

FIRST TIME HOMEBUYER PROGRAM

GUIDELINES

I. INTRODUCTION

The City of Bell Gardens Redevelopment Agency is required by State law to set aside funds to create and preserve housing that is affordable to low and moderate income families and individuals. The City has decided to utilize these funds for a second mortgage and/or closing costs as needed for low-to-moderate income first time homebuyers. Assistance is offered on a first-come, first-served basis to eligible households with complete applications. A not-to-exceed cap of \$33,000 per case on an as needed basis has been established by the City.

II. GENERAL ELIGIBILITY REQUIREMENTS

A. Location

The City's First Time Homebuyer Program requires that only properties located within the City limits be purchased.

B. Property Type

Any owner-occupied or vacant, single family property with a property value the lower of the sales price or appraised value up to \$165,000 and which will serve as the purchaser's **principal residence** is eligible.

C. Unit Size

All homes purchased with First Time Homebuyer Program (FHP) funds should initially comply with the guidelines provided by the Housing Quality Standards regarding overcrowding, as follows:

One bedroom =	One to three person household maximum
Two bedroom =	Three to five person household maximum
Three bedroom =	Three to seven person household maximum
Four bedroom =	Five to eight person household maximum

D. Property Value Limitations

The City has established a program maximum sales price of \$165,000. The property value must ultimately be supported by a certified appraisal required by the lender. Initial opinion of value may be performed by in-house staff with expertise or by utilization of realtor's comparables.

E. Method of Ownership

For the purposes of the City's First Time Homebuyer Program, homeownership means ownership in fee simple title. This ownership interest is evidenced by a

Grant Deed, Deed of Trust, Quitclaim Deed or other debt instrument approved by the Agency.

III. ELIGIBLE PROGRAM PARTICIPANT (CHARACTERISTICS OF THE HOMEBUYER)

A. Eligibility Requirements

The prospective purchaser household must meet six key eligibility requirements:

1. Must be a **First Time Homebuyer** which is defined as a household that has not owned a home during the **two year** period immediately prior to the proposed purchase, or is a household that has owned a home within the last two years but qualifies as a "**displaced homemaker**" or a "**single parent**".
2. Must be **low-to-moderate income**, that is the purchaser must have a gross annual income that does not exceed **120 percent (120%)** of the median income, based on family size, established for the City of Bell Gardens (see enclosed income range chart).
3. Must occupy the property as a **principal residence**. Temporary subleases are not allowed. Co-owners, other than owner-occupants, will not be permitted. A covenant in the trust deed will require that the purchased property remain as the homebuyer's principal residence.
4. Household shall have sufficient assets to provide a minimum down payment equal to **3-5%** of the purchase price of the home, for example, approximately **\$8,250** for a property sales price of \$165,000. (Downpayment may be only 3% on an as-needed basis but then income cannot exceed 100% of median)
5. Household shall have **sufficient income** and **credit worthiness** to qualify for primary financing as defined by their selected lender.
6. Must be a household that **lives and/or works** within the City of Bell Gardens at the time of FHP application. The applicant will be required to provide Federal income tax returns for the prior two years to verify first time ownership, and verification of current income (two months pay stubs) to document eligibility for the City's FHP.

B. Determination of Adjusted Gross Income

In calculating adjusted gross income, all of the income of the potential owner(s) on title shall be considered as follows:

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, and bonuses, and other compensation for personal services;
2. The net income from an operation of a business or profession, as

calculated by averaging the net income manifested by their Federal income taxes for the past two years and depreciation;

3. Interest, dividends, and other net income of any kind from real or personal property (must have a two (2) year history and all income will be included regardless of balances);
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment providing that payment will continue on a monthly basis for a minimum of five (5) years;
5. Payment in lieu of earnings, such as unemployment, worker's compensation, severance pay, welfare assistance (NOTE: Such payments may be excluded by the lending institution providing the first mortgage, for purposes of underwriting, but shall be included in eligibility determinations for this program.);
6. Periodic and determinable allowances, such as alimony and child support payment, and regular contributions or gifts received for persons not residing in the dwelling to the extent that such payments are reasonably expected to continue;
7. All regularly pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the family, spouse, or other person who dependents are residing in the unit providing it will continue for five (5) years;
8. Any earned income tax credit to the extent its exceeds income tax liability; and
9. Any other income that must be reported for Federal and State income tax purposes.

C. Exceptions in the determination of adjusted gross income:

The following exceptions shall apply in the determination of adjusted gross income:

1. Payments received for the care of foster children;
2. Amounts specifically excluded by any federal or state statute from consideration as income;
3. Casual, sporadic, or irregular gifts;
4. Amounts that are specifically for, or in reimbursement of, the cost of medical expenses;

5. Lump-sum additions to family assets, such as inheritance, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (these shall be considered as assets for the purpose of this program); and
6. Amounts of education scholarships paid directly to the student or to the educational institution, and amounts paid by the government to veterans for use in meeting the costs of tuition, fees, books, and equipment.

D. Assets for the determination of eligibility

For the purpose of the FHP, the following will be considered assets for determination of eligibility:

1. Cash savings, marketable securities, stocks, bonds and any other form of capital investments other than IRAs, KEOGH plans or other retirement vehicles.
2. Inheritances, lump sum insurance payment.
3. Any equity in real estate (rental property)
4. All assets, less a mortgage and emergency reserve of two (2) months shall be provided by applicants as a required 3-5% downpayment toward the purchase price.

IV. PROPERTY STANDARDS

At the time of purchase, the property must be free from any defects that pose a danger to the health or safety of the occupants and should meet minimum Housing Quality Standards (HQS) property standards.

V. TERMS AND CONDITIONS OF THE CITY'S FIRST TIME HOMEBUYER PROGRAM

The City has elected to provide homeownership assistance to eligible households for the purposes of assisting them in the acquisition (purchase) of a principal residence.

Funds will be **officially reserved** at the time a bona fide offer is accepted by the seller and City staff is notified and the applicant has been credibly approved by the City's participating lenders.

This assistance is furnished as a deferred loan using redevelopment funds with 3% interest accrual. This loan is secured by executing a deed of trust, with covenants outlining the principal residence and the fair return of investment program requirements. This recorded deed places a lien against the subject property being purchased utilizing the Agency's funds as homeownership assistance.

The program participant must repay the entire amount of the City's initial

assistance (deferred loan) upon sale, transfer, or refinancing of the property plus a proportional share of the accrued equity, if any.

To ensure the long term affordability of these homes through comparable discounts to future buyers, some restrictions have been established relative to the resale price of a home and the repayment of this program's subsidy.

VI. REPAYMENT TERMS OF THE SECOND MORTGAGE

The Bell Gardens First Time Home Buyer Program is a deferred equity share loan secured by a second deed of trust and note with an annual rate of 3%. The loan shall become due and payable only when the property is sold, leased or transferred. The Agency's share of equity in the home shall not exceed the proportional investment as a percentage of the original purchase price, as more fully set forth in the Agency Note. For example, if the Agency originally assisted with a 20% second mortgage, the Agency shall collect at time of resale 20% of the equity. Refer to section F(9) below for determination of shared equity and contingent interest.

YEAR SOLD OR TRANSFERRED	REPAYMENT TERMS
0-10th	Repayment of principal, shared equity and contingent interest at the rate of 3% per annum simple interest.
11-15th	Repayment of principal and contingent interest at the rate of 3% per annum simple interest.
16-20th	Repayment of Principal only.
After the 20th Year	Loan is forgiven. No repayment of principal, interest or shared equity is required.

VII. FIRST TIME HOMEBUYER ASSISTANCE (DEFERRED LOAN) LIMITS

In all instances, the homeownership assistance will be the minimal amount necessary in order to assume that the subject property will be initially affordable with reasonable monthly payments (no more than 33% of the household monthly adjusted income).

VIII. ADDITIONAL CONDITIONS

As stated above, if the property does not remain as the principal residence or the City discovers **willful misrepresentation** by the first time homebuyer in connection with the First Time Homebuyer Program, the City will demand an immediate, full repayment of the assistance provided.

The City shall be named as a **beneficiary on the hazard insurance policy** and shall be notified of modifications and/or cancellations of insurance coverage.

IX. FIRST TIME HOMEBUYER PROGRAM (FHP) APPLICATION PROCEDURES

- A. Interested Program Applicants will contact the Redevelopment Agency in City Hall to obtain a FHP information package. Included in the information package shall be:
 - 1. FHP pre-qualification application
 - 2. FHP Fact Sheet
 - 3. Statistical form
 - 4. Flow chart/ timeline
- B. The FHP applicant will submit a pre-qualification application to the bank and shall be required to provide Federal tax returns for the prior two years. The applicant shall also be required to provide verification of current income, such as two months pay stubs.
- C. Lender will process FHP pre-qualification applications on a first-come, first-served basis. Each application shall be date stamped upon receipt. The bank shall review each FHP application regarding the six eligibility requirements. For each eligible applicant, a credit report shall be obtained to determine the credit worthiness of each applicant. The City, through the participating lender, will authorize the approval or denial of each FHP applicant.
- D. Lender's staff will contact you as to your status. This initial "reservation" shall be valid for sixty (60) days to enable an applicant to receive funding approval from lender and select the housing unit.
- E. At any time during the process that an applicant becomes ineligible according to the criteria set forth in the FHP, the applicant shall be eliminated from the program and the next eligible applicant in priority shall be contacted.

X. HOMEBUYER TRAINING COURSES

- A. After Pre-approval, the First Time Homebuyer Program (FHP) requires that all pre-approved applicants attend sessions provided by lender regarding homeownership topics as follows:
 - 1. Preparing for Homeownership

Identifying what Participant wants and needs in a home, determining what Participant can afford to spend
 - 2. Shopping for a Home

Size requirements, how a real estate agent can help, House evaluation, submitting an offer, professional home inspection process
 - 3. Obtaining a Mortgage

Discussion of loan terms, loan processing

4. Closing

Title insurance, termite inspection, estimate of closing costs, advance payments, understanding the obligations, procedures for the formal loan closing

5. Life as a Homeowner

Identifying the basic steps to ensure home safety, basic steps for maintenance, basic steps for setting a household budget

- B. Each pre-qualified Program applicant shall receive a home buying training manual published by FANNIE MAE.

XI. SELECTING THE PROPERTY

- A. Upon Lender approval, the eligible household will locate an eligible property that is for sale.

- B. The selected home must be considered "affordable" as determined by the participating lenders underwriting criteria, with a purchase price cap of \$165,000. All monthly housing costs shall not exceed lender's housing ratio typically 33% under the Fannie Mae Program. In calculating housing costs, all of the following associated with the housing unit shall be included:

1. Principal and interest on the first mortgage loan, including any loan insurance fees.
2. Property tax and assessments.
3. Fire and casualty insurance covering the replacement value.

- C. FHP participants may retain a real estate agent for the purpose of locating and offering to purchase the selected eligible property or may negotiate directly with the Seller.

However, the participant must use the City's purchase offer form with attached statement. Contact Gilbert Livas at (310) 806-7700 to obtain this purchase offer form as soon as you have located a property.

XII. CLOSING/ FUNDING REQUIREMENTS

- A. Upon acceptance of the offer to purchase, FHP participants shall inform the City and the lender about the selection of a property. The lender and escrow company must obtain necessary information such as:

1. Sales Price

2. Address of selected property
 3. Estimated Closing Date
 4. Appraisal
- B. A property inspection may be conducted to assure that property meets Program Housing Quality Standards (HQS) requirements.
- C. Fannie Mae approved model documents will be used after review by City Counsel to secure the City's interest in the purchased property. All documents shall be delivered to the escrow holder prior to loan closing.