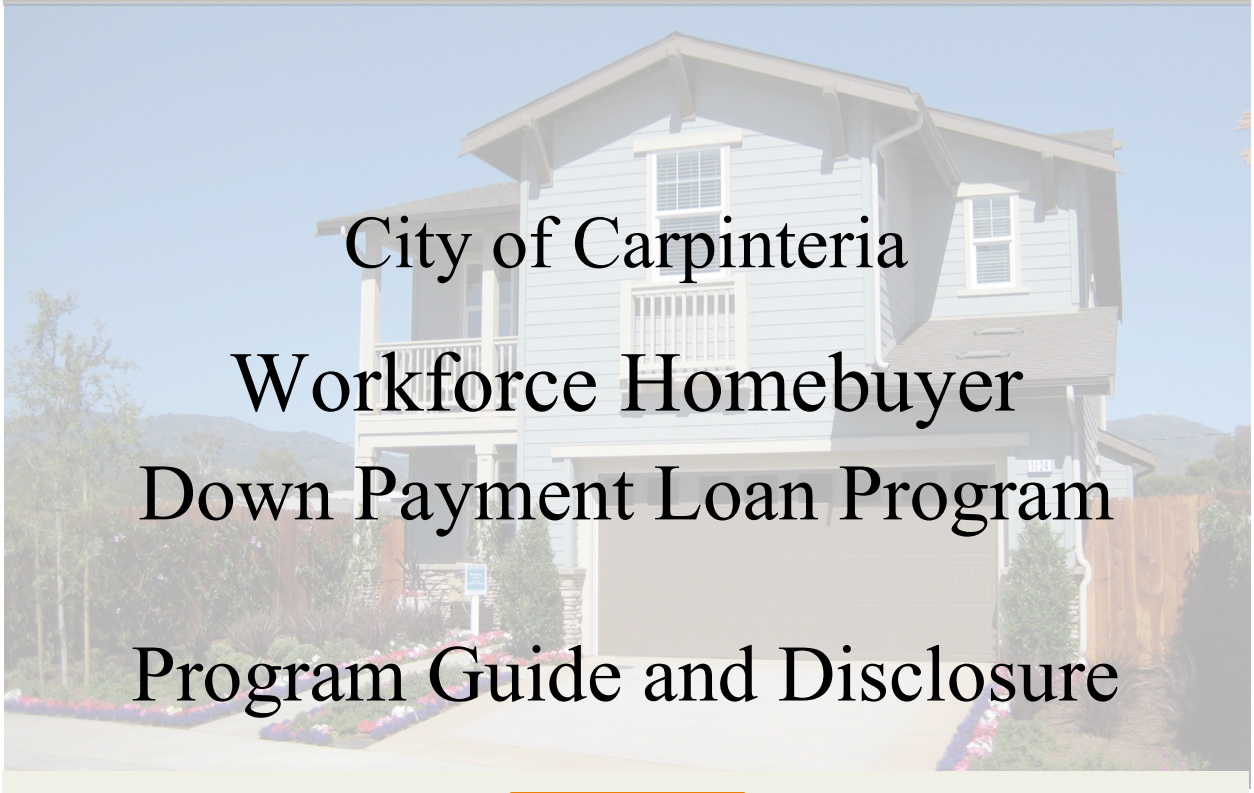
Housing Trust Fund of Santa Barbara County



City of Carpinteria

Workforce Homebuyer Down Payment Loan Program

Program Guide and Disclosure

2015

City of Carpinteria

5775 Carpinteria Avenue
Carpinteria, CA 93013
(805) 684-5405 / (805) 684-5304 FAX
www.carpinteria.ca.us

Program Management Consultants

Housing Trust Fund of Santa Barbara County
P. O. Box 60909
Santa Barbara, CA 93160-0909
(805) 685-1949
www.sbhousingtrust.org

City of Carpinteria

Workforce Homebuyer Down Payment Loan Program

Loan Funding Process with Application Steps

STEP 1

- **Complete a Homebuyer Education Training Course**
- Take an online course offered by a City and Housing Trust Fund (HTF) approved Community Partner* and receive your certificate of completion.

STEP 2

- **Obtain Pre-Approval for a First Mortgage Loan**
- Apply for a First Mortgage loan from an approved lender to obtain your pre-approval letter. The Lender will give you a Down Payment Loan application.

STEP 3

- **Complete Your Income Certification**
- You must have your income certified by an approved Community Partner to verify that you are an eligible low to upper moderate income household. This is separate from qualifying for the First Mortgage loan.

STEP 4

- **Locate Your Home**
- Work with your Realtor or Broker to find the home you would like to purchase.
- Execute a sales contract to buy the home, contingent on the down payment loan.

STEP 5

- **Submit Your Down Payment Loan Application**
- Submit your Down Payment Loan application and supporting documentation to your First Mortgage lender. The lender will forward your application to HTF.

STEP 6

- **Down Payment Loan Commitment**
- HTF and the City will review your complete loan application within 10 - 12 working days. If you qualify, the City will issue you a loan commitment.

STEP 7

- **Escrow and Loan Closing**
- Loan documents will be prepared for your signature.
- The City and HTF will coordinate with the First Mortgage Lender and Title Company to fund and close your home purchase.

**The Housing Trust Fund and City of Carpinteria have a list of approved Community Partners where you can take a Homebuyer Education Training course, have your income certified, obtain pre-approval for your First Mortgage Loan and receive assistance in applying for a Workforce Homebuyer Down Payment loan (see Appendix D). You may use any realtor or broker you choose to locate your home; it is helpful if they have attended an informational workshop.*

City of Carpinteria

Workforce Homebuyer Down Payment Program Guide

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City of Carpinteria

Workforce Homebuyer Down Payment Loan Program

I. PROGRAM OVERVIEW

The Workforce Homebuyer Down Payment Loan Program is a program of the City of Carpinteria, in collaboration with the Housing Trust Fund of Santa Barbara County (HTF), to expand homeownership opportunities in Carpinteria. The program helps bridge the homeownership affordability gap for workforce homebuyers by providing 30-year deferred payment loans up to $75,000 per household to assist low to upper-moderate income households in purchasing a home in the City. Funds can be used for down payment and closing costs for households who earn up to 200% of the Area Median Income (AMI), adjusted for household size. The loans have no current interest or principal payments, are structured with shared appreciation and are repaid upon sale or refinancing of the home or at the end of the loan term. Funding for the program has been provided through the City of Carpinteria.

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:

- Applicants must be a First-Time Homebuyer and not have owned a principal residence within three (3) years from the date of program application, and may not own other residential property.[1]
- Applicants must be a low to upper-moderate income household and have the household income certified by a HTF-approved Community Partner.
- 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.
- Applicants must attend and complete a HTF-approved Homebuyer Education Training class.
- Applicants 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.
- Applicants 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 of Carpinteria that meet the criteria outlined below. Affordable below market-rate homes with resale restrictions are ineligible for the program.

[1] 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.

A. **Location of the Home:** The home must be located within the City of Carpinteria in Santa Barbara County.

B. **Type of Home:**

- **Allowed Types:** Detached or attached single-family homes; units in Planned Unit Developments; duplexes; townhomes; condominiums[2] 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 under the City of Carpinteria Inspection on Sale program.

IV. HOUSEHOLD INCOME TARGETING

Applicants for homebuyer down payment assistance must have combined household incomes that do not exceed 200% of Area Median Income, adjusted for household size.

Area Median Income is determined annually by the U.S. Department of Housing and Urban Development. Santa Barbara County Area Median Income is currently $75,400[3] for a family of four and is adjusted for household size. An eligible family of four could earn a maximum of $150,800 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 rate will be contingent interest based on a share of the property's potential appreciation. The 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 (unless the refinance meets one of the program exceptions, as defined in the homebuyer loan documents). 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.

B. Maximum Loan Limits and Assistance Levels

The maximum down payment loan amount under this program will be $75,000. The amount of the individual homebuyer loan will be based on the home purchase price, homebuyer income and need. The down payment loan may not be for more than the homebuyer needs to purchase the

[2] 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.

[3] The Workforce Homebuyer Down Payment Loan Program will use the State HCD 'Hold Harmless Policy' which protects maximum income limits from decreases in the Area Median Income. Therefore, 2015 maximum income limits will be based on a median income of $75,400 for a household of four.

home with affordable monthly payments. The City of Carpinteria may from time to time adjust the maximum loan amount, based on program experience.

The maximum portion of the City of Carpinteria secondary loan that can be used toward the down payment is 16.5% of the home purchase price, up to a limit of $75,000. Homebuyers may also choose to apply a portion of the loan proceeds towards other eligible nonrecurring and recurring closing costs and expenses incurred in qualifying for the down payment 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*.] HTF, in coordination with the First Mortgage Lender, will calculate the amount of the down payment 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 WISH Mortgage Assistance 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 City of Carpinteria loan for their individual home purchase. If the combined down payment, including the homebuyer portion, City of Carpinteria loan and other assistance, exceeds 30% of the home purchase price, the amount of the City of Carpinteria down payment loan will be reduced accordingly, so that the 30% maximum assistance level will not be exceeded. The purpose of this policy is to use the Workforce Homebuyer 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 City of Carpinteria secondary loan is to provide down payment assistance in purchasing the home. However, the homebuyer may also apply the 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 down payment loan.

Eligible uses of the Workforce Homebuyer Down Payment Loan are listed in Appendix G.

VI. HOMEBUYER FINANCING REQUIREMENTS

Borrower Match: Homebuyers must qualify for a fully amortized **30-year fixed rate** first mortgage from a Workforce Homebuyer Down Payment Loan 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.

VII. HOMEBUYER EDUCATION

Applicants seeking a Workforce Homebuyer Down Payment Loan must attend a Workforce Homebuyer Down Payment Loan Program (WHDP) approved Homebuyer Education Training class or course prior to applying for a City of Carpinteria down payment loan or making an offer on a home. The homebuyer education training provides applicants the opportunity to learn about the responsibilities of homeownership and to ensure that the borrower understands the requirements of the down payment loan, shared appreciation requirements 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 a Homebuyer Education Training course.

A list of approved agencies that provide homebuyer training is included in Appendix D.

VIII. OWNER OCCUPANCY

Homebuyers who receive a Workforce Homebuyer Down Payment Loan must occupy their home as their principal residence until the down payment loan is repaid. The City of Carpinteria 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.

IX. LOAN FINANCING TERMS

A. Loan Payments: The down payment 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 loan will be 30 years. In special circumstances, longer terms can be considered if the first mortgage is provided through a government program.

C. Interest Rate: The down payment loan has no current interest payments. Instead, the interest rate will be contingent interest equal to the lesser of either a share in the property's potential appreciation or eight and one-half percent (8.5%) per year.

The Share of Appreciation will be determined by the percentage the City of Carpinteria down payment loan contributed to the purchase of the home and is calculated by dividing the down payment loan amount by the home purchase price. For example, if the homebuyer received a $74,250 down payment loan to purchase a $450,000 home, then the City of Carpinteria would receive 16.5% ($74,250 divided by $450,000 = 16.5%) of the home's gross appreciation as the Share of Appreciation. The amount of home appreciation used to calculate the share of appreciation owed to the City of Carpinteria would be adjusted to account for the value of eligible Home Improvements that have been installed by the owner.

Examples that demonstrate how the Share of Appreciation works are included in Appendix I.

D. Appraisal and Loan to Value Ratio: The down payment 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 City of Carpinteria down payment loan and senior debt does not exceed the value

of the home. The City of Carpinteria 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 down payment 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 down payment 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 down payment 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.

X. REPAYMENT OF THE LOAN

Down payment loans will be repaid at the end of the 30-year loan term. Loan repayment may be accelerated and would 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 down payment loan); or
- Refinance of the First Mortgage Loan such that the principal amount of all debt exceeds the remaining balance of the original First Mortgage loan amount and City of Carpinteria down payment loan plus the loan costs incurred by borrower and payable to third parties through the close of escrow, and cash is taken out payable to the borrower through the refinancing.

XI. LOAN BENEFITS

The terms and conditions of the down payment 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 to upper-moderate income families who have previously been shut out of the local housing market to buy a home.

XII. SHARED APPRECIATION

A. Shared Appreciation: In lieu of interest, the City of Carpinteria shares in the home's equity and potential appreciation based on the proportion of the total capital contributed to the property by the City and the borrower at the time of transfer, refinance or repayment. Properties must be sold or revalued at Fair Market Value. The City of Carpinteria's capital share is the down payment loan amount. The borrower's capital contribution is the borrower's down payment and the cost of eligible Home Improvements. Eligible home improvements must be substantial capital improvements that increase the value of the home. The definition of eligible Home Improvements is included in the Deed of Trust and described in Appendix H.

B. Risk of Loss: If the property value does not appreciate, or if the property has actually lost value from the original purchase price at the time the borrower wants to sell the property, the borrower's equity share may be less than their capital contribution. There is never any guarantee that real estate will appreciate in value and it may depreciate at any time.

C. Regulatory Requirements

A condition of the City of Carpinteria program funding is to achieve long-term housing affordability. This will be accomplished through a shared appreciation arrangement with the homebuyer so that the investment of public funds is returned upon sale of the home and recycled to assist future workforce homebuyers. Homebuyers receiving a down payment loan under this program must agree to Shared Appreciation Requirements included in the Deed of Trust that will be recorded against their title to ensure that the home remains owner occupied and that the City of Carpinteria receives its proportionate share of home appreciation upon sale, transfer or refinancing of the home.

XIII. FIRST MORTGAGE FINANCING

Homebuyers must obtain a First Mortgage Loan from a Workforce Homebuyer Down Payment Loan Program approved participating lender that meets 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 down payment 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 22%, based on the homebuyer 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 City's program management partner HTF will coordinate with community lending partners to establish mortgage and household debt ratios to ensure that the homebuyer monthly payments are affordable and the down payment loan is not used to purchase a home that exceeds the homebuyer's purchasing ability.

XIV. COMMUNITY LENDING PARTNERS

The City and HTF will collaborate with Community Lending Partners to obtain pre-approval of the Workforce Homebuyer Down Payment Loan 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 this Down Payment Program is included in Appendix D.

XV. DOWN PAYMENT LOAN PROCESSING STEPS

Follow these Steps to Apply for a Down Payment Loan.

Step 1: Homebuyer Education. To apply for a Workforce Homebuyer Down Payment Loan, you must first complete a Homebuyer Education Training course provided by an approved Workforce Homebuyer Program Community Partner 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 Workforce Homebuyer 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 Workforce Homebuyer Down Payment Loan from the City of Carpinteria.

Step 3: Income Certification. To apply for a Workforce Homebuyer Down Payment Loan, you must have your household income certified to verify that you are an eligible low, moderate or upper moderate-income household. The income certification must be performed by an approved Community Partner. The Community Partner may charge you a modest fee for the income certification. This fee is an eligible expense that can be reimbursed from your down payment loan. *To locate a Community Partner for income certification, please see the list 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 down payment loans.

Step 5: **Submit Your Down Payment Loan Application.** You can obtain a Workforce Homebuyer Down Payment Loan application from your First Mortgage Lender. Submit your down payment loan application, along with your income certification and all required documentation, directly to your participating First Mortgage Lender. The lender will verify that your down payment loan application packet is complete and forward it to the Housing Trust Fund and City for processing.

Step 6: Down Payment Loan Commitment. The Housing Trust Fund will review your completed loan application packet and make a recommendation on the funding of your loan within 10 to 12 days to the City of Carpinteria. If you qualify, the City will issue you a loan commitment for the down payment loan.

Step 7: Escrow and Loan Closing: The City and HTF will prepare your down payment loan documents, which will include a Promissory Note, Deed of Trust with Shared Appreciation Requirements and Truth-in-Lending Disclosure Statement, for your review and signature. The City will then coordinate with the First Mortgage Lender, Title Company and Housing Trust Fund to close and fund your 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.

XVI. FOR MORE INFORMATION

The Workforce Homebuyer Down Payment Loan Program is offered by the City of Carpinteria with funding provided by the City of Carpinteria and program management provided by the Housing Trust Fund of Santa Barbara County (HTF).

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

Bank of America
Coastal Housing Partnership
Housing Authority of the City of Santa Barbara
Peoples' Self-Help Housing
Union Bank
Ventura County Community Development Corporation
Wells Fargo Home Mortgage

Contact information for these community partners is attached in Appendix D.

For general information about the program, you may contact the Program Manager at:

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
Website: www:sbhousingtrust.org

In addition, the City of Carpinteria has information about the program at:

City of Carpinteria
5775 Carpinteria Avenue
Carpinteria, CA 93013
(805) 684-5405 / FAX (805) 684-5304
Contact: Shanna Farley-Judkins, Assistant Planner
(805) 755-4405
Email: shannaf@ci.carpinteria.ca.us
www.carpinteria.ca.us

EQUAL HOUSING OPPORTUNITY

The Workforce Homebuyer Down Payment Program complies with Fair Housing and Equal Housing Opportunity Laws.

XVII. DISCLOSURE STATEMENT

A. Explanation of Loan Documents and Requirements

The Workforce Homebuyer Down Payment Loan Program is supported with funding provided by the City of Carpinteria. The program manager, the Housing Trust Fund of Santa Barbara County, has prepared the following loan documents on behalf of the City of Carpinteria to meet the requirements of the WHDP including:

- City Promissory Note;
- City Deed of Trust with Exhibit B Shared Appreciation Requirements; and
- Truth-in-Lending Disclosure Statement.

This Disclosure Statement explains the major provisions of the City of Carpinteria Promissory Note and Deed of Trust with Exhibit B Shared Appreciation Requirements so that the homebuyer will understand the requirements of the down payment 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 Workforce Homebuyer Down Payment Program loan you must not have owned a principal place of residence within the last three (3) years prior to application for the down payment 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 building codes 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 home has been sold prior to receiving the down payment 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 down payment loan with the City of Carpinteria. You may not lease or rent your home to another party except that, with the prior written approval

of the City of Carpinteria, 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 of Carpinteria approval so long as you continue to reside in your home as your primary residence.[4] The City of Carpinteria 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 down payment loan principal amount along with any Share of Appreciation due to the City of Carpinteria. This provision lasts for 30 years or until the loan is repaid.

D. Verification of Income

Homebuyers eligible for the Workforce Homebuyer Down Payment program must have a total household annual income that does not exceed 200% of Area Median Income for upper moderate income adjusted for household size. The combined income of all household members 18 years old 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 an HTF-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 these payments. You are responsible for the cost of all maintenance and repairs of the home. Upon repayment of the down payment loan and the City of Carpinteria share of appreciation, you may receive credit for the value of eligible home improvements. You must also maintain and pay for property insurance during the term of the City of Carpinteria loan.

Please see Appendix H for detailed information on eligible home improvements.

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 of Carpinteria). If your home is located in a flood

[4] Homebuyers should be aware that the First Mortgage loan conditions may not allow renters.

zone, you must also obtain flood insurance that is acceptable to the City of Carpinteria. The insurance and maintenance requirements are detailed in the Deed of Trust.

G. Purchase of Other Real Estate

A condition of the down payment 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 City of Carpinteria loan is not repaid. This ownership provision may be modified, upon written approval of the City of Carpinteria, if the homeowner demonstrates need or other good cause.

H. Home Improvements

When you repay the down payment loan, the Share of Appreciation owed to the City of Carpinteria may be adjusted based on certain home improvements you have installed as the homeowner. You may receive credit for the value of capital improvements that increase the Fair Market Value of your home, provided that they are: (a) installed at your direction, (b) have an initial cost of $2,000 or more, (c) are constructed in accordance with required building or other construction permits, (d) are documented with dated invoices and receipts and (e) when necessary, are verified by appraisal. Eligible home improvements do not include minor or major repairs, costs of general maintenance or improvements that do not add to the resale value of your home. *Please see Appendices H and I for a description of home improvements and examples of how the HTF Share of Appreciation is adjusted to take into account eligible home improvements.*

I. 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 City of Carpinteria down payment loan principal amount plus any Share of Appreciation in the home due to the City of Carpinteria at the time of sale. When you decide to sell or transfer or refinance your home, you must notify the City of Carpinteria 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 of Carpinteria when you sell, transfer or refinance your home. If you are selling your home to a third party buyer, you must also submit a signed copy of the Declaration Regarding Sales Price certifying that the home is being sold at Fair Market Value. A copy of this form is attached to the Deed of Trust as Exhibit B.

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.

J. Refinancing Your Home

You may choose to refinance your First Mortgage loan, in which case you generally must repay all sums due under the City's Promissory Note. However, if you refinance your home and the principal amount of all debt secured by the home does not exceed the remaining balance of the original First Mortgage loan amount and City of Carpinteria down payment loan plus the loan costs incurred by borrower and payable to third parties through the close of escrow, and no cash

is taken out payable to the borrower through the refinancing, you will not be required to repay the City of Carpinteria at that time. Certain other conditions must be met in order for approval of this refinancing option:

- The refinance may only be provided by a licensed Institutional Lender;
- The refinanced First Mortgage Loan must be a fully amortized fixed rate loan with no balloon payments; and
- The homeowner's total housing cost after the refinance must not exceed the homeowner's ability to pay.

The purpose of these requirements is to ensure the continued affordability of the home to the homeowner and to minimize the risk of loss of your home through default and foreclosure.

K. Determination of Fair Market Value

If you choose to sell, transfer or refinance your home, it must be valued at Fair Market Value. A professional real estate appraiser can establish the Fair Market Value of your home. If possible, the appraisal will be based on sales prices of homes similar to yours that are sold in your market area during the preceding three-month period. The Deed of Trust with Shared Appreciation Requirements also allows you and the City of Carpinteria to set the Fair Market Value of your home by mutual agreement instead of relying on an appraisal. Both you and the City of Carpinteria would have to agree to this particular method (instead of hiring an appraiser) and to the final Fair Market Value amount. If the City of Carpinteria believes that the home is being sold or appraised at less than Fair Market Value, then the City of Carpinteria has the right to complete its own appraisal. If there is still a disagreement between the homeowner and the City of Carpinteria on the home's Fair Market Value, then another appraiser will be selected by the homeowner, subject to the reasonable approval of the City of Carpinteria, to determine the home's Fair Market Value. The homeowner will pay for the cost of the additional appraisal. The average home value of all of the appraisals will then be the Fair Market Value.

L. Loan Repayment and Prepayment

You must repay the down payment loan either on its Maturity Date in 30 years or upon resale, transfer or refinancing of your home (subject to the provisions of Section J. above). You will make no payment on the down payment 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 down payment loan you will owe the City of Carpinteria the principal amount plus any [potential] Share of Appreciation, based on the City's proportionate share of equity in the home.

The City of Carpinteria Share of Appreciation is based on the proportion of the total capital contributed to the property by the City and the homeowner at the time of transfer, refinance or repayment. The City of Carpinteria's capital share is the down payment loan amount. The homeowner's capital contribution is the homeowner's down payment and eligible Home Improvements.[5]

[5] Eligible home improvements must be substantial improvements that increase the value of the home. The definition of eligible Home Improvements is included in Appendix H and the Deed of Trust.

The method for calculating the City of Carpinteria's Share of Appreciation when you sell, transfer or refinance your home is detailed in the Promissory Note and Deed of Trust with Shared Appreciation Requirements. An example is included in Section M below.

Borrowers may repay the full amount of the City of Carpinteria loan at any time before it is due without any prepayment penalty. Partial repayments are not permitted. Borrowers must repay the loan principal and any shared appreciation due based on the current Fair Market Value of the home. The cost of any necessary appraisals will be borne by the homeowner.

M. 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 down payment loan. If you fail to correct the violation, you will be required to repay the down payment loan, shared appreciation and any other costs incurred to the City of Carpinteria in enforcing the Loan Documents. The City of Carpinteria may also obtain a court order to enforce the provisions of the Loan Documents, or may foreclose and take your home.

N. Shared Appreciation Example

This example shows how to calculate the amount owed to the City of Carpinteria if you decide to sell, transfer or refinance your home, or at the end of the loan term. When you repay the City of Carpinteria down payment loan, you will repay the principal amount plus either a) an amount equal to a percentage of appreciation in the purchased home or b) eight and one-half percent (8.5%) interest per year on the loan, whichever is less.

1. Share of Appreciation Percentage Calculation

Original purchase price of the home……$450,000

City Down Payment Loan Amount..…….….....$ 74,250

Share of Appreciation Percentage = $74,250/$450,000 = **16.5%**

2. Amount Subject to the Share of Appreciation

The amount subject to the City Share of Appreciation is equal to the gross Resale Value of the home (sales price or fair market value), less the value of any eligible capital improvements you have installed, less the original purchase price.

Resale Value – Value of Improvements – Purchase Price of the Home = Appreciation Amount

In this example**,** if you purchased this home for $450,000 in 2015, installed $5,000 in home improvements and resold the home in 2022 for $575,000, the amount of home appreciation subject to shared appreciation with the City would be the following:

One possible Resale Value, 2022[6]……..….$575,000

Original Purchase Price……$450,000

Accrued Appreciation……...$125,000

Less Value of Improvements (as determined by appraisal)…….....$ 5,000

Amount Subject to the Share of Appreciation[7]…...……...…...$120,000

3. Share of Appreciation Due the City

The Share of Appreciation due to the City of Carpinteria is then calculated by multiplying the shared appreciation percentage times the amount subject to the Share of Appreciation.

Share of Appreciation Percentage x Amount Subject to Share of Appreciation = Share of Appreciation due to the City of Carpinteria

City Share of Appreciation Percentage ……...16.5%

Owner share subject to Share of Appreciation…….……83.5%

City Share of Appreciation (16.5% x $120,000)……..….$19,800

Owner Share of Appreciation (83.5% x $70,000)……....$100,200

Given the above assumptions, the Owner would receive approximately $100,200 of the appreciation in the home after paying off the City of Carpinteria down payment loan.[8] The City of Carpinteria would receive $19,800 in addition to its loan balance of $74,250.

4. Alternative 8.5% Simple Interest Example

Original Shared Appreciation Loan Amount 2015……...$74,250

Multiply by .085 (8.5% simple interest)……...$ 6,311

Multiply by 7 (seven years in this example)……..$44,177

The Owner would pay either the lesser of the Share of Appreciation or 8.5% annual interest. In this example, paying the $19,800 Share of Appreciation to the City of Carpinteria is less than paying the $44,177 in annual interest on the loan. Therefore, the owner would repay the City of Carpinteria the principal amount of $74,250 plus $19,800 in Shared Appreciation.

There are several other examples of how to calculate the Share of Appreciation on your down payment loan in Appendix I.

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[6] 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 is solely created to illustrate how the Share of Appreciation is calculated.

[7] It is assumed that no further encumbrance of the Home has occurred since the initial purchase.

[8] The owner is responsible for paying for the transaction costs of selling the home (realtor fees, escrow closing fees, etc. The owner's equity in the home has also increased by making payments of principal on the first mortgage loan.

City of Carpinteria

Workforce 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 City of Carpinteria's Program Manager, the Housing Trust Fund. 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 of Carpinteria. This restriction is for 30 years or until the City of Carpinteria loan is repaid.

   B. I must contact the City of Carpinteria before any sale, transfer or refinancing of the home.

   C. I must repay the Workforce Homebuyer Down Payment Loan plus the lesser of either a share of appreciation in the home or 8.5% simple annual interest on the loan when I sell the home or transfer ownership.

   D. I must repay the Workforce Homebuyer Down Payment Loan principal and the lesser of either a share of appreciation or 8.5% simple annual interest on the loan if I refinance the home and the principal amount of all debt secured by the home exceeds the remaining balance of the original First Mortgage loan amount and City of Carpinteria down payment loan plus loan costs incurred by the borrower and payable to third parties through the close of escrow, and cash is taken out payable to the borrower through the refinancing, or if I violate any 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 Housing Trust Fund's Workforce Homebuyer Down Payment Program, you must be a First-Time Homebuyer, which means you must not have owned a principal place of residence within the last three (3) years prior to application for the Housing Trust Fund down payment 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, Title 25 Section 7151 below. In addition, the City of Carpinteria 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 down payment loan.

§ 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 down payment loan.

Appendix B
Maximum Household Income Limits

To be eligible for a Workforce Homebuyer Down Payment Loan, the applicant's total household income must be classified as low, moderate or upper moderate and cannot exceed 200% of the Area Median Income (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 old 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 City of Carpinteria 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 Area Median Income utilized by State HCD was $75,400 for a family of four. Maximum household incomes eligible for the Workforce Homebuyer Down Payment Program are shown below and are calculated based on the State HCD Hold Harmless Policy.[9]

2015 Maximum Income Limits
Santa Barbara County

FY 2015 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Low (80%) Income Limits	$44,950	$51,350	$57,750	**$64,150**	$69,300	$74,450	$79,550	$84,700
Moderate (120%) Income Limits	$63,350	$72,400	$81,450	**$90,500**	$97,750	$105,000	$112,200	$119,450
Upper Moderate (200%) Income Limits	$105,600	$120,600	$135,700	**$150,800**	$162,900	$174,900	$187,000	$199,100

[9] From State Department of Housing and Community Development guidelines, published April 15, 2015. These income levels are based on annual published HUD median income statistics and reflect the State Hold Harmless Policy of not lowering maximum income levels based on a decline in the Area Median Income.

APPENDIX C

Eligible Area for Home Purchase

The Workforce Homebuyer Down Payment Program serves the City of Carpinteria. Applicants must purchase a home located within the boundaries of the City of Carpinteria.

Appendix D

Community Partners

A. Homebuyer Education Providers

Prior to applying for a loan, you must successfully complete a Homebuyer Education Training course and receive a certificate of completion. The following agencies are approved by HTF to provide Homebuyer Education Training. You may contact these agencies 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: Alma Aguilar, Housing Specialist
(805) 540-2446
Email: AlmaA@pshhc.org
Website: http://ehomeamerica.org/pshhc

Ventura County Community Development Corporation
2231 Sturgis Road
Oxnard, CA 93030
Contacts:
Keily Victoria, Counseling Services/Data Specialist
(805) 273-7808
Email: kvictoria@vccdc.org
Laura Cabrera, Deputy Director
(805) 273-7805
Email: lcabrera@vccdc.org
Website: www.vccdc.org

B. Income Certification Providers

When you apply for the Workforce Homebuyer Down Payment Loan, you must first establish that you are an eligible low to upper moderate-income household based on Area Median Income standards through verification that your household income. You may have your income certified for a fee by these community partners. The cost of the household income certification may be included in your down payment loan or closing cost grant if your loan is approved.

Ventura County Community Development Corporation
2231 Sturgis Road
Oxnard, CA 93030
Contact: Laura Cabrera, Deputy Director
(805) 273-7805
Email: lcabrera@vccdc.org
Gabriela Santana, Homeownership Program Manager
(805) 273-7814
Email: gsantana@vccdc.org

Housing Authority of the City of Santa Barbara
808 Laguna Street
Santa Barbara, CA 93101
Contact: Veronica Loza, Director of Housing Management
(805) 897-1032 or 965-1071
Email: vloza@hacsb.org

Peoples' Self-Help Housing
3533 Empleo Street
San Luis Obispo, CA 93401
Local Office: 26 E. Victoria Street, Santa Barbara, CA 93101
Contact: Alma Aguilar, Housing Specialist
(805) 540-2446
Email: AlmaA@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 HTF Workforce Homebuyer Down Payment Loan.

Bank of America - Home Loans
801 Chapala Street
Santa Barbara, CA 93101
Contacts:
Ed Soto, Home Loans Manager, Asst. VP
(805) 560-3377
Email: Ed.Soto@BankofAmerica.com
Barry Henry, Mortgage Loan Officer
(805) 320-0372
barry.henry@bankofamerica.com
Ryan Plowe, Mortgage Loan Officer
(805) 560-3367
Email: ryan.r.plowe@bankofamerica.com

Union Bank
20 East Carrillo Street
Santa Barbara, CA 93101
Contacts:
Janice Baxter, Mortgage Consultant
(805) 899-8488
Email: janice.baxter@unionbank.com

Teri Yamasaki Gauthier, Senior Mortgage Consultant
(805) 565-4571 (office) (805) 689-5451 (cell)
teri.gauthier@unionbank.com

Ventura County Community Development Corporation
2231 Sturgis Road
Oxnard, CA 93030
Contact: Alex Vega, Lending Manager
(805) 273-7818
Email: avega@vccdc.org

Wells Fargo Home Mortgage
3804 State Street
Santa Barbara, CA 93105
Contact:
Kristi Michele Bozzo, Home Mortgage Consultant
(805) 563-2298; mobile: (916) 716-5673
Email: Kristi.M.Bozzo@wellsfargo.com

D. Title Companies and Approved Escrow Officers

Chicago Title Company
1225 Coast Village Rd., Suite E
Montecito, CA 93108
Contact: Anna Wines, Escrow Officer (805) 963-8661
Email: WinesA@CTT.com

First American Title Company
3780 State Street
Santa Barbara, CA 93105
Contacts:
Janice Bowie, Escrow Officer (805) 569-6126
Email: jbowie@firstam.com
Allyson Chavez, Escrow Officer (805) 569-6133
Email: atchavez@firstam.com

E. Homebuyer Discounts

Available to borrowers working for employers who are members of Coastal Housing Partnership

Coastal Housing Partnership
P.O. Box 50807
Santa Barbara, CA 93150
Contact: Corby Gavin Gage, Executive Director (805) 969-1025
Email: corby@coastalhousing.org

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 City of Carpinteria loan or until the down payment loan is repaid.[10]

- The City of Carpinteria will perform compliance monitoring and will require documented proof of homeowner occupancy at intervals determined by the City of Carpinteria.

- The homeowner may not lease or rent the home to another party unless pre-approved by the City of Carpinteria. Any allowed rental may be for a maximum one year period and will only be approved by the City of Carpinteria 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 of Carpinteria approval so long as all borrowers of record continue to reside in the home as their principal place of residence.[11]

- If the home is not continuously occupied by the owner the loan will be in default and repayment of the City of Carpinteria principal amount along with the City of Carpinteria Share of Appreciation will be immediately due and payable.

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[10] Occupying your home as your primary place of residence means that you must live in your home for at least ten (10) months out of each calendar year.

[11] Borrowers should be aware that some First Mortgage Lenders may not allow the homebuyer to rent rooms.

Appendix F

Income Verification Requirements

Applicants for a Workforce Homebuyer Down Payment Loan must have their income certified by an approved City of Carpinteria and Housing Trust Fund Community Partner to verify that they meet the eligibility requirement of a low to upper moderate-income household.[12] To verify household income, applicants will need to submit an Income Certification Application and receive an Income Certification and Affidavit Form completed by an HTF-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.

Community Partners that can perform the Income Certification are listed in Appendix D.

[12] **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 City of Carpinteria and HTF-approved Community Partner as an eligible low to upper moderate-income household for purposes of participating in the City of Carpinteria program.

Appendix G

Eligible Uses of the Workforce Homebuyer Down Payment Loan

The primary use of the Workforce Homebuyer Down Payment Loan is to provide homebuyers with financial assistance towards the down payment needed to purchase a home. The maximum amount of the City of Carpinteria loan that can be used toward the down payment is 16.5% of the home purchase price. In addition, homebuyers may apply a portion of the loan proceeds toward other eligible nonrecurring and recurring closing costs and expenses incurred in qualifying for the down payment 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[13]

Property Tax Impound – maximum six months
Prepaid Homeowner's Association fee
Prepaid home insurance

Loan Qualification Costs

Homebuyer Education Course reimbursement – maximum of $200
Homebuyer Income Certification reimbursement – maximum of $400

[13] Borrowers may use a portion of the City of Carpinteria down payment loan for recurring costs and impounds required as part of the home purchase loan closing, based on the First Mortgage Lender requirements.

Appendix H

Home Improvement Guidelines

A. Maintenance and Repairs: As the homeowner, you are responsible for the cost of all maintenance and repairs of the home. As a condition of the loan, you must maintain and repair the home and keep it in as good or better condition as when the property was purchased. You must also obtain and pay for property insurance during the term of the City of Carpinteria loan.

B. Eligible Home Improvements: When you sell, transfer or refinance your home and repay the City of Carpinteria loan, you may receive credit for the Value of Capital Improvements to your property that you have installed. To be eligible, the home improvement must be a capital improvement that increases the Fair Market Value of your home.

To qualify as a capital improvement that adds value to your home, the home improvement must (a) have been made or installed by or under your direction; (b) have an initial cost of Two Thousand Dollars ($2,000) or more (as evidenced by dated invoices and receipts); (c) have been constructed in accordance with any required building or other construction permits; and, (d) add value to the home, or prolong the property's useful life, or adapt the property to new uses.

Examples of eligible home improvements include adding a bedroom, family room or bathroom, putting on a new roof, upgrading the plumbing, wiring, heating and air conditioning systems, installing energy efficient windows or paving an unpaved driveway. Home improvements that would typically qualify as a capital improvement are shown in IRS Publication 523:

Additions
Bedroom
Bathroom
Deck
Garage
Porch
Patio

Lawn & Grounds
Landscaping
Driveway
Walkway
Fence
Retaining wall
Sprinkler system
Swimming pool

Miscellaneous
Storm windows, doors
New roof
Central vacuum
Wiring upgrades
Satellite dish
Security system

Heating & Air Conditioning
Heating system
Central air conditioning
Furnace
Duct work
Central humidifier
Filtration system

Plumbing
Septic system
Water heater
Soft water system
Filtration system

Interior Improvements
Built-in appliances
Kitchen modernization
Flooring
Wall-to-wall carpeting

Insulation
Attic
Walls
Floors
Pipes and duct work

C. Ineligible Home Improvements: Eligible home improvements do not include minor or major repairs, the cost of general maintenance, or improvements that do not add to the Resale Value of your home. Home improvements that are no longer a part of the property are also ineligible. For example, if you installed wall-to-wall carpeting and later replaced the carpeting due to normal wear, you would not receive credit for the old carpeting. And, improvements that you make that are constructed or reimbursed with insurance proceeds are not considered eligible home improvements.

D. Documenting Your Costs: You must keep records, invoices and receipts that document the cost of home improvements made to your property. Documentation is required in order for you to receive credit for the Value of Capital Improvements when you repay the City of Carpinteria loan. To qualify for the credit, you must submit the cost documentation and/or appraisal for each item. The City of Carpinteria may require that you obtain a statement from an independent Certified Public Accountant (CPA) that lists the date, description, cost and appraisals for the eligible home improvements.

E. Value of the Capital Improvements: The Value of Capital Improvements shall be the Fair Market Value of the Capital Improvements when considered as additions or fixtures to the Home. This amount shall be determined by agreement of the City of Carpinteria and the owner, or if no agreement can be made, then by appraisal on the amount by which the Capital Improvements contribute to the Fair Market Value of the Home at the time the determination is made. The Value of Capital Improvements may not necessarily be the same as the actual cost of construction of the Improvements.

Appendix I

Sales Examples with Shared Appreciation

Example #1: The homebuyer purchases a two-bedroom condominium for $450,000, using a $74,250 down payment loan from the City of Carpinteria, plus 3.5% or $15,750 of his/her own cash[14]. The homeowner installs $5,000 in eligible home improvements and resells the home after seven years for $575,000. The owner will repay the City of Carpinteria the principal loan amount of $74,250 plus the lesser of a share in the appreciation of the home or 8.5% annual interest on the loan. The owner is responsible for paying for the transaction costs of the resale of the home (realtor fees, etc.) The owner's equity in the home has also increased by making payments of principal on the first mortgage loan.

Share of Appreciation Percentage (Contingent Interest)

Original Purchase Price of the Home…….$450,000

Total City Shared Appreciation Loan…….…….....$ 74,250

Share of Appreciation (Contingent Interest) Percentage = $74,250/$450,000 = **16.5%**

Calculation of Share of Appreciation (Contingent) Interest

Share of Appreciation Interest Percentage x (Resale Value – Value of Improvements – Purchase Price) = Share of Appreciation (Contingent Interest)

Share of Appreciation Interest Example

*Possible Gross Resale Value, 2022[15]……..……....$575,000

Original Purchase Price…….....$450,000

Accrued Appreciation (Purchase Price minus Resale Value)……...…….$125,000

Less Value of Home Improvements (as determined by appraisal)…….....$5,000

Amount subject to Share of Appreciation (Contingent Interest)……...$120,000

City Share of Appreciation Percentage ……..16.5%

Owner share subject to Share of Appreciation……..…….……83.5%

City Share of Appreciation (16.5% x $120,000)……..$19,800

Owner Share of Appreciation (83.5% x $120,000)……...….$100,200

Alternative Option: 8.5% Simple Annual Interest

Original Shared Appreciation Loan Amount 2015……..$74,250

Multiply by .085 (8.5% simple interest)……...…...$ 6,311

Multiply by 7 (home sold after seven years)…….……...$44,177

Given the above assumptions as an example, the Owner would repay the City principal loan amount of $74,250 plus the lesser of the Share of Appreciation or 8.5% interest. In this example, the lesser amount is the $19,800 Share of Appreciation.

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[14] There will also be closing cost expenses (such as realtor fees) for the original homebuyer in selling the home.

[15] *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 Share of Appreciation.

Refinance Example with Shared Appreciation

Example #2: The homebuyer purchases a home for $650,000 using a $75,000 down payment loan from the City of Carpinteria, plus 8.5% of the home price or $55,000 of their own cash[16]. The homeowner lives in the home for 10 years, during which time the owner installs $25,000 in eligible home improvements. The owner decides to refinance and repay the City based on the Fair Market Value of the home at that time, which is established by appraisal of the home. The owner will repay the City the principal loan amount of $75,000 plus the lesser of either a share in the appreciation of the home or 8.5% annual interest on the loan. The owner is responsible for paying for the refinance costs. The owner's equity in the home has also increased during the 10 years by making payments of principal on the first mortgage loan.

Share of Appreciation Percentage (Contingent Interest):

Original purchase price of the home……..$650,000

Total City Shared Appreciation Loan…….…….....$ 75,000

Share of Appreciation (Contingent Interest) Percentage = $75,000/$650,000 = **11.5%**

Calculation of Share of Appreciation (Contingent) Interest:

Share of Appreciation Interest Percentage x (Resale Value – Value of Improvements – Purchase Price) = Share of Appreciation

Share of Appreciation Interest Example:

One possible gross Resale Value, 2025[17]……..……$875,000

Original Purchase Price……...….$650,000

Accrued Appreciation (Purchase Price minus Resale Value)……...…...$225,000

Less Value of Home Improvements (as determined by appraisal)……..$25,000

Amount subject to Share of Appreciation (Contingent Interest)……..….$200,000

City Share of Appreciation Percentage.……...……11.5%

Owner share subject to Share of Appreciation……..…….….88.5%

City Share of Appreciation (11.5% x $200,000)……..$23,000

Owner Share of Appreciation (88.5% x $200,000)……$177,000

Alternative Option: 8.5% Simple Annual Interest

Original Shared Appreciation Loan Amount 2015……...$75,000

Multiply by .085 (8.5% simple interest)……...$ 6,375

Multiply by 10 (home refinanced after 10 years)…….……$63,750

Given the above assumptions as an example, the Owner would repay the City principal loan amount of $75,000 plus the lesser of the Share of Appreciation or 8.5% interest. In this example, the lesser amount is the $23,000 in Shared Appreciation.

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[16] There will also be closing costs (such as realtor fees) for the original homebuyer selling the home.

[17] 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 is solely created to demonstrate how to calculate the Share of Appreciation.