opportunity to learn about the responsibilities of homeownership and to ensure that the borrower understands the requirements of the Program loan and implications of selling or refinancing their home. Loan applicants must submit proof (such as a certificate, letter or other documentation) with their loan application that documents they have successfully completed the PSHHC Homebuyer Education Training course.

*Contact information for the PSHHC homebuyer training is included in Appendix D.*

## IX. OWNER OCCUPANCY

Homebuyers who receive a Program loan must occupy their home as their principal residence until the Program loan is repaid. The City may require the borrower to provide an annual written certification, under penalty of perjury, that Borrower is occupying the home as his or her principal place of residence.

## X. LOAN FINANCING TERMS

**A. Loan Payments:** The Program loans will be deferred and have no current monthly payments of either principal or interest until the maturity date or such earlier date as may be required under the conditions of the Promissory Note.

**B. Term of the Loan:** The term of the Program loan will be 30 years. In special circumstances, longer terms may be considered if the first mortgage is provided through a government program.

**C. Interest Rate:** The Program loan carries 3% interest. However, there are no current interest payments; instead, the interest accrues annually. The interest is due, along with the loan principal amount, at the end of the loan term or upon sale, transfer or refinancing of the home.

*Examples that demonstrate how the interest works are included in Appendix I.*

**D. Appraisal and Loan to Value Ratio:** The Program loan plus the First Mortgage may not exceed 100% of the appraised value of the home. However, in certain cases (such as when the home may have other approved deferred subordinate debt or the homebuyer contributes additional equity), the combined homebuyer resources and loan to value ratio may exceed 100%, as long as the Program loan and senior debt does not exceed the value of the home. The City reserves the right to approve or reject any proposed home financing where the combined homebuyer cash and loan to value ratio exceeds 100%.

**E. Collateral:** The Program loan will be secured by a Second Trust Deed on the property.

**F. Loan Fees and Closing Costs:** Applicants will not be charged a loan origination fee for the amount of the Program loan but will pay for the actual cost of any document preparation fees, title fees and other loan closing costs. The cost of such fees may be included in the Program loan amount. The homebuyer should expect to pay other fees and costs associated with the First Mortgage loan at or before the close of escrow, such as loan origination or processing fees, appraisal, credit reports, prepaid hazard insurance and property taxes, title and escrow fees. The First Mortgage lender will provide a Good Faith Estimate of the loan costs and the title company will provide a settlement statement of total transaction costs.

## **XI. REPAYMENT OF THE LOAN**

Program loans will be repaid at the end of the 30-year loan term. Homebuyers may prepay all or a portion of the Program loan at any time without incurring any prepayment penalties. Program loan repayment may be accelerated and will be immediately due and payable under any of the following occurrences:

- Sale, transfer, reconveyance or alienation of the home;
- Failure to occupy the home as a principal residence;
- An event of default (either on the first mortgage or Program loan); or
- Refinance of the First Mortgage Loan.

## **XII. LOAN BENEFITS**

The terms and conditions of the Program loans – 30 years with no interest or principal payments and a minimum 3.5% cash contribution required from the borrower – make this a truly affordable loan product. The Program enables low-income families who have previously been shut out of the local housing market to buy a home.

## **XIII. REGULATORY REQUIREMENTS**

A condition of the Program funding is to help provide long-term affordable homeownership opportunities for local residents. This will be accomplished through recording a secondary lien on the home. Homebuyers receiving a Program loan must agree to meet the loan conditions and homeowner requirements outlined in the Deed of Trust that will be recorded against their title to ensure that the home remains owner occupied and that the City receives its loan principal and accrued interest at the end of the loan term or upon sale, transfer or refinancing of the home.



## XIV. FIRST MORTGAGE FINANCING

Homebuyers must obtain a First Mortgage Loan only from a lender that has been specifically approved to participate in the Program. The First Mortgage Loan from an approved participating lender must meet the following standards:

- Term of at least 30 years;
- Fixed interest rate at market or below market rate (no subprime loans will be accepted);
- Fully amortized loan with monthly payments; no negative amortization or balloon payments;
- Establishment of an impound account for property taxes and insurance; and
- No prepayment penalty.

**Payment Ratios:** Homebuyers participating in the Program must pay at least 25% of their gross monthly income for all housing costs, including first mortgage principal and interest, property taxes, insurance and any Homeowner Association (HOA) fees. The City, at its sole discretion, and on a case-by-case basis may grant a waiver to lower the minimum upfront ratio to no less than 20%, based on the homebuyer's need for additional affordability. Maximum payment ratios will be determined in coordination with the participating First Mortgage Lender but generally should not exceed 38% of income for all front-end housing costs (principal, interest, property taxes, insurance, HOA fees and other assessments) and 45% maximum for all back-end debt, which includes housing costs plus other long-term debt or monthly obligations.

The Program management consultants will coordinate with community lending partners to establish mortgage and household debt ratios to ensure the homebuyer monthly payments are affordable and the Program loan is not used to purchase a home that exceeds the homebuyer's purchasing ability.

## XV. COMMUNITY LENDING PARTNERS

The City and its Program consultants will collaborate with community lending partners to obtain pre-approval of the Program and where possible to arrange favorable terms and access to special first mortgage loan programs and benefits for homebuyers who use these participating lenders for their First Mortgage. For example, some participating lenders may offer discounts on First Mortgage loan processing and closing costs and access to additional matching down payment loan funds or grants for qualified low to upper moderate-income applicants.

*A list of participating Community Lending Partners providing First Mortgage Loans under the Program is included in Appendix D.*

## XVI. DOWN PAYMENT LOAN PROCESSING STEPS

***Follow these Steps to Apply for a Program Down Payment Loan.***

**Step 1: Homebuyer Education.** To apply for a Program loan, you must first complete a Homebuyer Education Training course provided by PSHHC and obtain a certificate of successful completion.

**Step 2: First Mortgage Loan Pre-Approval.** You must then be pre-approved for a First Mortgage Loan from a Program approved lending partner. If qualified, you will receive a pre-approval letter from the lender, based on the assumption that you meet the criteria and will be eligible for a Program loan.

**Step 3: Income Certification.** To apply for a Program loan, you must have your household income certified to verify that you are an eligible low-income household. PSHHC will perform your income certification. PSHHC will charge a fee for the income certification. This fee is an eligible expense that can be counted as part of your homebuyer equity contribution towards the purchase of your home. *To contact PSHHC, please see the list of Community Partners in Appendix D.*

**Step 4: Locate Your Home.** Work with your Realtor or Broker to locate the home you wish to purchase and execute a sales contract to purchase the property. Your sales contract should be contingent upon approval of both your first mortgage and Program loan.

**Step 5: Submit Your Program Down Payment Loan Application.** You will obtain the Program loan application from your First Mortgage Lender. Submit your Program loan application, along with your income certification and all required documentation, directly to your participating First Mortgage Lender. The lender will verify that your Program loan application packet is complete and forward it to the Program consultants for processing.

**Step 6: Program Loan Commitment.** The Program consultants will review your completed Program loan application packet and make a recommendation on the funding of your loan within 10 to 12 days to the City. If you qualify, the City will issue you a loan commitment for the Program loan.

**Step 7: Escrow and Loan Closing:** The City and its Program consultants will prepare your Program loan documents, which will include a Promissory Note, Deed of Trust and Truth-in-Lending Disclosure Statement, for your review and signature. The City will then coordinate with the First Mortgage Lender, Title Company and its program consultants to close and fund your Program loan. Upon execution of your loan documents and escrow closing, the funds will be released to complete your home purchase.

Generally, the final loan commitment and escrow period for purchasing your home will be between 30 and 60 days. The borrower can request an extension of the loan commitment and escrow when the escrow has been delayed due to unforeseen circumstances and reasonable efforts have been made to close escrow within the maximum 60-day period.

## XVII. FOR MORE INFORMATION

The Program loan is offered by the City with funding provided by the City and Program management provided by PSHHC and the HTF.

Please make inquiries to and obtain an application from a HTF-approved Community Partner:

[Approved participating lender names go here](#)

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*Contact information for these Community Partners is attached in Appendix D.*

For general information about the Program, you may contact the Program management consultants at:

Peoples' Self-Help Housing Corporation  
3533 Empleo Street  
San Luis Obispo, CA  
Contact: Sheryl Flores, Housing Development Director  
Phone: (805) 781-3088  
Email: [sherylf@pshhc.org](mailto:sherylf@pshhc.org)  
Website: [www.pshhc.org](http://www.pshhc.org)

Housing Trust Fund of Santa Barbara County  
P. O. Box 60909  
Santa Barbara, CA 93117  
Phone: (805) 685-1949  
Contact: Jennifer McGovern, President and CEO  
Email: [j.mcgovern@sbhousingtrust.org](mailto:j.mcgovern@sbhousingtrust.org)  
Website: [www.sbhousingtrust.org](http://www.sbhousingtrust.org)

In addition, the City has information about the Program at:

City of Lompoc  
100 Civic Center Plaza  
Lompoc, CA 93436  
Contact: Christie Alarcon  
(805) 736-1261; ext. 8245  
Email: [c.alarcon@ci.lompoc.ca.us](mailto:c.alarcon@ci.lompoc.ca.us)  
Website: [www.cityoflompoc.com](http://www.cityoflompoc.com)



*The Program complies with Fair Housing and Equal Housing Opportunity Laws.*

## **XVIII. DISCLOSURE STATEMENT**

### **A. Explanation of Loan Documents and Requirements**

The Program is supported with funding provided by the City. The Program management consultants, the HTF and PSHHC, have prepared the following loan documents on behalf of the City to meet the requirements of the Program including:

- City Promissory Note;
- City Deed of Trust; and
- Truth-in-Lending Disclosure Statement.

This Disclosure Statement explains the major provisions of the Program Promissory Note and Deed of Trust so that the homebuyer will understand the requirements of the Program loan. You should carefully read and familiarize yourself with the Loan Documents. If there is any conflict between this Disclosure Statement and the Loan Documents, the terms of the Loan Documents will prevail.

### **B. First-Time Homebuyer Requirement**

To be eligible for a Program loan you must not have owned a principal place of residence within the last three years prior to application for the Program loan, and may not own other residential property. If you meet one of the following exceptions, you may still be considered a First-Time Homebuyer:

- (1) A displaced homemaker who, while a homemaker did not work full-time and owned a home with his or her spouse or resided in a home owned by the spouse.
- (2) A single parent who, while married, owned a home with his or her spouse or resided in a home owned by a spouse.
- (3) An individual who owned a home as a principal residence that had no permanent foundation in accordance with local or state regulations, or was not in compliance with the Building Code and could not be repaired for less than the cost of constructing a permanent structure.
- (4) An individual who owned a mobile home as a principal residence in a mobile home rental park where they did not own the land, provided that the mobile home has been sold prior to receiving the Program loan.

*A full definition of a First-Time Homebuyer is contained in Appendix A.*

### **C. Occupancy as Primary Residence**

You must occupy your home as your primary place of residence, which means that you must live in your home for at least 10 months out of each calendar year. You must establish residency in your home within 60 days after executing the Program loan. You may not lease or rent your home to another party except that, with the prior written approval of the City, you may rent the house for a maximum one-year period due to hardship such as extended hospitalization or

convalescent care, temporary employment relocation, sabbatical, extended travels, other special circumstance or good cause. You may rent out a room within your home without City approval so long as you continue to reside in your home as your primary residence.<sup>4</sup> The City will carry out compliance monitoring and may periodically require you to provide documented proof that you are occupying your home as your principal place of residence.

If you do not continuously occupy your home as a primary residence, you must immediately repay the Program loan principal amount along with any accrued interest due to the City. This provision lasts for 30 years or until the loan is repaid.

#### **D. Verification of Income**

Homebuyers eligible for the Program must have a total household annual income that does not exceed 80% of AMI for low- income households, adjusted for household size. The combined income of all household members 18 years or older who are living in the home must be included in the determination of total household income.

Homebuyers will be required to have their income verified by a City-approved Community Partner and will need to produce necessary documentation such as verification of employment for all household members earning an income, Federal Income Tax Returns, recent employment paystubs or self-employment profit and loss statements. Documentation is required for all income earned by household members 18 years or older who will be living in the home.

*Please see Appendix B for information on income limits based on household size and Appendix F for the income verification requirements.*

#### **E. Homebuyer Responsibilities**

As homeowner, you will make 100% of the mortgage payments and receive 100% of the mortgage interest deduction, subject to Federal and State regulations. You will also pay all property taxes and receive 100% of the tax deductions related to those payments. You are responsible for the cost of all maintenance and repairs of the home. You must also maintain and pay for property insurance during the term of the Program loan.

#### **F. Home Insurance**

You must maintain your home in good condition and carry a homeowner's standard all risk property insurance policy for the home equal to its replacement value, and adjusted every five years by appraisal (if requested by the City). If your home is located in a flood zone, you must also obtain flood insurance that is acceptable to the City. The insurance policies must name the City as an additional insured. The insurance and maintenance requirements are detailed in the Deed of Trust.

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<sup>4</sup> Homebuyers should be aware that some First Mortgage loan conditions may not allow renters.

## **G. Purchase of Other Real Estate**

A condition of the Program loan is that you may not own other residential property and will not purchase or agree to purchase any other residential real property, in whole or in part, as long as the Program loan is not repaid. This ownership provision may be modified, upon written approval of the City, if the homeowner demonstrates need or other good cause.

## **H. Selling or Transferring Your Home**

If you choose to sell your home to a third party buyer at Fair Market Value, you must repay the Program loan principal amount plus accrued interest due at the time of sale. When you decide to sell or transfer or refinance your home, you must notify the City by submitting the Form of Notice of Intent to Transfer that is attached to Exhibit A in the Deed of Trust. The Notice of Intent to Transfer lists the information and documents you must provide to the City when you sell, transfer or refinance your home.

[The requirements for sale or transfer of your home are discussed in more detail in sections 9 through 10 of Exhibit A of the Deed of Trust.](#)

## **I. Refinancing Your Home**

You may choose to refinance your First Mortgage loan, in which case you must repay all sums due under the City's Promissory Note.

The purpose of this requirement is so that public funds are recycled to assist future first-time, low-income homebuyers in purchasing an entry-level home.

## **J. Loan Repayment and Prepayment**

You must repay the Program loan either on its Maturity Date in 30 years or upon resale, transfer or refinancing of your home. You will make no principal or interest payments on the Program loan until such time as you sell or transfer the property or refinance the First Mortgage loan, unless you violate any of the terms of the Loan Agreements (for example, not occupying the home as your primary residence or renting it to someone else). When you repay the Program loan you will owe the City the principal amount plus accrued annual interest on the loan.

Borrowers may repay the full amount of the Program loan at any time before it is due without any prepayment penalty. Borrowers may also make a partial repayment of principal and interest at any time.

## **K. Violation of Loan Document Requirements**

If you violate any provisions in the Loan Documents, you will be considered in default. Similarly, if you default on the First Mortgage loan or any other loan on the home, you will also be considered in default of the Program loan. If you fail to correct the violation, you will be required to repay the Program loan, accrued interest and any other costs incurred to the City in

enforcing the Loan Documents. The City may also obtain a court order to enforce the provisions of the Loan Documents, or may foreclose and take your home.

**L. Loan Repayment Examples**

The following examples show how to calculate the amount owed to the City if you decide to sell, transfer or refinance your home, or at the end of the loan term. When you repay the Program loan, you will repay the principal amount plus 3% simple interest per year that accrues on the loan. The first example assumes that you repay the Program loan at the end of seven years. The second example assumes you repay the Program loan at the end of 30 years, when the loan is due and payable.

**3% Simple Interest Down Payment Loan Repayment Example**

Original Down Payment Loan Amount 2016 .....	\$50,000
Multiply by .03 (3% simple interest annually) .....	\$ 1,500
Multiply by 7 (seven years interest in this example) .....	\$10,500
<b>Repayment of Program loan in 7 years: \$50,000 + \$10,500 .....</b>	<b>\$60,500</b>

Original Down Payment Loan Amount 2016 .....	\$50,000
Multiply by .03 (3% simple interest annually) .....	\$ 1,500
Multiply by 30 (thirty years interest in this example).....	\$45,000
<b>Repayment of City loan in 30 years: \$50,000 + \$45,000 .....</b>	<b>\$95,000</b>

*There are several other examples of how to calculate the amount you will owe the City when you repay your Program loan in Appendix H.*

**City of Lompoc**  
**Homebuyer Down Payment Loan Program**  
**Disclosure Statement**

Please sign the Disclosure Statement in the space provided below and provide the original to the First Mortgage lender who will submit your application to the Program Manager, the HTF. Please keep a signed copy for your records.

1. I have received, read and understood the above Disclosure Statement. In addition, I understand the following:
  - A. I must live in the home. I cannot lease or rent it unless approved by the City. This restriction is for 30 years or until the Program loan is repaid.
  - B. I must contact the City before any sale, transfer or refinancing of the home.
  - C. I must repay the Homebuyer Assistance Program Down Payment Loan plus accrued interest at the rate of 3% simple annual interest on the principal amount when I sell the home or transfer ownership or refinance the home, or if I violate any of the provisions of the Loan Documents.

I have read and understand the above Disclosure Statement.

By: \_\_\_\_\_ Dated: \_\_\_\_\_  
Signature of Borrower

\_\_\_\_\_  
Print Name of Borrower

By: \_\_\_\_\_ Dated: \_\_\_\_\_  
Signature of Borrower

\_\_\_\_\_  
Print Name of Borrower



## Appendix A

### Definition of First-Time Homebuyer

To be eligible for the Program, you must be a First-Time Homebuyer, which means you must not have owned a principal place of residence within the last three years prior to application for the Program loan. State law allows for certain exceptions to the three-year requirement, as described in the definition of a First-Time Homebuyer in California Code of Regulations subsection 7151(h) below. In addition, the City also allows persons who have previously owned a mobile home in a mobile home park where they did not own the land to be included as First-Time Homebuyers, provided the home has been sold prior to obtaining a Program loan.

#### Section 7151: Definitions:

(h) “First-Time Homebuyer” means an individual or individuals or an individual and his or her spouse who are in the process of buying a dwelling with the intent to occupy the home as a principal place of residence and who have not owned a home during the three-year period before the purchase of a home with Program Funds, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

(1) a displaced homemaker 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 (2) years, worked on a full-time basis as a member of the labor force for a consecutive 12-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 who, while married, owned a home with his or her spouse or resided in a home owned by a 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; or

(3) an individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with Program Funds, a dwelling unit whose structure is:

(A) not permanently affixed to a permanent foundation in accordance with local or state regulations; 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.

**Previous Mobile Home Owner Exception:** An individual(s) who previously owned a mobile home as a principal residence in a mobile home rental park where they did not own the land may not be excluded from consideration as a First-Time Homebuyer, provided that the home has been sold prior to receiving a Program loan.

## Appendix B

### Maximum Household Income Limits

To be eligible for a Program loan, the applicant's total household income must be classified as low-income and cannot exceed 80% of the AMI for Santa Barbara County households, adjusted for household size. The AMI is published annually by the U.S. Department of Housing and Urban Development and adopted by the California Department of Housing and Community Development.

The combined income of all household members 18 years of age or older who will be living in the home must be included in calculating the applicant's total household income. To be considered a member of the household, individuals must be either:

- On the title and loan of the home;
- Claimed as a dependent on the tax returns of the household member who will appear on the title and Program loan (a spouse is not a dependent; he or she must be on the title and loan of the property); or
- Any other household member 18 years of age or older earning an income.

In March 2015, the AMI utilized by State HCD was \$75,400 for a family of four. Maximum household incomes eligible for the Homebuyer Down Payment Program are shown below and are calculated based on the California Department of Housing and Community Development Hold Harmless Policy.<sup>5</sup>

#### 2016 Maximum Income Limits Santa Barbara County

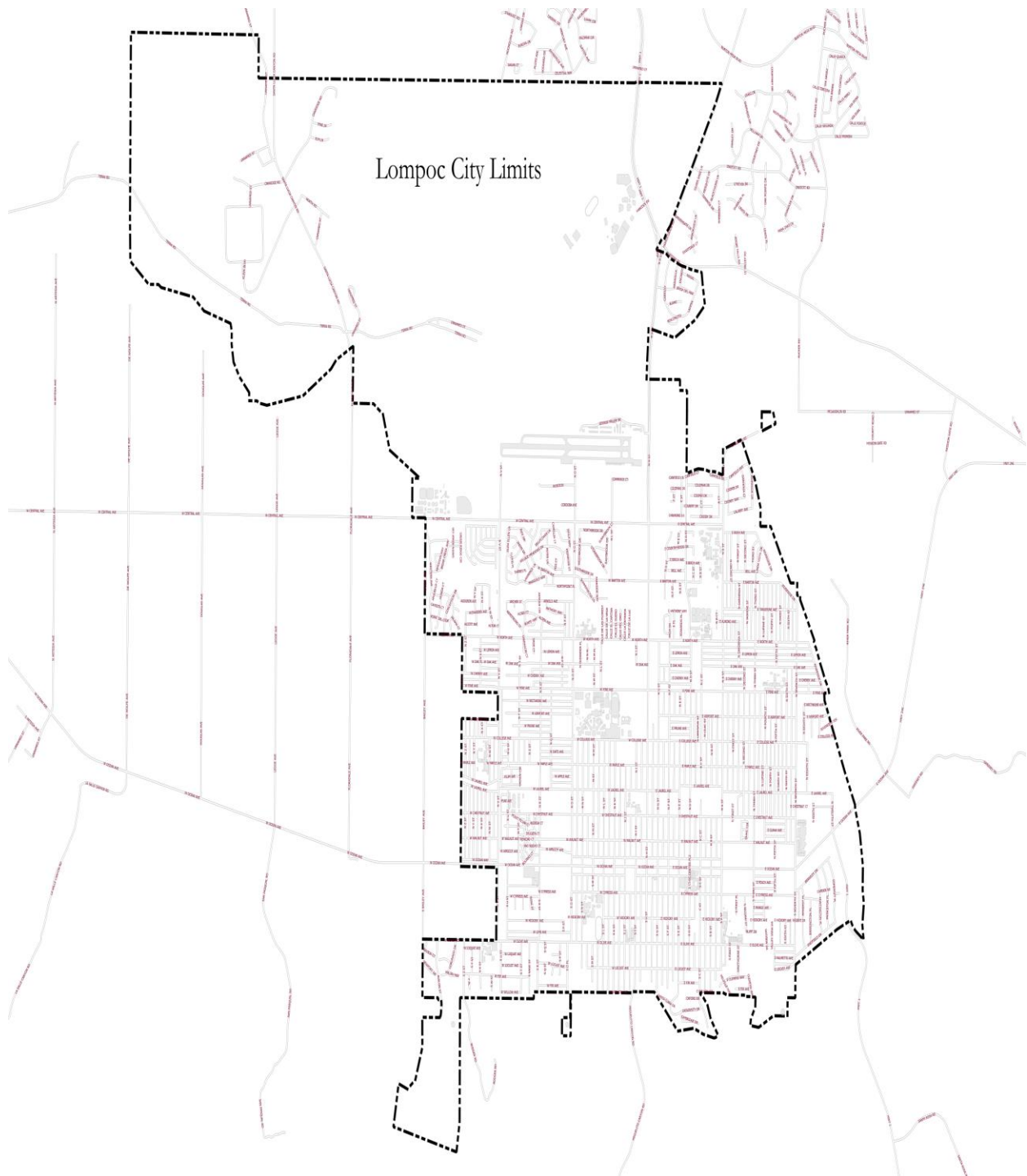
<b>FY 2016 Income Limit Category</b>	<b>1 Person</b>	<b>2 Person</b>	<b>3 Person</b>	<b>4 Person</b>	<b>5 Person</b>	<b>6 Person</b>	<b>7 Person</b>	<b>8 Person</b>
Low (80%) Income Limits	\$47,150	\$53,900	\$60,650	<b>\$67,350</b>	\$72,750	\$78,150	\$83,550	\$88,950

<sup>5</sup> From State Department of Housing and Community Development guidelines, published April 15, 2015. These income levels are based on annual published U.S. Department of Housing and Urban Development median income statistics and reflect the State Hold Harmless Policy of not lowering maximum income levels based on a decline in the AMI.

## Appendix C

### Eligible Area for Home Purchase

The Program serves the City. Applicants must purchase a home located within the boundaries of the City.



## Appendix D

### Community Partners

#### A. Homebuyer Education Providers

Prior to applying for a Program loan, you must successfully complete a Homebuyer Education Training course and receive a certificate of completion. The following agency is approved by the City to provide Homebuyer Education Training. You may contact this agency to enroll in either an online or regular course.

##### **Peoples' Self-Help Housing**

3533 Empleo Street

San Luis Obispo, CA 93401

Local Office: 26 E. Victoria Street, Santa Barbara, CA 93101

Contact: Sheryl Flores, Housing Development Director

(805) 540-2465

Email: [sherylf@pshhc.org](mailto:sherylf@pshhc.org)

Website: <http://ehomeamerica.org/pshhc>

#### B. Income Certification Providers

When you apply for the Program loan, you must first establish you are an eligible low to upper moderate-income household based on AMI standards through verification of your household income. You may have your income certified for a fee by PSHHC. The cost of the household income certification may be included in your down payment loan or closing cost grant if your loan is approved.

##### **Peoples' Self-Help Housing Corporation**

3533 Empleo Street

San Luis Obispo, CA 93401

Local Office: 26 E. Victoria Street, Santa Barbara, CA 93101

Contact: Sheryl Flores, Housing Development Director

(805) 540-2465

Email: [sherylf@pshhc.org](mailto:sherylf@pshhc.org)

#### C. Participating First Mortgage Lenders

You may contact the following participating lenders by phone or email to arrange an appointment to be pre-approved for a First Mortgage and obtain an application for the Program loan.

[Names and contacts of First Mortgage lenders go here.](#)

#### D. Title Companies and Approved Escrow Officers

[Names and contacts of Title Companies go here.](#)

## **Appendix E**

### **Occupancy Guidelines**

- The homebuyer must occupy the purchased home as his/her primary residence within 60 days after the close of escrow.
- The homeowner must occupy the home as his/her principal residence throughout the term of the Program loan or until the loan is repaid.<sup>6</sup>
- The City will perform compliance monitoring and will require documented proof of homeowner occupancy at intervals determined by the City.
- The homeowner may not lease or rent the home to another party unless pre-approved by the City. Any allowed rental may be for a maximum one-year period and will only be approved by the City in the event of the homeowner's extended hospitalization or convalescent care, temporary employment relocation, sabbatical, extended travels, other hardship circumstance, or good cause.
- The homeowner may rent out a room within the home without the City approval so long as all borrowers of record continue to reside in the home as their principal place of residence.<sup>7</sup>
- If the home is not continuously occupied by the owner the loan will be in default and repayment of the City principal amount along with accrued interest due to the City will be immediately due and payable.

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<sup>6</sup> Occupying your home as your primary place of residence means that you must live in your home for at least 10 months out of each calendar year.

<sup>7</sup> Borrowers should be aware that some First Mortgage Lenders may not allow the homebuyer to rent rooms.

## Appendix F

### Income Verification Requirements

Borrowers applying for a Program loan must have their income certified by an approved City Community Partner to verify that they meet the eligibility requirement of a low-income household.<sup>8</sup> To verify household income, applicants will need to submit an Income Certification Application and receive an Income Certification and Affidavit Form completed by a City-approved Community Partner. Generally, the applicant must provide the following information with the application:

- Federal Income Tax Returns (signed) with W2s from the last three years as well as the two most recent paystubs for all household members over the age of 18 (within 60 days).
- Supporting documentation for all other income received including disability, alimony, child support, unemployment, Social Security, interest and dividend income, etc.
- Written verification of employment for all household members earning an income (within 60 days of application submission).
- An applicant who is self-employed will need to provide income tax returns for the last three years, both State and Federal, plus a profit and loss statement from an account for the last six months.
- An applicant who is both self-employed and works for an employer must provide documentation for both sources of income.
- Two most recent statements from all asset accounts, including checking and savings accounts, individual retirement accounts, investment and trust accounts, etc., for each household member who is at least 18 years old.

*PSHHC will perform the income certification for the borrower. Please see Appendix D for their contact information.*

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<sup>8</sup> **PLEASE NOTE:** Income certification is not the same as qualifying for a loan from a First Mortgage Lender. You will first need to be pre-qualified for a loan from a participating First Mortgage lender based on your income and job stability, debt to income ratio, credit score and other criteria used by the lender. After that you must be income certified by a Program-approved Community Partner as an eligible low to upper moderate-income household for purposes of participating in the Program.

## Appendix G

### Eligible Uses of the Homebuyer Assistance Program Down Payment Loan

The primary use of the Program loan is to provide homebuyers with financial assistance towards the down payment needed to purchase a home. The maximum amount of the Program loan that can be used toward the down payment is 16.5% of the home purchase price. Homebuyers may also apply a portion of the Program loan proceeds toward other eligible nonrecurring and recurring closing costs and expenses incurred in qualifying for the Program loan. The following uses are eligible:

#### Nonrecurring Closing Costs

- Credit Report
- Home Appraisal
- Home Inspection Report
- Loan Origination Fee
- Title and Escrow fees
- Recording and Notary Fees
- Loan Interest Rate Buy-Down up to a maximum of one-half point (.5%)
- Upfront Mortgage Insurance Premium
- Home Warranty

#### Recurring Costs and Impounds<sup>9</sup>

- Property Tax Impound – Maximum Six Months
- Prepaid Homeowner's Association fee
- Prepaid Home Insurance

#### Loan Qualification Costs

- Credit for cost of Homebuyer Education Course – maximum of \$200
- Credit for Homebuyer Income Certification – maximum of \$300

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<sup>9</sup> Borrowers may use a portion of the Program loan for recurring costs and impounds required as part of the home purchase loan closing, based on the First Mortgage Lender requirements.

## Appendix H

### Loan Repayment Examples

**Example #1:** The homebuyer purchases a two-bedroom condominium for \$200,000, using a \$33,000 Program loan, plus 3.5% or \$7,000 of his/her own cash<sup>10</sup>. The homeowner resells the home after seven years for \$270,000. The homeowner will repay the City the principal loan amount of \$33,000 plus 3% annual interest on the loan. The homeowner is responsible for paying for the transaction costs of the resale of the home (realtor fees, etc.) The homeowner's equity in the home has also increased by making payments of principal on the first mortgage loan.

**Calculation of Loan Repayment at 3% Simple Annual Interest**

Original Purchase Price of the Home.....	\$200,000
Total City Down Payment Loan .....	\$33,000
City Down Payment Percentage = \$33,000/\$200,000 = <b>16.5%</b>	

*Possible Gross Resale Value, 2023 <sup>11</sup> .....	\$270,000
Original Purchase Price.....	\$200,000
Original Down Payment Loan Amount 2016 .....	\$33,000
Multiply by .03 (3% simple interest) .....	\$990
Multiply by 7 (accrued interest if home sold after seven year).....	\$6,930
Amount due the City = \$33,000 in loan principal plus \$6,930 in accrued annual interest.	

**Given the above assumptions as an example, the Owner would repay the City principal loan amount of \$33,000 plus \$6,930 in accrued interest, for a total of \$39,930.**

**Example #2:** The homebuyer purchases a single-family home for \$303,000 using a \$50,000 Program loan, plus 5% of the home price or \$15,000 of their own cash<sup>12</sup>. The homeowner lives in the home for 30 years. At the end of the loan term, the homeowner will repay the City the principal loan amount of \$50,000 plus 3% annual interest on the loan. The homeowner's equity in the home has also increased during the 30 years by making payments of principal on the first mortgage loan.

**Calculation of Loan Repayment at 3% Simple Annual Interest**

Original Purchase Price of the Home.....	\$303,000
Total City Down Payment Loan .....	\$50,000
City Down Payment Percentage = \$50,000/\$303,000 = <b>16.5%</b>	

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<sup>10</sup> There will also be closing cost expenses (such as realtor fees) for the original homebuyer in selling the home.  
<sup>11</sup> \*The City offers no assurance or guarantee whatsoever that the home will increase in value to any extent, or that it will not decrease in value. This example solely demonstrates how to calculate the down payment loan repayment.  
<sup>12</sup> There will also be closing costs (such as realtor fees) for the original homebuyer selling the home.



*Possible Gross Value, 2046 <sup>13</sup> .....	\$600,000
Original Purchase Price.....	\$303,000
Original Down Payment Loan Amount 2016 .....	\$50,000
Multiply by .03 (3% simple annual interest).....	\$1,500
Multiply by 30 (accrued interest if loan repaid at end of 30-year term) .....	\$45,000
Amount due the City = \$50,000 in loan principal plus \$45,000 in accrued annual interest	

**Given the above assumptions as an example, the Owner would repay the City principal loan amount of \$50,000 plus \$45,000 in accrued interest, for a total of \$95,000.**

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<sup>13</sup> \*The City offers no assurance or guarantee whatsoever that the home will increase in value to any extent, or that it will not decrease in value. This example solely demonstrates how to calculate the down payment loan repayment.