

Housing Trust Fund of Santa Barbara County

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



2021

City of Carpinteria

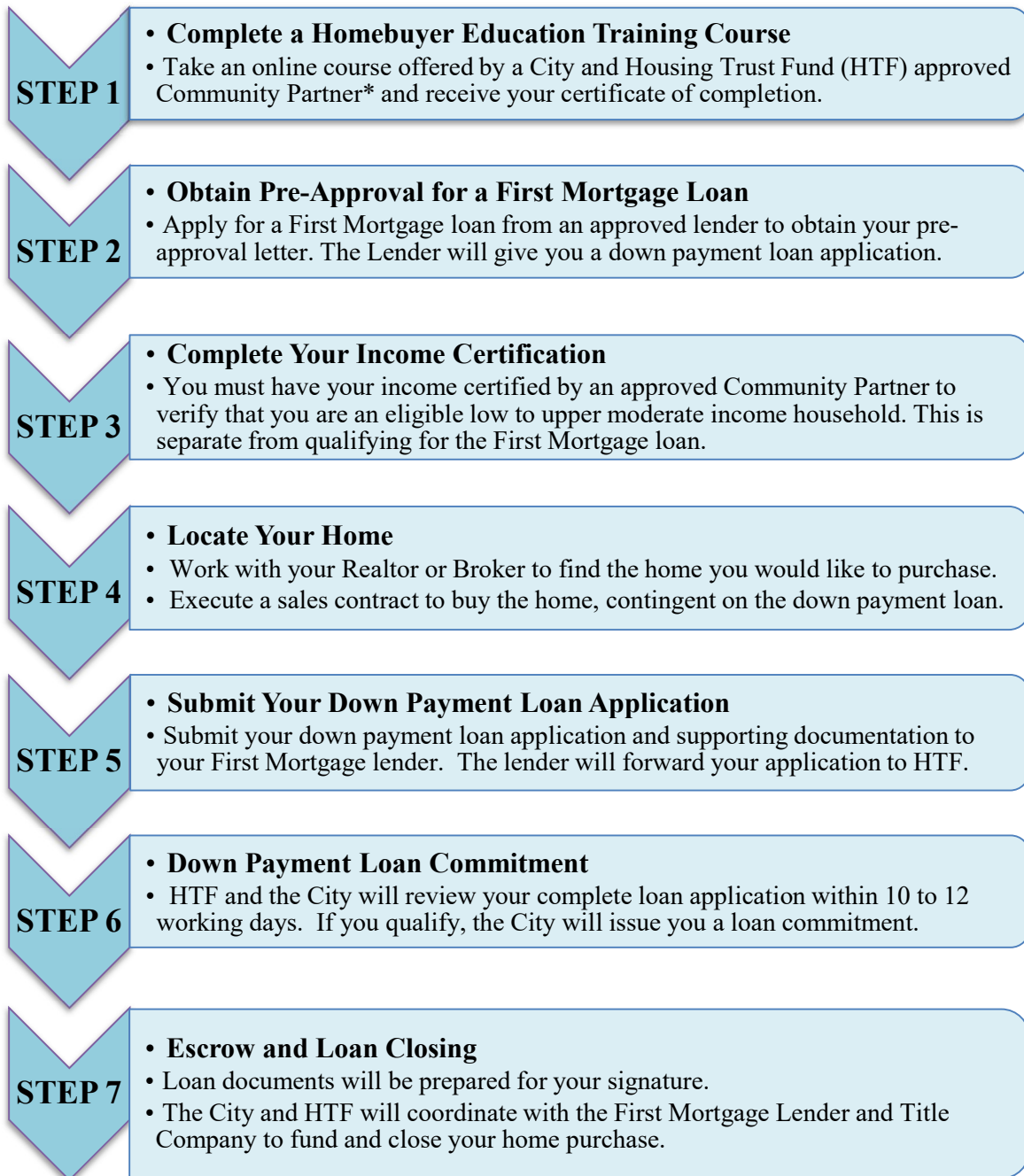
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Program Management Consultants

Housing Trust Fund of Santa Barbara County
P. O. Box 60909
Santa Barbara, CA 93160-0909
(805) 845-3585
www.sbhousingtrust.org

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 \$100,000 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 application, and own no other residential property¹.
- 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 a Home Inspection Report prepared by a professional home inspection company. 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; 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 a Home Inspection Report performed by a professional home inspection company.

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 \$100,000, and based on homebuyer need. 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 \$350

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 2021, the Area Median Income utilized by State HCD is \$90,100 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 The maximum income limits will be revised in 2022 when new Area Median Incomes are published by HUD.

2021 Maximum Income Limits Santa Barbara County

FY 2021 Income Limit Category	1 Person	2-Person	3-Person	4-Person	5-Person	6-Person	7-Person	8-Person
Median (100%) Income Limits	\$63,050	\$72,100	\$81,100	\$ 90,100	\$97,300	\$104,500	\$111,700	\$118,950
Upper Moderate (200%) Income Limits	\$126,100	\$144,200	\$162,200	\$180,200	\$194,600	\$209,000	\$223,400	\$237,900

⁴ From State Department of Housing & Community Development guidelines, which were published on April 26, 2021. These income levels 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 \$625,000, using a \$100,000 down payment loan from the City of Carpinteria, plus 4% or \$25,000 of his/her own cash⁵. The homeowner installs \$10,000 in eligible home improvements and resells the home after seven years for \$785,000. The owner will repay the City of Carpinteria the principal loan amount of \$100,000 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.....\$625,000

Total City Shared Appreciation Loan.....\$100,000

Share of Appreciation (Contingent Interest) Percentage = $\$100,000 / \$625,000 = 16\%$

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, 2028⁶.....\$785,000

Original Purchase Price.....\$625,000

Accrued Appreciation (Purchase Price minus Resale Value).....\$160,000

Less Value of Home Improvements (as determined by appraisal).....\$10,000

Amount subject to Share of Appreciation (Contingent Interest).....\$150,000

City Share of Appreciation Percentage16%

Owner share subject to Share of Appreciation.....84%

City Share of Appreciation (16% x \$150,000).....\$24,000

Owner Share of Appreciation (84% x \$150,000).....\$126,000

Alternative Option: 8.5% Simple Annual Interest

Original Shared Appreciation Loan Amount 2021.....\$100,000

Multiply by .085 (8.5% simple interest).....\$ 8,500

Multiply by 7 (home sold after seven years).....\$59,500

Given the above assumptions as an example, the Owner would repay the City principal loan amount of \$100,000 plus the lesser of the Share of Appreciation or 8.5% interest. In this example, the lesser amount is the \$24,000 Share of Appreciation.

⁵ There will also be closing cost expenses (such as realtor fees) for the original homebuyer in 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 home for \$800,000 using a \$100,000 down payment loan from the City of Carpinteria, plus 7.5% of the home price or \$60,000 of their own cash⁷. The homeowner lives in the home for 10 years, during which time 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 \$100,000 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 10 years by making payments of principal on the first mortgage loan.

Share of Appreciation Percentage (Contingent Interest):

Original purchase price of the home.....\$800,000
Total City Shared Appreciation Loan.....\$100,000
Share of Appreciation (Contingent Interest) Percentage = \$100,000/\$800,000 = **12.5%**

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:

One possible gross Resale Value, 2031⁸.....\$1,050,000
Original Purchase Price.....\$800,000
Accrued Appreciation (Purchase Price minus Resale Value).....\$250,000
Less Value of Home Improvements (as determined by appraisal).....\$25,000
Amount subject to Share of Appreciation (Contingent Interest).....\$225,000
City Share of Appreciation Percentage.....12.5%
Owner share subject to Share of Appreciation.....87.5%
City Share of Appreciation (12.5% x \$225,000).....\$28,125
Owner Share of Appreciation (87.5% x \$225,000).....\$196,875

Alternative Option: 8.5% Simple Annual Interest

Original Shared Appreciation Loan Amount 2021.....\$100,000
Multiply by .085 (8.5% simple interest).....\$ 8,500
Multiply by 10 (home refinanced after 10 years).....\$85,000

Given the above assumptions as an example, the Owner would repay the City principal loan amount of \$100,000 plus the lesser of the Share of Appreciation or 8.5% interest. In this example, the lesser amount is the \$28,125 in Shared Appreciation.

⁷ There will also be closing costs (such as realtor fees) for the original homebuyer 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 is solely created to demonstrate 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:	\$650,000.00	Mortgage Payment	\$2,263
Alterations, Repairs, Improvements		Property Taxes	\$ 677
Estimated Prepaid Items:		Insurance	\$ 66
Property Tax impound – 4 mos.	\$2,710.00	HOA (if any)	\$ 350
Insurance	\$792.00	Monthly PMI (if any)	\$-
Prepaid HOA - 6 mos.	\$2,100.00	Total Housing Costs	\$3,356
Other (explain):			
Total Recurring Costs	\$5,550.00	Household Mo. Income	\$9,475
Estimated Closing Costs:		Annual Income	\$113,700.00
Credit Report	\$25.00	% for housing costs	35.42%
Appraisal	\$600.00	% housing & all debt*	
Loan Origination/Processing Fee	\$2,600.00	(*Lender to calculate)	
Title/Escrow (less offsets)	\$3,000.00		
Recording and Notary	\$350.00	LOAN INFORMATION:	
Home Warranty		Mortgage Amount	\$520,000
Loan Interest Rate Buy-down		Interest Rate	3.25%
Other (explain): Lender daily interest	\$450.00	Term	30 years
Total Non-recurring costs	\$7,025.00	Loan-to-Value Ratio	100%
Mortgage Insurance Premium	\$-	(1st & Second loans)	
Other: Transfer tax less offset	\$-		
Other: Wire transfer fee	\$30.00		
Total Acquisition Costs	\$662,635.00		
		SECONDARY LOAN CAP TEST	
EQUITY/DOWNPAYMENT		Assistance Ratio*	Max. Ratio*
Borrower cash (Minimum 3.5% or 1% w/gifts)	\$32,635.00	21.9%	35%
Borrower's closing costs paid by seller	\$-	(*Total City loan, homebuyer equity and all other assistance). Notes: * If homebuyer equity, secondary loan and grant assistance exceeds 35% of the home purchase price, the City loan will be reduced until total equity and assistance is 35% or lower.	
WISH grant	\$-		
Other (explain): family gift	\$10,000.00		
City Secondary Loan (Max. 16.5% home price up to \$100,000)	\$100,000.00		
Total Equity/Down payment	\$142,635.00		
FIRST MORTGAGE LOAN			
Loan amount (exclude PMI, MIP, funding fee financed)	\$520,000.00		
PMI, MIP, Funding Fee financed	\$- 0-		
Total Loan Amount	\$520,000.00		
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

1060 Kendall Road, San Luis Obispo, CA 93401

Local Office: 26 E. Victoria Street, Santa Barbara, CA 93101

Contact: John Clendening, Housing Specialist

(805) 540-2446

Email: johnc@pshhc.org

Website: <http://ehomeamerica.org/pshhc>

Ventura County Community Development Corporation

2231 Sturgis Road, Oxnard, CA 93030

Contact: Keily Victoria, Director of Program Development & Administration

(805) 273-7808

Email: kvictoria@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.

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

1060 Kendall Road, San Luis Obispo, CA 93401

Local Office: 26 E. Victoria Street, Santa Barbara, CA 93101

Contact: John Clendening, Housing Specialist

(805) 540-2446

Email: johnc@psshc.org

Ventura County Community Development Corporation

2231 Sturgis Road, Oxnard, CA 93030

Contact: Keily Victoria, Director of Program Development & Administration
(805) 273-7808

Email: kvictoria@vccdc.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.

American Pacific Mortgage

3 Lincoln Dr., Suite 3B

Ventura, CA 93001

Contact: Greg Abrams, Lending Manager
(805) 667-8465

Email: greg@apmloan.com

Finance of America

1213 State Street, Suite H

Santa Barbara, CA 93101

Contact: Susan Bonanno
(805) 979-9598 (office)

Bank of America - Home Loans

3790 State Street

Santa Barbara, CA 93101

Contacts: (805) 979-2013

Cornerstone Mortgage

1826 State Street

Santa Barbara, CA 93101

Contact: Kelly Marsh or Mark Johnson
(805) 563-1100

KMarsh@houseloan.com

MJohnson@houseloan.com

On Q Financial

1332 Anacapa Street, #110

Santa Barbara, CA 93101

Contact: Austin Lampson, Senior Mortgage Consultant
(805) 335-8200

Austin.lampson@onqfinancial.com

Union Bank

20 East Carrillo Street
Santa Barbara, CA 93101

Contacts:

Trenton L. Hammel, Producing Sales Manager Vice President
(805) 364-3199

Trenton.Hammel@unionbank.com

Teri Yamasaki Gauthier, Senior Mortgage Consultant
(805) 565-4571 (office) (805) 689-5451 (cell)

teri.gauthier@unionbank.com

Kenneth Millington, Mortgage Consultant
(805) 866-7634

Email: Kenneth.Millington@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

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:
Gina Ornales, Escrow Officer (805) 569-6163
gornelas@firstam.com
Kris Randolph, Escrow Officer (805) 569-6129
krandolph@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