



CITY OF ESCONDIDO

HOMEBUYER ENTRY LOAN PROGRAM (HELP)

Information & Program Guidelines

(Revised June 2016)

Introduction

HELP is a program designed to provide qualified applicants with trust deed loans to be used toward downpayment and/or closing costs when purchasing their first home.

The HELP loan amount is limited to the lesser of 5% of the purchase price or a maximum amount of \$25,000. Repayment of the loan will be deferred until sale, transfer of title, refinance, any added debt or when the HELP assisted buyer no longer occupies the property.

To be eligible for the loan, borrowers' income must be at or below 80% of the currently published San Diego County area median income, adjusted for household size, as defined by the U.S. Department of Housing and Urban Development and/or the California Department of Housing & Community Development. Additionally, the purchase price is limited to the maximum amount allowed for existing units or new construction for San Diego County Area as published annually by the U.S. Department of Housing and Urban Development.

1. Eligible Properties

- a) Loans will only be made on residential properties within the city limits of Escondido.
- b) Properties can be new or resale single-family homes including detached homes, condominiums, half-plexes, townhouses or manufactured homes on a permanent foundation with purchase of lot. Duplexes, triplexes or four-plexes do not qualify as eligible properties.
- c) **Properties purchased with HELP assistance must be owner-occupied or vacant at the time of the purchase offer, in order to avoid the potential cost of relocating tenants.**
- d) **Properties purchased with HELP assistance must meet all local code and health and safety standards upon occupancy.**

2. Household Eligibility Requirements

- a) Households shall have sufficient income and credit worthiness to qualify for primary financing from one of the participating program lenders and who have not owned a home during the previous three tax years.
- b) Copy of current credit report for each applicant must be submitted with the HELP application.
- c) A minimum of 1% of the total purchase price of the property will be required from the borrower's personal funds and must be used for down payment and/or closing costs.
- d) Minimum housing cost ratio is 28%.
- e) Total housing cost ratio (PITI) cannot exceed 35% of applicant(s) monthly gross income.
- f) Maximum debt-to-income ratio is 43%.
- g) Maximum liquid assets after first-time homebuyer assistance may not exceed \$25,000 (not including retirement accounts, i.e. IRA's, 401(k), etc.).
- h) Applicant(s) have not defaulted on a prior loan issued by the City of Escondido Housing Division.

3. Income Qualification Criteria

Household adjusted gross income shall not exceed 80% of the San Diego area median income adjusted for family size.

NUMBER IN HOUSEHOLD	MAXIMUM YEARLY HOUSEHOLD INCOME ¹
1 PERSON	\$47,600
2 PERSON	\$54,400
3 PERSON	\$61,200
4 PERSON	\$68,000
5 PERSON	\$73,450
6 PERSON	\$78,900
7 PERSON	\$84,350
8 PERSON	\$89,800

Effective June 2016

4. Maximum Purchase Price²

The maximum purchase price for an existing or new constructed single family residence or condominium is \$404,000.

5. Loan Limits and Terms

- a) The maximum loan available under this program shall be limited to the lesser of 5% of the purchase price or a maximum amount of \$25,000.
- b) The terms of the City's Trust Deed loan were designed to encourage long term residency in the program-assisted home. Interest on the City's loan will descend and may ultimately be forgiven based on the number of years the assisted household resides in the home. If the property is sold, transferred, refinanced, burdened with additional debt or the assisted borrower no longer occupies the property within years 1-5 from the date the Deed of Trust is executed, the simple interest rate at payback will be 6%, during years 6-10 the simple interest rate will be 3%. After 10 years of owner-occupancy, all interest will be forgiven, but the principal will remain due.
- c) Affordability restrictions will apply to the property and secured by a recorded document. Affordability period is determined by the loan amount: five (5) years if the loan is less than \$15,000 or ten (10) years if the loan is less than \$25,000. The property **may not be used as rental property during the affordability period, even if the loan is paid in full**. Violation of this federal requirement may result in placing the loan in default, acceleration of the loan and payment of fees/penalties.
- d) The loan will be secured by a promissory note and deed of trust.
- e) Impounds are required on the first mortgage.
- f) Adjustable rate, negative amortization, interest-only and stated income first mortgages are prohibited.
- g) The loan is not assumable.
- h) The loan shall become due and payable at the time of the property's transfer, sale, any added debt, or when the acceleration clause is triggered.
- i) The acceleration clause will be in effect when the property is no longer the assisted borrower's principal place of residency, or upon discovery of willful misrepresentation or fraud in connection with the program. Rental of the property is prohibited and will cause the loan to be accelerated.
- j) Refinancing of the property will accelerate the loan except in the case of a City approved *FHA Streamline Refinance* with **no cash out**.

¹ Figures based on HUD published 2016 area median income limits for San Diego County.

² Figures based on HUD published 2016 limits for San Diego County area effective May 2, 2016.

6. Eligible Borrowers/Borrower Priority

The program is for first-time homebuyers.

- a) Priority will be given to residents of Escondido and households who are employed in businesses within the City of Escondido.
- b) City of Escondido employees and family members (except for Housing employees) may be eligible to participate. A waiver is required from HUD on a case-by-case basis and will extend the approval process.
- c) Applications will be accepted from households who have not owned a home for at least three tax years.
- d) Co-borrowers, co-signers or, co-owners other than owner occupants, are not permitted.

7. Agency Loan Procedures

- a) **All buyers receiving loans through the City's program are required to participate in an eight hour HUD approved Homebuyer Training Program.** The training can be accomplished in one-on-one meetings, or group meetings periodically provided by various organizations. Before receiving a City loan, the participant must present a certificate of completion of the homebuyer training.
- b) Online classes are not acceptable.
- c) Homebuyers will apply for HELP through an approved program lender. The Lender will determine applicant's eligibility for funding based on City's guidelines.
- d) **A W-9 is required** from the escrow company used by the Lender and must be submitted with application packet.