



City of Huntington Beach First-Time Homebuyers Downpayment Assistance Program (DAP) Program Summary

Program Description: Silent second mortgage loan program with an equity share for low to moderate-income first-time homebuyers; principal payments deferred. The Principal payments are due in 30th year or upon sale or transfer of property, when property ceases to become owner-occupied, or upon repayment or refinancing of first mortgage, whichever comes first.

Loan Term: 45-year term

Maximum DAP Loan Amount: 20% of the purchase price not to exceed the maximum DAP loan amount.

The current DAP maximum loan amounts are:

\$50,000 for a one bedroom

\$75,000 for a two bedroom

\$100,000 for a three bedroom

Equity Sharing Payment: Equity Sharing Payment will be forgiven in the event borrower owns and occupies the property for the first 30 years of the 45 year term.

Calculating Equity share

<u>Year</u>	<u>Percentage of Equity Share Payment</u>
1-7	100%
8-12	75%
13-17	50%
18-22	25%
23-30	10%
30+	Equity Share is forgiven, however, principal loan must be repaid.

Example: You receive \$100,000 in assistance and your purchase price was \$500,000, the Equity Share percentage is 20%. (\$100,000/\$500,000). If in 5 years you sell the property for \$750,000, the appreciation is \$250,000. The Equity Share would be 100% (Year 1-7) of the 20% equity share of the appreciation or \$50,000.

	Year 5	Year 11	Year 31
Sales Price	\$750,000	\$750,000	\$750,000
Payoff First Loan (will vary by what you owe at the time of sale)	\$400,000	\$400,000	\$400,000
Payoff Assistance	\$100,000	\$100,000	\$100,000
Equity Share	\$50,000	\$37,500	\$0 forgiven
Gross Proceeds	\$200,000	\$212,500	\$250,000

Affordable Housing Cost: The maximum allowable amount a qualified borrower may pay for housing expenses including loan principal, interest, taxes, insurance, HOA dues, and a utility allowance. This amount will be calculated by Affordable Housing Clearinghouse.
For qualifying purposes lender's may use a 36% maximum monthly housing cost.

Maximum Purchase Price: \$515,000 as of June 2010
Contact Affordable Housing Clearinghouse for most recent maximum purchase price update at (949)859-9255.

Interest Rate: 0% interest

Closing Costs: Borrowers are required to pay usual and customary loan fees, closing costs, and reserves, as in any purchase transaction. See below for minimum contribution.

Minimum Buyer Contribution: Borrower is required to contribute a minimum 3% of the purchase price from their own funds. (Borrower may not contribute more than 20% of the purchase price)

Cash Reserves: First mortgage lender may also have reserve requirements.

First-Time Homebuyer: All buyers on title must be first-time homebuyers defined as follows

- Someone who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property; or
- A displaced homemaker who owned a home; or
- A single parent (unmarried or legally separated) who owned a home with custody of minor child(ren); or
- An individual who has only owned a mobile home.

Maximum Household Income (2010):	<u>Household Size:</u>	<u>Moderate Income:</u>
	1	\$73,250
	2	\$83,700
	3	\$94,200
	4	\$104,650
	5	\$113,000
	6	\$121,400
	7	\$129,750
	8	\$138,150

*Subject to change

Citizenship/Residence Status: All applicants on title must provide evidence of U.S. citizenship or permanent resident alien status.

Eligible Areas: City of Huntington Beach (excluding unincorporated areas)

Eligible Properties:

- ◆ Single-family properties
- ◆ Condos and planned unit developments (PUDs) allowed.
- ◆ All borrowers on title must occupy property as their primary residence.
- ◆ Affordable Housing Clearinghouse to verify eligibility of properties.

Underwriting: Maximum of 40% debt-to-income ratio allowed. Higher ratios with mitigating circumstances may be considered on a case by case basis but approval is not guaranteed.
Underwriting decisions by the first mortgage lender (credit, debt ratios, etc.) apply.

Credit: At time second mortgage loan is recorded:

- ◆ No credit accounts past due at time loan is recorded
- ◆ No outstanding unpaid judgments or involuntary liens
- ◆ No bankruptcies

Borrower must have sufficient credit worthiness to qualify for and obtain first loan through a lender.

First Mortgage Loan Requirements:

- ◆ Applicants to obtain 30-year first mortgage loan from a lender (see Application Procedures).
- ◆ First mortgage lender required to establish impound accounts for taxes and insurance for the term of the first mortgage.
- ◆ First mortgage loan must have fixed interest rate not more than current market rate (no ARMs).
- ◆ Buyer must meet underwriting and eligibility guidelines of first mortgage lender.
- ◆ Co-signers are not allowed.

Maximum Loan to Value (LTV):

Combined loan to value can not be more than 100% of purchase price.

Homebuyer Education Requirements:

Buyer must obtain a pre-purchase Homebuyer Education certificate from an approved provider (see Application Procedures). The certificate must be dated within the last 12 months from the date application is received. Borrower is also required to schedule, attend, and participate in a one-on-one housing counseling session with the City of Huntington Beach staff prior to loan closing.

