



Port Hueneme Home Buyer Assistance Program

Deferred Payment Equity Share Loans

PURPOSE

To promote neighborhood stabilization through increased home ownership, principally for the benefit of persons and families of low and moderate income.

GENERAL DESCRIPTION

Down payment assistance in the form of a secured Subordinate Mortgage with contingent, deferred interest. Loan proceeds may only be used toward the purchase price of a single family residence, condominium, or townhome located within the City of Port Hueneme.

FINANCING PROVISIONS

- **Subordinate Mortgage Amount:** The City's down payment assistance is designed to be gap financing. The Subordinate Mortgage loan amount is computed as the difference between the largest first trust deed mortgage deemed affordable to the Borrower and Borrower's down payment. The maximum Subordinate Mortgage loan amount is different for low and moderate income Borrowers. In no event may the Subordinate Mortgage exceed the lesser of the following:
 - Twenty percent (20%) of the purchase price;
 - Twenty percent (20%) of the appraised value; or
 - \$60,000
- **Interest Rate:** Contingent, deferred interest in the form of equity sharing equal to the percentage which the Subordinate Mortgage represents of the original purchase price, reduced for each full year which the Borrower owns and occupies the property. All interest is forgiven after 45 years of continuous occupancy. (See Schedule "A" for an example).
 - $\text{Equity Share} = \left(\frac{\text{Subordinate Mortgage}}{\text{Purchase Price}} \right) \times [\text{Sales Price} - \text{Purchase Price}]$
 - $\text{Interest Due} = \text{Equity Share} - \text{Forgivable-Interest}$ (See attached Schedule "A" for interest forgiveness schedule).
- **Interest Penalty:** Eligibility for a reduction in equity sharing will be forfeited in the event any of the following occur:
 - Discovery of fraudulent information provided by Borrower; or
 - Violation of any of the following conditions as set forth in the Promissory Note:
 - The Borrower must continuously occupy the property as his or her principal residence;
 - The property must at all times be maintained in compliance with local laws;
 - The property must be used only as a single family residence;
 - No occupant of the property may engage in drug related criminal activities or engage in violent acts; and
 - The property may not be occupied by more than two (2) persons per bedroom.
- **Collateral:** Promissory Note, secured by Second Deed of Trust.
- **Fees to Borrower:** None.

FINANCING PROVISIONS (Continued)

- **Term:** Forty-five (45) years or the earliest date that any of the following occur:
 - The date the property is sold or title is transferred;
 - The date the property is no longer occupied by Borrower; and
 - The date the first mortgage loan is refinanced (except as approved by City).
- **Monthly Payment:** None.
- **Down Payment:** Borrower must contribute the greater of: (1) 3.5% of the purchase price; or (2) Borrower assets in excess of \$10,000 after closing costs. Subject to approval of the first trust deed lender, part of the Borrower's down payment may be gift funds provided that the Borrower contributes 1.5% of the purchase price (minimum of \$5,000) from his or her own savings.
- **Insurance:** Fire hazard insurance, covering total debt secured on the property, is required. A Loss-Payable Endorsement, naming the City of Port Hueneme and first trust deed lender, must be obtained.
- **Maximum Purchase Price:** None.
- **Escrow Processing:** All purchases must be processed through a local escrow company trained and approved by the City. Purchases of bank-owned properties may be exempted from this requirement.

BORROWER ELIGIBILITY REQUIREMENTS

- **First Time Buyer:** Borrower must meet the following first time buyer requirements:
 - Persons who have not owned a home in the last three years;
 - Persons who previously owned a home with their spouse but no longer hold title due to divorce; or
 - Persons who owned a home not permanently affixed to a foundation or which cannot be brought into compliance with applicable building codes for less than the cost of constructing a permanent structure.
- **Household Income:** Projected annual income of all adult members of Borrower's household cannot exceed the following thresholds (adjusted annually according the income schedule in effect at time of application adopted pursuant to Title 25, Section 6932 of the California Code of Administrative Regulations):

<u>Household Size</u>	<u>Annual Income</u>	<u>Household Size</u>	<u>Annual Income</u>
1	\$ 74,000	5	\$ 114,150
2	\$ 84,550	6	\$ 122,600
3	\$ 95,150	7	\$ 131,050
4	\$ 105,700	8	\$ 139,500

(NOTE: The figures shown above are current as of May 31, 2011)

- **Pre-Purchase Occupancy:** Eligible property must either be vacant or occupied by the seller or Borrower or a tenant who has given written notice of his or her intention to move voluntarily prior to the time City receives a completed application and eligibility determination from the first trust deed

lender; otherwise, existing tenants may be entitled to relocation assistance. Such assistance, if any is required, must be paid by either the seller or Borrower through escrow.

BORROWER ELIGIBILITY REQUIREMENTS (Continued)

- Post-Purchase Occupancy: Subsequent to purchase, Borrower must reside in the property as his/her/their principal place of residence and no dwelling may be occupied by more than two (2) persons per bedroom.
- Financial Capacity: Borrower must qualify for a first trust deed mortgage from an institutional lender approved by the City and in most cases, housing costs, at time of purchase, may not exceed the thresholds appearing in Schedule "B." Co-signers who will not reside in the property are not permitted.
- Code Compliance: Eligible property must comply with local land use and building regulations and federal Housing Quality Standards. At City's discretion, and in all cases where the property is sold "as is," a code compliance inspection and/or report of building records will be obtained prior to close of escrow. Where necessary, City loan approval will be made contingent upon effecting necessary repairs.

LENDER ELIGIBILITY REQUIREMENTS

- Program Operation: Subordinate Mortgages may only be originated through the institutional lender with whom Borrower has qualified for a first trust deed loan. Subordinate Mortgages are to be processed and funded concurrent with the first trust deed loan.
- Lender Approval: At a minimum, all institutional lenders (e.g., thrifts, commercial banks, savings and loans, and mortgage companies) who participate in the Home Buyer Assistance Program must enter into a lending agreement with the City of Port Hueneme and must agree to the following terms of participation:
 - Lender will evaluate and ascertain the eligibility of each Borrower;
 - Lender will coordinate its first trust deed loans with City's Subordinate Mortgages and utilize a mutually acceptable escrow; and
 - Lender will offer Borrower first trust deed financing under the same terms and conditions as are available to the general public independent of the Home Buyer Assistance Program except as specifically authorized under the lending agreement with the City of Port Hueneme.
- Lending Terms: In most cases, for conventional 30-year, fixed rate first mortgages, Borrowers' housing costs, at time of purchase, may not exceed the thresholds appearing in Schedule "B." Certain exceptions may apply for lower income Borrowers when federal funding is available for down payment assistance and house costs cannot be reduced to the Schedule "B" limits by choosing a lower-priced property. Subordinate mortgages may not be made concurrently with adjustable rate first mortgages or first mortgages with terms of less than 30 years.



Port Hueneme Home Buyer Assistance Program



Special Terms for Recipients of CalHome Financing

CalHome loans available under the City's *Home Buyer Assistance Program ("HBAP")* differ from the equity share loans in several important ways:

Loan Amount. The CalHome loan is designed to serve as gap financing. The loan amount is computed as the difference between the largest first trust deed mortgage deemed affordable to the Borrower by the participating lender and the Borrower's down payment. The maximum assistance available under the CalHome Program is the lesser of:

- 20% of the purchase price
- 20% of the appraised value
- \$40,000

Income Limits. As of May 14, 2010, the projected annual income for all adult members of a CalHome-assisted household may not exceed the following:

<u>Household Size</u>	<u>Annual Income</u>	<u>Household Size</u>	<u>Annual Income</u>
1	\$46,550	5	\$71,850
2	\$53,200	6	\$77,150
3	\$59,850	7	\$82,500
4	\$66,500	8	\$87,800

Interest Rate. CalHome loans are simple interest deferred payment loans bearing interest at the rate of 3% per annum. There are no monthly payments on the CalHome loan. Interest accruals are added to the principal and at maturity, the borrower will owe one lump sum payment consisting of the original loan principal plus all deferred interest accruals. Unlike the equity share loans, CalHome interest is not forgivable. Borrowers who receive the maximum CalHome loan of \$40,000 would accrue \$1,200 in deferred interest each year and after thirty years, the total amount due would be \$76,000. There is no prepayment penalty assessed for repaying CalHome loans early.

Loan Term. CalHome loans are due in thirty years, or at such earlier time as any of the following occurs:

- The property is sold or title is transferred
- The Borrower no longer occupies the property as a principal residence
- The property is refinanced

Credit Score. The minimum credit score required for CalHome financing is 620. However, for those applicants without a credit history, three or more non-traditional credit references such as rent, utilities, medical bills, or car insurance payments may be an acceptable substitute.

Other Requirements. CalHome loans are a special subset of the City's Home Buyer Assistance Program. As such, CalHome loan requirements are the same as other HBAP loans with respect to the HBAP definition of a

first time buyer, minimum down payment required from the buyer, the buyer's financial capacity, post-purchase occupancy, code compliance, and escrow requirements.

SCHEDULE "A" SAMPLE EQUITY SHARE INTEREST COMPUTATION

Purchase Price:	\$ 300,000.00
Ratio of Second Mortgage Loan to Purchase Price:	10%
Second Mortgage Loan Amount:	\$ 30,000.00

NOTE: Given the purchase price and HBAP loan amount stated above, this sample computation depicts the HBAP loan payoff amount due in a given year assuming that the property value increases at the rate of 2% per year over the 45 year loan term.

Year of Loan	Property Value at Payoff	Appreciation	Principal	Gross Interest (10% of Appreciation)	Interest Forgiveness			Total Due at Payoff
					Per Year	Cumulative	\$ Forgiven	
1	\$ 300,000	\$ -	\$ 30,000	\$ -		0%		\$ 30,000
2	\$ 306,000	\$ 6,000	\$ 30,000	\$ 600	11%	11%	\$ 66	\$ 30,534
3	\$ 312,120	\$ 12,120	\$ 30,000	\$ 1,212	10%	21%	\$ 255	\$ 30,957
4	\$ 318,362	\$ 18,362	\$ 30,000	\$ 1,836	9%	30%	\$ 551	\$ 31,285
5	\$ 324,730	\$ 24,730	\$ 30,000	\$ 2,473	8%	38%	\$ 940	\$ 31,533
6	\$ 331,224	\$ 31,224	\$ 30,000	\$ 3,122	7%	45%	\$ 1,405	\$ 31,717
7	\$ 337,849	\$ 37,849	\$ 30,000	\$ 3,785	6%	51%	\$ 1,930	\$ 31,855
8	\$ 344,606	\$ 44,606	\$ 30,000	\$ 4,461	5%	56%	\$ 2,498	\$ 31,963
9	\$ 351,498	\$ 51,498	\$ 30,000	\$ 5,150	4%	60%	\$ 3,090	\$ 32,060
10	\$ 358,528	\$ 58,528	\$ 30,000	\$ 5,853	3%	63%	\$ 3,687	\$ 32,166
11	\$ 365,698	\$ 65,698	\$ 30,000	\$ 6,570	2%	65%	\$ 4,270	\$ 32,299
12	\$ 373,012	\$ 73,012	\$ 30,000	\$ 7,301	1%	66%	\$ 4,819	\$ 32,482
13	\$ 380,473	\$ 80,473	\$ 30,000	\$ 8,047	1%	67%	\$ 5,392	\$ 32,656
14	\$ 388,082	\$ 88,082	\$ 30,000	\$ 8,808	1%	68%	\$ 5,990	\$ 32,819
15	\$ 395,844	\$ 95,844	\$ 30,000	\$ 9,584	1%	69%	\$ 6,613	\$ 32,971
16	\$ 403,761	\$ 103,761	\$ 30,000	\$ 10,376	1%	70%	\$ 7,263	\$ 33,113
17	\$ 411,836	\$ 111,836	\$ 30,000	\$ 11,184	1%	71%	\$ 7,940	\$ 33,243
18	\$ 420,072	\$ 120,072	\$ 30,000	\$ 12,007	1%	72%	\$ 8,645	\$ 33,362
19	\$ 428,474	\$ 128,474	\$ 30,000	\$ 12,847	1%	73%	\$ 9,379	\$ 33,469
20	\$ 437,043	\$ 137,043	\$ 30,000	\$ 13,704	1%	74%	\$ 10,141	\$ 33,563
21	\$ 445,784	\$ 145,784	\$ 30,000	\$ 14,578	1%	75%	\$ 10,934	\$ 33,645
22	\$ 454,700	\$ 154,700	\$ 30,000	\$ 15,470	1%	76%	\$ 11,757	\$ 33,713
23	\$ 463,794	\$ 163,794	\$ 30,000	\$ 16,379	1%	77%	\$ 12,612	\$ 33,767
24	\$ 473,070	\$ 173,070	\$ 30,000	\$ 17,307	1%	78%	\$ 13,499	\$ 33,808
25	\$ 482,531	\$ 182,531	\$ 30,000	\$ 18,253	1%	79%	\$ 14,420	\$ 33,833
26	\$ 492,182	\$ 192,182	\$ 30,000	\$ 19,218	1%	80%	\$ 15,375	\$ 33,844
27	\$ 502,025	\$ 202,025	\$ 30,000	\$ 20,203	1%	81%	\$ 16,364	\$ 33,838
28	\$ 512,066	\$ 212,066	\$ 30,000	\$ 21,207	1%	82%	\$ 17,389	\$ 33,817
29	\$ 522,307	\$ 222,307	\$ 30,000	\$ 22,231	1%	83%	\$ 18,452	\$ 33,779
30	\$ 532,753	\$ 232,753	\$ 30,000	\$ 23,275	1%	84%	\$ 19,551	\$ 33,724
31	\$ 543,408	\$ 243,408	\$ 30,000	\$ 24,341	1%	85%	\$ 20,690	\$ 33,651
32	\$ 554,277	\$ 254,277	\$ 30,000	\$ 25,428	1%	86%	\$ 21,868	\$ 33,560
33	\$ 565,362	\$ 265,362	\$ 30,000	\$ 26,536	1%	87%	\$ 23,087	\$ 33,450
34	\$ 576,669	\$ 276,669	\$ 30,000	\$ 27,667	1%	88%	\$ 24,347	\$ 33,320
35	\$ 588,203	\$ 288,203	\$ 30,000	\$ 28,820	1%	89%	\$ 25,650	\$ 33,170
36	\$ 599,967	\$ 299,967	\$ 30,000	\$ 29,997	1%	90%	\$ 26,997	\$ 33,000
37	\$ 611,966	\$ 311,966	\$ 30,000	\$ 31,197	1%	91%	\$ 28,389	\$ 32,808
38	\$ 624,206	\$ 324,206	\$ 30,000	\$ 32,421	1%	92%	\$ 29,827	\$ 32,594
39	\$ 636,690	\$ 336,690	\$ 30,000	\$ 33,669	1%	93%	\$ 31,312	\$ 32,357
40	\$ 649,423	\$ 349,423	\$ 30,000	\$ 34,942	1%	94%	\$ 32,846	\$ 32,097
41	\$ 662,412	\$ 362,412	\$ 30,000	\$ 36,241	1%	95%	\$ 34,429	\$ 31,812
42	\$ 675,660	\$ 375,660	\$ 30,000	\$ 37,566	1%	96%	\$ 36,063	\$ 31,503
43	\$ 689,173	\$ 389,173	\$ 30,000	\$ 38,917	1%	97%	\$ 37,750	\$ 31,168
44	\$ 702,957	\$ 402,957	\$ 30,000	\$ 40,296	1%	98%	\$ 39,490	\$ 30,806
45	\$ 717,016	\$ 417,016	\$ 30,000	\$ 41,702	1%	99%	\$ 41,285	\$ 30,417
	\$ 731,356	\$ 431,356	\$ 30,000	\$ 43,136	1%	100%	\$ 43,136	\$ 30,000

SCHEDULE "B"
HOUSING COST AFFORDABILITY

INCOME LIMITS BY FAMILY SIZE

	1	2	3	4	5	6	7	8
Very Low	30,850	35,250	39,650	44,050	47,600	51,100	54,650	58,150
Low	46,550	53,200	59,850	66,500	71,850	77,150	82,500	87,800
Moderate	74,000	84,550	95,150	105,700	114,150	122,600	131,050	139,500

AFFORDABLE HOUSING COST LIMITS

Maximum Monthly Housing Costs Limits For Owner-Occupants

FAMILY SIZE	MEDIAN INCOME	VERY LOW 30% of 50% Median	LOW 30% x 70% of Median	MODERATE 35% x 110% of Median
1	\$ 61,650	771	1,079	1,978
2	\$ 70,500	881	1,234	2,262
3	\$ 79,300	991	1,388	2,544
4	\$ 88,100	1,101	1,542	2,827
5	\$ 95,150	1,189	1,665	3,053
6	\$ 102,200	1,278	1,789	3,279
7	\$ 109,250	1,366	1,912	3,505
8	\$ 116,300	1,454	2,035	3,731

- NOTES: 1. The affordability standards set forth above are in accordance with the requirements of Section 50052.5 of the Health and Safety Code of the State of California. Housing costs include mortgage principal and interest payments, mortgage insurance, hazard insurance, real property taxes, homeowner association dues, utilities, and maintenance expenses.
2. Median income figures and income limits are those published by the U. S. Department of Housing and Urban Development effective May 31, 2011.
3. CalHome borrowers may exceed the affordable housing cost limits with approved compensating factors.