

Housing Trust Fund of Santa Barbara County

City of Carpinteria Workforce Homebuyer Down Payment Loan Program Program Orientation Packet



2015

City of Carpinteria

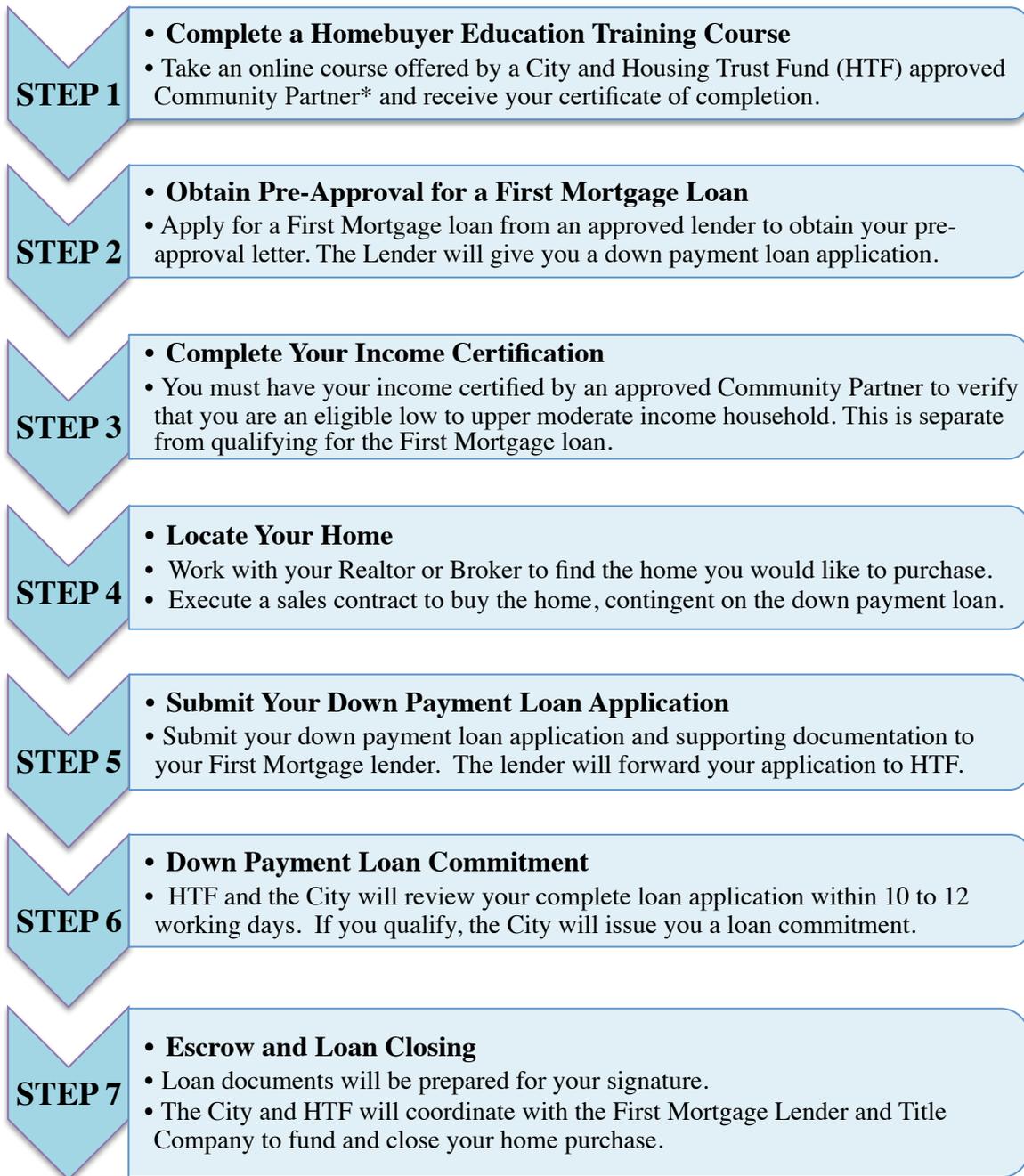
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Workforce Homebuyer Down Payment Loan Program

Loan Funding Process with Application Steps



**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 list of Community Partners). You may use any realtor or broker you choose to locate your home, and it is helpful if they have attended an informational workshop.*

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. 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 earning 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 households to purchase a home that provides a stable residence that strengthens the family and the neighborhood.

II. HOMEBUYER ELIGIBILITY REQUIREMENTS

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

- Applicants must be First-Time Homebuyers who have not owned a principal residence within three (3) years from the date of program application¹.
- Applicants must be a low to upper moderate-income household and have the household income certified by an 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 a down payment loan to purchase market-rate homes located within the City of Carpinteria. Eligible homes include detached or attached single-family homes; units in Planned Developments; duplexes; townhomes; condominiums²; and, mobile homes on a permanent foundation that have an individual deed to the property. Homes must be ready for occupancy and meet building, health and safety code standards, including no peeling lead paint. The City requires that the home be inspected under the City of Carpinteria's Inspection on Sale Program. Affordable below market-rate homes with resale restrictions are ineligible.

¹ Some exceptions are allowed, such as for displaced homemakers and former owners of mobile homes in mobile home rental parks. The First-time Homebuyer definition is provided in Appendix A of the Program Guidelines.

² Homebuyers should be aware that First Mortgage Lenders typically require that 70% of the units in a condominium project be owner occupied in order for the unit to be eligible for a First Mortgage loan.



City of Carpinteria
Workforce Homebuyer Down Payment Program
Loan Underwriting Standards Summary



PLEASE REVIEW THE WORKFORCE HOMEBUYER DOWN PAYMENT PROGRAM GUIDELINES AND DISCLOSURE FOR INFORMATION ON LOAN REQUIREMENTS.

I. HOMEBUYER QUALIFYING STANDARDS

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

Homebuyer Education Training: The borrower must have successfully completed Homebuyer Education Training by an approved Community Partner prior to applying for a down payment loan.

Workforce Household Income: The combined income of all household members cannot exceed 200% of Area Median Income, adjusted for household size. *Please see Appendix B of the Program Guidelines.*

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

Residency Requirements: Borrowers must be U.S. citizens or permanent alien residents and occupy the home as their primary residence for the duration of the loan.

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

II. PROPERTY ELIGIBILITY

Location: Properties must be purchased within the boundaries of the City of Carpinteria.

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

Physical Condition: The home must be ready for occupancy and have no building, health and safety code violations or deficiencies or peeling lead paint. The City requires that the home be inspected by a professional home inspection service.

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

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

III. FINANCIAL

Down Payment Loan: Maximum 16.5% of the home purchase price, up to \$75,000, and based on homebuyer need. Average loans are anticipated to be in the \$50-60,000 range. Loans will be structured as 30-year deferred payment secondary loans with Shared Appreciation.

Homebuyer Financing Requirements: Borrowers must contribute at least 3.5% of the home purchase price and closing costs and invest other liquid assets in excess of \$15,000 for the purchase of the home³. Some first mortgage lending partners will require a minimum 5% down payment from the homebuyer.

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

Debt Ratio: Determined by the First Mortgage lender but generally with front-end housing costs no less than 25% and no more than 38% and back-end housing and all other long-term debt no greater than 45% (the City at its sole discretion may approve exceptions to this debt ratio guideline).

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

Appraisal: The City will rely on a full appraisal commissioned by the First Mortgage Lender.

Loan Repayment: Loan repayment is due at the end of the 30-year term or upon sale, transfer, rental or refinance of the home (certain exceptions apply), or failure to occupy as a primary residence or upon default.

IV. USE OF DOWN PAYMENT LOAN

Nonrecurring Closing Costs

- Credit Report
- Home Appraisal
- 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 Inspection Report and Home Warranty

Recurring Costs and Impounds

- Property Tax Impound – maximum six months
- Prepaid Homeowner’s Association Fee
- Prepaid Home Insurance

Loan Qualification Costs

- Credit for Homebuyer Education Course Expense – maximum of \$200
- Credit for Homebuyer Income Certification Expense – maximum of \$400

³ Homebuyers may use gifts from relatives, friends and employers as a portion of their own cash if satisfactory documentation is provided and homebuyers have held these funds for at least 45 days in their own account. The City at its sole discretion may waive the 45-day account seasoning requirement for gifts from immediate relatives, provided documentation is provided. However, in all cases the homebuyers must contribute a minimum of 1% of the cash investment from their own resources rather than gifts. The first mortgage lender may have separate requirements.

City of Carpinteria

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-income and cannot exceed 200% of the Area Median Income (AMI) for Santa Barbara County households, adjusted for household size. The Area Median Income 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 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; or
- 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.⁴

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

⁴ From State Department of Housing & Community Development guidelines, which were published on April 15, 2015. These income levels are based on annual published HUD median income statistics and reflect the State Hold Harmless (HH) Policy of not lowering maximum income levels based on a decline in the Area Median Income.

Sales Examples with Shared Appreciation

Example #1: The homebuyer purchases a two-bedroom condominium for \$475,000, using a \$75,000 down payment loan from the City of Carpinteria, plus 4.2% or \$20,000 of his/her own cash towards the down payment⁵. The homeowner installs \$5,000 in eligible home improvements and resells the home after seven years for \$600,000. The owner will repay the City of Carpinteria the principal loan amount of \$75,000 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.....\$475,000
 Total City Shared Appreciation Loan.....\$ 75,000
 Share of Appreciation (Contingent Interest) Percentage = \$75,000/\$475,000 = **15.8%**

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, 2022⁶.....\$600,000
 Original Purchase Price.....\$475,000
 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 Percentage15.8%
 Owner share subject to Share of Appreciation.....84.2%
 City Share of Appreciation (16.5% x \$120,000).....\$18,960
 Owner Share of Appreciation (83.5% x \$120,000).....\$101,040

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 7 (home sold after seven years).....\$44,625

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 \$18,960 Share of Appreciation.

⁵ There will also be closing cost expenses (such as realtor fees) for the original homebuyer when selling the home.
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 solely demonstrates how to calculate the Share of Appreciation.

Refinance Example with Shared Appreciation

Example #2: The homebuyer purchases a single family home or condominium 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 cash⁷. The homeowner lives in the home for ten (10) years, during which 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 ten (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

Possible Gross Resale Value, 2025⁸.....\$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 ten 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.

⁷ There will also be closing cost expenses (such as realtor fees) for the original homebuyer when selling the home.
⁸ 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.

**City of Carpinteria and Housing Trust Fund
Workforce Homebuyer Down Payment Loan Program
Sample Financial Worksheet**

Borrower Name: Jane and John Doe		Home Type: 2-bedroom Condominium	
ACQUISITION COSTS:		AFFORDABILITY TEST - Monthly	
Home Purchase Price:	\$475,000.00	Mortgage Payment	\$1,891.68
Alterations, Repairs, Improvements		Property Taxes	\$ 456.66
Estimated Prepaid Items:		Insurance	\$ 50.00
Property Tax impound	\$2,740.00	HOA (if any)	\$ 350.00
Insurance	\$600.00	Monthly PMI (if any)	\$-
Prepaid HOA	\$2,100.00	Total Housing Costs	\$2,748.34
Other (explain):			
Total Recurring Costs	\$5,440.00	Household Mo. Income	\$9,166.67
Estimated Closing Costs:		Annual Income	\$110,000.00
Credit Report	\$11.00	% for housing costs	30%
Appraisal	\$535.00	% housing & all debt*	
Loan Origination/Processing Fee	\$1,190.00	(*Lender to calculate)	
Title/Escrow (less offsets)	\$2,770.00		
Recording and Notary	\$320.00	LOAN INFORMATION:	
Home Warranty		Mortgage Amount	\$380,000
Loan Interest Rate Buy-down		Interest Rate	4.35%
Other (explain): Lender daily interest	\$790.00	Term	30 years
Total Non-recurring costs	\$5,526.00	Loan-to-Value Ratio	95.7%
Mortgage Insurance Premium	\$-	(1st & Second loans)	
Other: Transfer tax less offset	\$-		
Other: Wire transfer fee	\$40.00		
Total Acquisition Costs	\$486,096.00		
		SECONDARY LOAN CAP TEST	
EQUITY/DOWNPAYMENT		Assistance Ratio*	Max. Ratio*
Borrower cash (Minimum 3.5% or 1% w/gifts)	\$21,096.00	21.2%	30%
Borrower's closing costs paid by seller	\$-	(*Total City loan, homebuyer equity and all other assistance).	
WISH grant	\$-		
Other (explain): family gift	\$10,000.00		
City Secondary Loan (Max. 16.5% home price up to \$75,000)	\$75,000.00	Notes:	
Total Equity/Downpayment	\$100,537.00	* If homebuyer equity, secondary loan and grant assistance exceeds 30% of the home purchase price, the City loan will be reduced until total equity and assistance is 30% or lower.	
FIRST MORTGAGE LOAN			
Loan amount (exclude PMI, MIP, funding fee financed)	\$380,000.00		
PMI, MIP, Funding Fee financed	\$- 0-		
Total Loan Amount	\$380,000.00		
BALANCE (should equal zero)	\$-0-	WHDP Form 108	

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 can contact these agencies by phone or email to enroll in 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: ehomeamerica.org

Ventura County Community Development Corporation

2231 Sturgis Road, Suite A

Ventura, CA 93030

Contacts:

Keily Victoria, Service Delivery Manager

(805) 273-7808

Email: kvictoria@vccdc.org

Laura Cabrera, Deputy Director

(805) 273-7805

Email: lrocha@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 of 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 if your loan is approved.

Venura County Community Development Corporation

2231 Sturgis Road, Suite A

Ventura, CA 93030

Contact:

Gabriela Santana (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 Programs
(805) 897-1032 or 965-1071
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 Workforce Homebuyer Down Payment Loan.

Bank of America - Home Loans

801 Chapala Street
Santa Barbara, CA 93101
Contacts:
Ed Soto, Home Loans Manager
(805) 560-3377
Email: Ed.Soto@BankofAmerica.com
Barry Henry, Mortgage Loan Officer
(805) 320-0372
Email: 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, Suite A
Ventura, CA 93030
Contact: Alex Vega, Lending Manager
(805) 273-7818
Email: avega@vccdc.org

Wells Fargo Home Mortgage

115 E. Micheltorena, Suite 100
Santa Barbara, CA 93101
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
jbowie@firstam.com
Allyson Chavez, Escrow Officer (805) 569-6133
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