

**City of Hemet
Homebuyer Down Payment Assistance Program**

PROGRAM GUIDELINES

The Down Payment Assistance Program (DPA) provides financial assistance in the form of a silent second loan to low and moderate-income households interested in purchasing an eligible property within City limits or a home that has been rehabilitated under the City's Acquisition, Rehabilitation & Resale (ARR) Program as part of the federal Neighborhood Stabilization Program. . Homebuyers are required to attend an eight hour HUD approved home buyer counseling session before receiving the financial assistance.

DPA funds provide a down payment loan of \$30,000, applied towards the borrower's purchase of an eligible property within the City of Hemet. The DPA funds are loaned to the borrower in the form of a deferred silent second loan secured by a Deed of Trust.

A borrower is not eligible to obtain assistance from the Agency if the borrower has adequate resources to provide for the down payment. While the down payment assistance is helpful, the home buyer must still meet the stringent requirements of a mortgage lender in order to qualify for a first mortgage.

PROGRAM CHARACTERISTICS

Borrower Eligibility Requirements

- A. ***Eligible Purchasers:*** Borrower shall be at least eighteen years of age and a First-Time Homebuyer, not having owned a home within the last three years.
1. **Occupancy Requirement:** Borrower must occupy the property as a principal place of residence for the term of the loan or until the residence is sold.
 2. **Underwriting Criteria:** Borrower shall have sufficient income and creditworthiness to qualify for primary financing, as defined by lender. Co-Borrowers/Co-Signers other than owner occupants is not permitted.
 3. **Credit Requirements:** Borrower shall have a recommended FICO score of at least 620. The borrower shall be current on all payments, not have any existing outstanding unpaid judgments, involuntary liens or bankruptcies not dismissed.
 4. **Down Payment Requirement:** 3% must be Borrower's own funds.
 5. **Home Buyer Education:** Borrower will be required to complete an 8 hour homebuyer's education course on home ownership. Classes through Neighborhood Partnership Housing Services (NPHS) are HUD certified and approved by the Redevelopment Agency; please see www.nphs.info for details.

B. *Eligible Income:* Borrower's gross annual household income may not exceed 120% of the area median income adjusted by household size, as determined by the U.S. Department of Housing and Urban Development. This income criterion varies periodically as HUD provides updates. The Agency will utilize the latest income guidelines as made available by HUD.

1. Affordable Housing Costs: The applicant shall comply with housing affordable guidelines to qualify for the loan. Housing costs is defined as principal, interest, mortgage insurance, fire/hazard insurance, property taxes, property maintenance and utilities. The applicant's housing cost shall not exceed 40% of their annual gross income.

2. Gross household income: Household income includes all income from all members over the age of 18 who share the same residence or share in ownership of the residence. Gross income will be the full amount before any payroll deductions. Overtime, bonuses and commissions are to be counted. Interest, dividends, Social Security payments, income from annuities, pensions and any other net income from other sources maybe counted toward the household's gross income. All regular pay, special pay, and allowances of a member of the Armed Forces will be included as gross income. Gross income may include any other income reported for federal tax purposes.

3. Self-Employed: For self-employed individuals, adjusted gross income will be the net income from the operation of the profession, as calculated by averaging the net income for the past three years.

4. Payments in lieu of earnings: Unemployment, worker's compensation, severance pay, alimony, child support and welfare assistance will be included in the computation of gross income.

C. *Eligible Properties:* Homes eligible for DPA must be approved by a City housing inspector, be located in the City of Hemet, and comply with state Health and Safety Code Section 17920.3. Homes under the City of Hemet's ARR Program are also eligible.

1. Maximum Purchase Price: The maximum purchase price for a home to be eligible for the program is based on Section 203 (B) of the National Housing Act.

2. Type of housing unit: The types of unit eligible for the program are single-family residential units, condominiums, and townhomes.

D. *Assets:* In order to qualify for a loan through the program, the Borrower must not be able to purchase a home with current assets, yet still must have sufficient income and credit with which to qualify for a loan.

Allowable assets: Includes bank accounts and other accounts available to borrower to purchase a home and 3 months of PITI income allowed for monthly housing costs. If the borrower's assets exceed the amount necessary to close escrow, the amount of the Agency second loan will be reduced accordingly.

- E. **First Trust Deed:** The borrower must qualify for a mortgage with a lender that has been approved by the Agency. The first loan must be a fixed rate note at terms that are minimum risk to the borrower. In the event that the City Administrator, or his designee, believe that the terms of the first loan will likely be defaulted by the borrower at a future date, then the City may reject the first loan.

Second Loan Provisions

- A. **Second Loan Amount:** The amount of the second loan will be determined based on financial need. The total loan amount shall not exceed \$30,000 of the purchase price.
- B. **Affordability Covenant:** An affordability covenant is required to be recorded against the property. The affordability covenant restricts the sale of the property only to buyers not exceed 120% of the area medium income. The affordability covenant will be in place for a 45-year period.
- C. **Agency Repayment:**
 - 1. Deferred Payment: No monthly payments are required to be made on the loan.
 - 2. Property Sold: If the borrower sells the home, the Agency’s second loan must be repaid.
 - 3. Principal Place of Residence: If the borrower ceases to use the home as a principal place of residence, the Agency’s second loan must be repaid.

Repayment of the Agency’s second loan shall be accelerated if the property is no longer the principal residence or upon discovery of willful misrepresentation or fraud in connection with the program.

- E. **Close of Escrow:** Upon close of escrow, a Deed of Trust will be recorded against the borrower’s home. The Deed of Trust will require repayment of the Agency’s loan if the home ceases to be the borrower’s primary place of residence or if the home is sold.

Program Availability

The Down Payments Assistance Program is available subject to funding availability and program details are subject to change without prior notice.

Loan Process

The City Administrator, NPHS, Inc., shall establish guidelines on processing loans for this program.
