

A faded background image of a two-story suburban house with a white picket fence in front, set against a clear blue sky.

North County Workforce Homebuyer Program

Homebuyer Down Payment Assistance
Program Guide and Disclosure

2022

Housing Trust Fund of Santa Barbara County

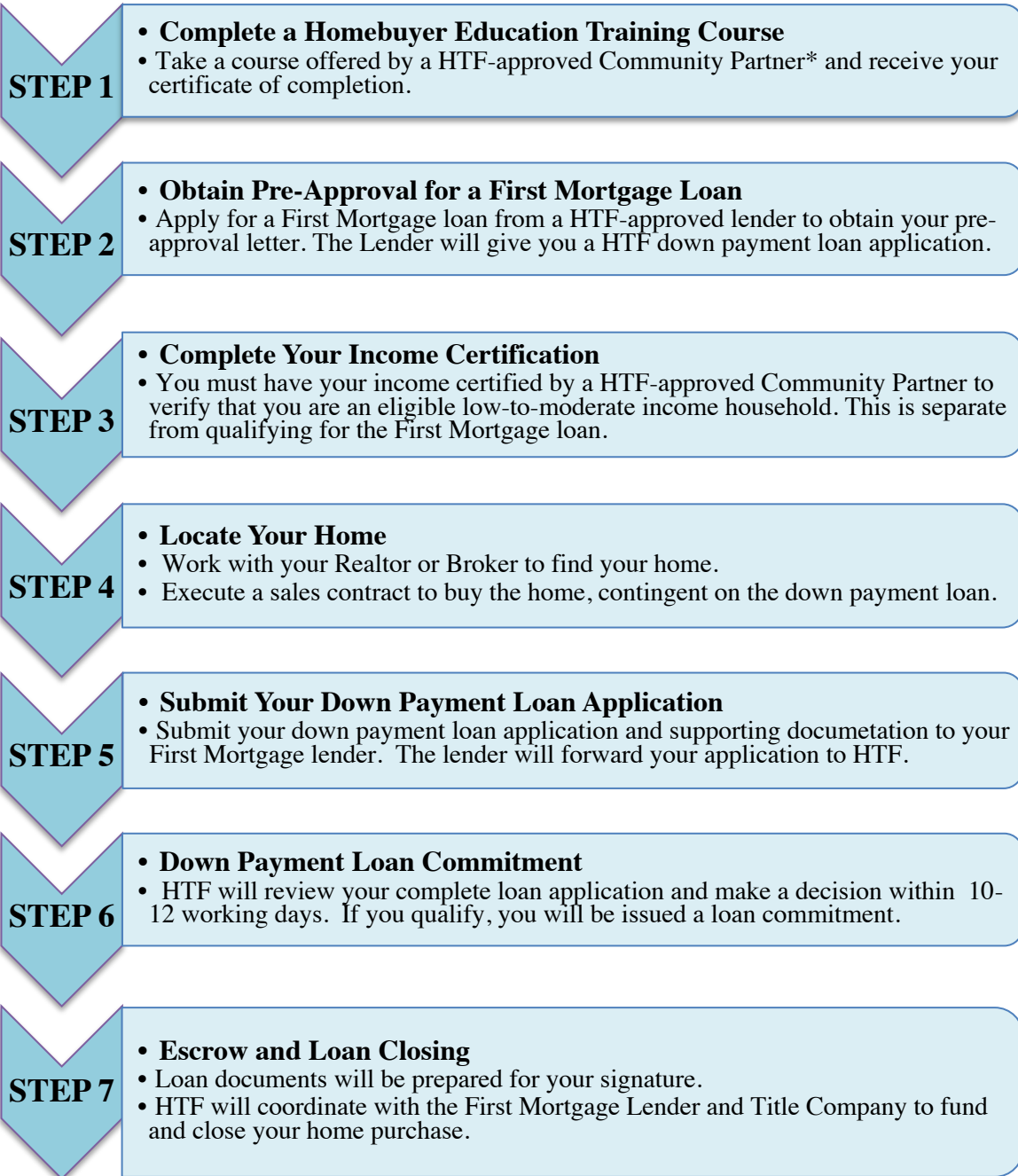
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Loan Funding Process with Application Steps



**The Housing Trust Fund has 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 First-time Homebuyer Down Payment loan (see Appendix D). You may use any realtor or broker you choose to locate your home, and it is helpful if they have attended an HTF informational workshop.*

Housing Trust Fund of Santa Barbara County

Workforce Homebuyer Down Payment Program Guide

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Workforce Homebuyer Program

I. PROGRAM OVERVIEW

The Workforce Homebuyer Program is a program of the Housing Trust Fund of Santa Barbara County (HTF) to expand homeownership opportunities for local working families. The program helps bridge the homeownership affordability gap for Workforce homebuyers by providing 30-year deferred payment loans up to a maximum of \$100,000 per household to assist lower income households in purchasing a home in the community. Funds can be used for down payment and closing costs for households who earn a maximum of 80% of the Area Median Income (AMI). The loans have no current interest or principal payments and are repaid, with accrued interest, upon sale, transfer or refinancing of the home or at the end of the loan term. Funding for the program has been provided through a grant to HTF from the State Department of Housing and Community Development (State HCD) CalHome Program.

The program removes financial barriers to the dream of homeownership by lowering home acquisition and carrying costs. The program enables qualified working families 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 work within Santa Barbara County¹.
- Applicants must be a First-Time Homebuyer and may not have owned a principal residence in within three (3) years from the date of program application²
- Applicants must be a U.S. Citizen, a Naturalized Citizen or a permanent resident alien.
- Applicants must be an eligible low or moderate-income³ income household and have the household income and household size certified by an HTF-approved Community Partner.
- The homebuyer must occupy the home as the primary residence for the duration of the loan. HTF does not allow non-occupant borrowers or co-signers on the applicant loan.
- The home size must be sufficient for the household so that there is no overcrowding.
- Applicants must attend and complete an HTF-approved Homebuyer Education Training class⁴.
- 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% to 3.5%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.

¹ An applicant may also be a retired worker who was employed in Santa Barbara County.

² Some exceptions are allowed. The First-time Homebuyer definition under State law is provided in Appendix A.

³ Moderate-income households earning a maximum of 120% of AMI, adjusted for household size, who are victims of a Santa Barbara County natural disaster may be eligible for the program. Please see Appendix B.

⁴ Successful applicants will receive a reimbursement for the actual cost of the homebuyer education course up to \$150.

⁵ Some first mortgage lenders require only a 3% cash contribution from the homebuyer and others may require 3.5% or 5%. HTF will defer to the requirements of the approved first mortgage lender.

III. ELIGIBILITY OF THE HOME

Homebuyers may apply for down payment assistance for homes that meet the following criteria:

A. Location of the Home: The home must be located in Santa Barbara County. Eligible cities include: Buellton, Guadalupe, Lompoc, Santa Maria, Solvang in North County and Carpinteria, Goleta and Santa Barbara in South County. Homes located in the unincorporated county areas are also eligible for the program. *A list of eligible areas is included in Appendix C.*

B. Type of Home:

- **Allowed types:** Detached or attached single-family homes (single family homes may have an accessory dwelling unit), units in Planned Developments, townhomes, condominiums⁶, mobile homes that are on a permanent foundation and have an individual deed to the property or mobile homes with a signed lease located in a mobile home park⁷.
- **Ineligible home types:** Vacation homes, investment properties, multi-family units, duplexes, second units, life care facilities and cooperatively owned or other forms of ownership where the homebuyer does not have an individual deed to the property.
- **Habitability:** Homes must be completed and ready for occupancy and meet building, health and safety code standards, including no lead paint. A home inspection is required.

IV. HOUSEHOLD INCOME TARGETING

Applicants for homebuyer down payment assistance must have combined household incomes that fall within the definitions of low-to moderate income, as follows:

- Low Income Households: Up to **80%** of Area Median Income, adjusted for household size;
- Moderate Income Households who are disaster victims: Up to **120%** AMI, adjusted for household size.

Area Median Income is determined annually by the U.S. Department of Housing and Urban Development (HUD), with maximum household incomes, adjusted for household size, as published annually by State HCD. Santa Barbara County Area Median Income is currently \$100,100 for a family of four and is adjusted for household size. A low-income family of four could earn a maximum of \$111,900 annually⁸. *Homebuyer income limits by household size are shown in Appendix B.*

V. DOWN PAYMENT LOANS

A. Type of Loan:

The down payment loan offered under this program is subordinate financing, secured by a second lien position on the home. The loan is a 30-year deferred “soft second”, with no current interest or principal payments. Instead, repayment of the loan principal and accrued interest is

⁶ 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.

⁷ The mobile home must be pre-approved by the First Mortgage lender and HTF.

⁸ The maximum low-income income is higher than the median income due to HUD methodology for high cost housing markets such as Santa Barbara County.

deferred until the loan maturity date or the occurrence of certain events: The loan will become due when the borrower sells or transfers the property, ceases to maintain the residence as his/her primary residence, converts the home to a rental property or refinances the first mortgage (unless the refinance meets one of the program exceptions, as defined in the homebuyer loan documents). The loan is not assumable. Loans do not generally become due in the case of death or divorce when the beneficiary or remaining spouse uses the home for his/her primary residence.

B. Maximum Home Purchase Price, Loan Limits and Assistance Levels:

The maximum home purchase price may not exceed the most recent median single-family home price for Santa Barbara County, as posted by the California Association of Realtors at <https://www.car.org/en/marketdata/data/countysalesactivity>. The maximum down payment loan amount under this program will be 20% of the home purchase price or a maximum loan of **\$100,000**. However, the amount of the individual homebuyer loan will be based on the home purchase price, homebuyer income and need. The down payment loan may not be for more than the homebuyer needs to purchase the home with affordable monthly payments and may not be made for purchase of a home that exceeds the homebuyer's purchasing ability.

The maximum portion of the HTF secondary loan that can be used towards the down payment is **20%** of the home purchase price, up to a limit of \$100,000. Homebuyers may also choose to apply a portion of the loan proceeds towards other eligible nonrecurring closing costs and expenses (up to 5% of the home purchase price) incurred in qualifying for the down payment loan, as long as the homebuyer contributes a minimum of 3% to 3.5% of the home purchase price⁹. Homebuyers may also be eligible to receive a closing cost grant up to \$5,000, depending upon funding availability and the location of the home they are purchasing. HTF, in coordination with your Realtor or Broker and First Mortgage Lender will calculate the amount of the down payment loan needed to assist you in completing your individual home purchase.

C. Other Subordinate Financing:

Homebuyers may also receive financial assistance from other sources such as the Federal Home Loan Bank WISH Mortgage Assistance Program or Neighborhood Housing Services, etc. to help them purchase the home. However, there is a total amount or cap on the amount of down payment assistance the homebuyer may receive from all combined sources and still receive the maximum HTF loan for their individual home purchase. If the combined down payment, including the homebuyer portion, HTF loan and other assistance, exceeds **40%** of the home purchase price, the amount of the HTF down payment loan will be reduced accordingly, so that the 40% maximum assistance level will not be exceeded. The purpose of this policy is to use the Workforce Homebuyer Program loan funds to assist homebuyers who truly have a financial need and to deploy the funds to assist as many homebuyers as possible.

Fees for other subordinate financing must be reasonable and consistent with industry standards. All subordinate financing must defer loan principal and interest payments for the term of the HTF down payment loan. There must not be a balloon payment due prior to the maturity date of the HTF down payment loan. Subordinate financing shall have a subordinate lien position to the HTF down payment loan.

⁹ Some first mortgage lenders require only a 3% cash contribution from the homebuyer, while others may require a 5% down payment. HTF will defer to the requirements of the first mortgage lender.

D. Uses of the Loan: The primary purpose of the HTF secondary loan is to provide down payment assistance in purchasing the home. However, the homebuyer may also apply the loan proceeds to pay for nonrecurring closing costs up to 5% of the home purchase price, for an interest rate buy-down on the first mortgage loan (not to exceed 1% of the home purchase price) and for certain costs associated with qualifying for the down payment loan.

Eligible uses of the HTF Workforce Homebuyer Down Payment Loan are listed in Appendix G.

VI. CLOSING COST GRANTS

Workforce homebuyers who purchase a home under the program may be eligible for a closing cost grant of up to **\$5,000** per household, depending upon funding availability and the location of the home, to help pay for closing costs such as first mortgage loan origination and processing fees, title and escrow fees and mortgage insurance. The closing cost grant provides additional homebuyer financial assistance to help qualified families purchase a home. Closing cost grants are not available for homes purchased in all communities within Santa Barbara County. *Please check with HTF or your first mortgage lender regarding the availability of a closing cost grant.*

VII. HOMEBUYER FINANCING REQUIREMENTS

Borrower Match: Homebuyers must qualify for a fully amortized **30-year fixed rate** first mortgage from an HTF approved lender and provide a cash investment of at least **3%** of the purchase price and closing costs of the home. Some first mortgage lenders allow a 3.5% or 5% cash contribution by the homebuyer and in this case HTF will defer to the requirements of the first mortgage lender. Homebuyers must also invest any other liquid assets in excess of \$15,000 to purchase the home.

Down Payment Source: Homebuyers may use gifts from relatives and employers as a portion their 3% to 3.5% cash requirement if satisfactory documentation is provided and the homebuyer has held these funds for at least 45 days in their own account (HTF at its sole discretion may lower or waive the 45 day requirement if gift funds are provided from immediate relatives and clearly documented.) However, in all cases the homebuyer must contribute a minimum of 1% of the cash investment from their own resources rather than gifts. Contributions from home sellers or others or loans will not be acceptable for the homebuyer's own funds. Homebuyers may also receive grants or contributions from other homebuyer assistance programs (such as WISH or Neighborhood Housing Services sources) towards a larger down payment amount and closing costs, as long as the homebuyer provides the minimum 3% or 3.5% cash portion.

VIII. HOMEBUYER EDUCATION

Applicants seeking a Workforce Homebuyer Down Payment loan must attend an HTF approved Homebuyer Education Training class or course prior to applying for an HTF down payment loan or making an offer on a home. The purpose of homebuyer education training is to provide applicants the opportunity to learn about the responsibilities of homeownership and to ensure that the borrower understands the requirements of the down payment loan and implications for repaying the loan when selling or refinancing their home. Loan applicants must submit proof (such as a certificate, letter or other documentation) with their loan application that documents they have successfully completed a Homebuyer Education Training course. Applicants who

receive a down payment loan will receive a grant up to \$150 to reimburse the actual cost of the homebuyer education course, credited at or reimbursed after the escrow closing.

A list of HTF-approved agencies that provide homebuyer training is included in Appendix D.

IX. OWNER OCCUPANCY

Homebuyers who receive a Workforce Homebuyer Down Payment Loan must occupy their home as their principal residence until the down payment loan is repaid. The Housing Trust Fund will require the borrower to provide an annual written certification, under penalty of perjury, that Borrower is occupying the home as his or her principal place of residence.

X. LOAN FINANCING TERMS

A. Loan Payments: The down payment loans will be deferred and have no current monthly payments of either principal or interest until the Maturity Date or such earlier date as may be required under the conditions of the Promissory Note.

B. Term of the Loan: The term of the loan will be 30 years. In special circumstances, longer terms can be considered if the first mortgage is provided through a government program.

C. Interest Rate: The interest rate is three percent (3%) simple annual interest per year on the principal balance. The down payment loan has no current interest payments. Instead, the interest will accrue and will be repaid along with the principal balance at loan maturity.

D. Maximum Loan To Value Ratio: The down payment loan plus the first mortgage may not exceed 100% of the appraised value of the home, plus a maximum of up to 5% of the sales price to cover actual nonrecurring costs of purchasing the home. HTF reserves the right to approve or reject any proposed home financing that exceeds the maximum loan to value ratio of 100%.

E. Collateral: The HTF down payment loan will be secured by a trust deed on the property. The HTF loan will be a second lien recorded after the performing amortized first mortgage loan. Any other subordinate financing must defer principal and interest for the term of the HTF loan and will be junior to the HTF lien.

F. No Non-Occupant Borrowers or Co-signers: HTF does not allow co-signers or non-occupant borrowers on the applicant's loan. There are no exceptions to this policy.

G. Loan Fees and Closing Costs: Applicants will not be charged a loan origination fee for the amount of the down payment loan but will pay for the actual cost of any document preparation fees, title and recording fees and other loan closing costs. The cost of such fees may be included in the down payment loan amount or closing cost grant. The homebuyer should expect to pay other fees and costs associated with the First Mortgage loan at or before the close of escrow, such as loan origination or processing fees, appraisal, credit reports, prepaid hazard insurance and property taxes, title and escrow fees. HTF and the First Mortgage lender will provide a Loan Estimate of the loan costs as well as a Closing Disclosure and the Title Company will provide a Settlement Statement of total transaction costs.

XI. REPAYMENT OF THE LOAN

Down payment loans will be repaid at the end of the 30-year loan term. Loan repayment may be accelerated and would be immediately due and payable under any of the following occurrences:

- Sale, transfer, reconveyance or alienation of the home;
- Failure to occupy the home as a principal residence;
- An Event of Default (either on the first mortgage or down payment loan); or,
- Refinance of the First Mortgage Loan such that the principal amount of all debt exceeds the balance of the original First Loan Amount and the balance of the HTF Loan, plus loan refinancing costs.

XII. LOAN BENEFITS

The terms and conditions of the down payment loans---30 years with no interest or principal payments, and a low 3% - 3.5% cash contribution required from the borrower—make this a truly affordable loan product. The program enables eligible low-to-moderate income families who have previously been shut out of the local housing market to buy an affordable home.

XIII. RISK OF LOSS AND REGULATORY REQUIREMENTS

A. Risk of Loss: If the Borrower's property value does not appreciate, or if the property has actually lost value from the original purchase price at the time the borrower wants to sell the property or at loan maturity, the borrower's equity in the home may be less than their initial capital contribution. It may also be difficult to refinance the home to repay the HTF loan. There is never any guarantee that real estate will appreciate in value and it may depreciate at any time. To account for difficult housing market situations, the HTF, at its sole discretion, may make a one-time amendment to the Promissory Note to either extend the maturity date another 30 years at 0% interest or convert the debt to a 15-year amortized loan at 0%. HTF may also choose to forgive all or a portion of the unpaid accrued interest on the principal balance.

B. Regulatory Requirements:

A condition of the CalHome Program grant funding is to promote affordable homeownership opportunities. This will be accomplished by reinvesting the loan principal and accrued interest returned upon sale or transfer of the home or at loan maturity to assist future low to moderate-income homebuyers. Homebuyers receiving a down payment loan under this program must agree to the requirements included in the Deed of Trust that will be recorded against their title to ensure that the home remains owner occupied and that HTF receives the loan capital and accrued interest upon sale, transfer or refinancing of the home or at loan maturity.

XIV. FIRST MORTGAGE FINANCING

Homebuyers must obtain a First Mortgage Loan from an HTF-approved participating lender that meets the following standards:

- Term of at least 30 years¹⁰;
- Fixed interest rate at market or below market rate (no subprime loans will be accepted);
- Fully amortized loan with monthly payments; no negative amortization, principal increases, balloon payments or deferred interest;
- Establishment of an impound account for property taxes and insurance;
- No prepayment penalty; and,
- A permanent loan buy down is permitted as long as it does not cost most than 1% of the first mortgage loan amount.

Payment Ratios: Homebuyers participating in the down payment program must pay at least 22% of their gross monthly income for all housing costs, including first mortgage principal and interest, property taxes, insurance and any Homeowner Association (HOA) fees. HTF uses a guideline of 35% of household income for all housing costs for the upfront housing ratio. However, homebuyer housing cost ratios will be determined in coordination with the participating First Mortgage Lender but generally should not exceed a maximum of 38% of income for all front-end housing costs (principal, interest, property taxes, insurance, HOA fees and other assessments) and 45% maximum for all backend debt, which includes housing costs plus other long-term debt or monthly obligations. HTF at its sole discretion and on a case-by-case basis may grant waivers to the minimum and maximum upfront ratios if there are compelling compensating factors or a need for additional affordability.

HTF will coordinate with its lending partners to establish mortgage and households debt ratios to ensure that the homebuyer monthly payments are affordable and the down payment loan is not used to purchase a home that exceeds the homebuyer's purchasing ability.

XV. COMMUNITY LENDING PARTNERS

HTF will collaborate with Community Lending Partners to obtain pre-approval of the Workforce Homebuyer Program and where possible to arrange favorable terms and access to special first mortgage loan programs and benefits for homebuyers who use these participating lenders for their First Mortgage. For example, some of our participating lenders may offer discounts on First Mortgage loan processing and closing costs, access to additional matching down payment loan funds or grants for qualified low-to-moderate income applicants.

A list of participating Community Lending Partners where homebuyers can obtain a First Mortgage Loan is included in Appendix D.

XVI. DOWN PAYMENT LOAN PROCESSING STEPS

Follow these Steps to Apply for a Down Payment Loan:

Step 1: Homebuyer Education. To apply for a Workforce Homebuyer Down Payment Loan, you must first complete a Homebuyer Education Training course provided by an HTF-approved Community Partner and obtain a certificate of successful completion. If you receive a loan you

¹⁰ An exception to the term will be made for United States Department of Agriculture Rural Housing Service (USDA-RHS) 502 mortgage loans or other government funding sources that have a longer term.

will receive a grant up to a maximum of \$150 to reimburse the actual cost of the Homebuyer Education Training.

Step 2: First Mortgage Loan Pre-Approval: You must then be pre-approved for a First Mortgage Loan from an HTF-approved lending partner. If qualified, you will receive a pre-approval letter from the lender, based on the assumption that you meet the criteria and will be eligible for a Workforce Homebuyer Program Loan from HTF.

Step 3: Income Certification. To apply for a Workforce Homebuyer Down Payment Loan, you must have your household income certified to verify that you are an eligible low-to-moderate income household. The income certification must be performed by an HTF-approved Community Partner. The Community Partner may charge you a fee for the income certification. This fee is an eligible expense that can be credited towards your required 3%-3.5% cash contribution for your home purchase. *To locate a Community Partner for income certification, please see the list in Appendix D.*

Step 4: Locate Your Home. Work with your Realtor or Broker to locate the home you wish to purchase and execute a sales contract to purchase the property. Your sales contract should be contingent upon approval of your both your first mortgage and HTF down payment loans. You will also be required to obtain a Home Inspection Report performed by a professional home inspection service. The cost of the Home Inspection Report can be credited towards your 3%-3.5% cash contribution for your home purchase.

Step 5: Submit Your Down Payment Loan Application. You can obtain a Workforce Homebuyer Program loan application from your First Mortgage Lender. Submit your down payment loan application, along with your income certification and all required documentation, directly to your participating First Mortgage Lender. The lender will verify that your down payment loan application packet is complete and forward it to the Housing Trust Fund for processing. HTF staff is available to provide you technical assistance in completing your application. If you need assistance, please contact the HTF office at (805) 845-3585 or email YLounsbury@sbhousingtrust.org

Step 6: Down Payment Loan Commitment. The Housing Trust Fund will review your completed loan application packet and make a decision on your loan within 10-12 working days. If you qualify, HTF will issue you a loan commitment letter and Loan Estimate for the down payment loan.

Step 7: Escrow and Loan Closing: HTF will prepare your down payment loan documents, which will include a Promissory Note, Subordinate Deed of Trust and the Closing Disclosure, for your review and signature. HTF will then coordinate with the First Mortgage Lender and Title Company to close and fund your loan. Upon execution of your loan documents and escrow closing, the funds will be released to complete your home purchase.

Generally, the final loan commitment and escrow period for purchasing your home will be between 30-60 days. The borrower can request an extension of the loan commitment and escrow when the escrow has been delayed due to unforeseen circumstances and reasonable efforts have been made to close escrow within the maximum 60-day period.

XVII. FOR MORE INFORMATION

The Workforce Homebuyer Down Payment Loan Program is offered by the Housing Trust Fund of Santa Barbara County (HTF), with grant funding provided by the State Department of Housing and Community Development CalHome Program.

Please make inquiries to and obtain an application from an HTF-approved first mortgage lender:

First Mortgage Lenders:

Bank of America

Cornerstone Home Lending, Inc.

Cross County Mortgage, LLC

Envoy Mortgage

Guild Mortgage Co.

Guaranteed Rate

loanDepot

Santa Fe Mortgage

Supreme Lending

Contact information for these community partners is attached in the Appendix D.

For general information about the program, you may contact HTF at:

Housing Trust Fund of Santa Barbara County

P. O. Box 60909

Santa Barbara, CA 93117

Contact: Yvette Lounsbury

Phone: (805) 845-3585

Email: Ylounsbury@sbhousingtrust.org

Web-site: <https://www.sbhousingtrust.org/workforce-homebuyer-program>



The Workforce Homebuyer Down Payment Program complies with Fair Housing and Equal Housing Opportunity Laws.

XVIII. DISCLOSURE STATEMENT

A. Explanation of Loan Documents and Requirements

The Workforce Homebuyer Down Payment Loan Program is funded from a grant from the State Department of Housing and Community Development (State HCD) CalHome Program. The Housing Trust Fund of Santa Barbara County (HTF) has prepared the following loan documents to meet the requirements of the State HCD CalHome Program, including:

- HTF Note
- HTF Deed of Trust
- Closing Disclosure
- Request for Notice of Default

This Disclosure Statement explains the major provisions of the HTF Promissory Note and Subordinate Deed of Trust so that the homebuyer will understand the requirements of the down payment loan. You should carefully read and familiarize yourself with the Loan Documents. If there is any conflict between this Disclosure Statement and the Loan Documents, the terms of the Loan Documents will prevail.

B. Applicant Status

Applicants for a Housing Trust Fund down payment loan must work in Santa Barbara County¹¹. Applicants must be U.S. Citizens, Naturalized Citizens or permanent resident aliens. Applicants must present documentation, such as a birth certificate, passport, Green Card and Driver's license, verifying their legal residency and Santa Barbara County employment.

C. First-Time Homebuyer Requirement

To be eligible for a Workforce Homebuyer Down Payment Program loan you must not have owned a principal place of residence within the last three (3) years prior to application for the down payment loan. If you meet one of the following exceptions, you may still be considered a First-Time Homebuyer:

- (1) A displaced homemaker who, while a homemaker did not work full-time and owned a home with his or her spouse or resided in a home owned by the spouse.
- (2) A single parent who, while married, owned a home with his or her spouse or resided in a home owned by a spouse.
- (3) An individual who owned a home as a principal residence that had no permanent foundation in accordance with local or state regulations, or was not in compliance with building codes and could not be repaired for less than the cost of constructing a permanent structure.

A full definition of a First-Time Homebuyer is contained in California Code of Regulations, Title 25 Section 7151. *A copy of the state regulation is contained in Appendix A.*

¹¹ An applicant may also be a retired worker who was employed in Santa Barbara County.

As part of the borrower application for an HTF down payment loan, you will be required to sign a Certifications and Acknowledgements form as part of your loan application that attests that you do not currently own or have not owned or had any ownership interest in any residential property in the past three years. As part of your household income certification and application review, your residential history and Tax Returns for the past three years will also be reviewed to determine any prior residential ownership.

D. Occupancy as Primary Residence

You must occupy your home as your primary place of residence, which means that you must live in your home for at least 10 months out of each calendar year. You must establish residency in your home within 60 days after executing the down payment loan with the Housing Trust Fund. You may not lease or rent your home to another party except that, with the prior written approval of the Housing Trust Fund, you may rent the house for a maximum one-year period due to hardship such as extended hospitalization or convalescent care, temporary employment relocation, sabbatical, extended travels, other special circumstance or good cause. You may rent out a room within your home without Housing Trust Fund approval so long as you continue to reside in your home as your primary residence¹². The Housing Trust Fund will carry out annual compliance monitoring and may periodically require you to provide documented proof that you are occupying your home as your principal place of residence.

If you do not continuously occupy your home as a primary residence, you must immediately repay the unpaid down payment loan Principle Amount along unpaid accrued interest due to the Housing Trust Fund. This provision lasts for the 30 years or until the loan is repaid.

E. Verification of Income

Homebuyers eligible for the Workforce Homebuyer Program must have a total household annual income that does not exceed 80% of Area Median Income (AMI) for low-income households, adjusted for household size. Homebuyers who are victims of a Santa Barbara County natural disaster may have incomes up to a maximum of 120% of AMI for moderate-income households, adjusted for household size. The combined income of all household members 18 years old or older who are living in the home must be included in the determination of total household income¹³.

Homebuyers will be required to have their income and household size verified by an HTF-approved Community Partner and will need to produce necessary documentation such as verification of employment for all household members earning an income, 3 years of Federal Income Tax Returns, recent employment paystubs or self-employment profit and loss statements, copies of bank checking and savings and other asset statements. Documentation is required for all income earned by household members 18 years or older that will be living in the home.

Please see Appendix B for information on income limits based on household size and Appendix F for the income verification requirements.

¹² Homebuyers should be aware that the First Mortgage loan conditions might not allow borders.

¹³ The income of dependents who are full-time students is excluded.

F. Homebuyer Responsibilities

As homeowner, you will make 100% of the mortgage payments and receive 100% of the mortgage interest deduction, subject to Federal and State regulations. You will also pay all property taxes and receive 100% of the tax deductions related to these payments. You are responsible for the cost of all maintenance and repairs of the home. You must also maintain and pay for property insurance during the term of the Housing Trust Fund loan.

G. Home Insurance

You must maintain your home in good condition and carry a homeowner's standard all risk property insurance policy for the home equal to its replacement value, and adjusted every five years by appraisal (if requested by the Housing Trust Fund). If your home is located in a flood zone, you must also obtain flood insurance that is acceptable to the Housing Trust Fund. The insurance and maintenance requirements are detailed in the Deed of Trust.

H. Purchase of Other Real Estate

A condition of the down payment loan is that you may not own other residential property and will not purchase or agree to purchase any other residential real property, in whole or in part, as long as the HTF loan is not repaid. This ownership provision may be modified, upon written approval of the Housing Trust Fund, if the homeowner demonstrates need or other good cause.

I. Selling or Transferring Your Home

If you choose to sell your home to a third party buyer at Fair Market Value, you must repay the Housing Trust Fund down payment loan principle balance plus accrued unpaid interest at 3% per year on the principal balance due to the Housing Trust Fund at the time of sale. When you decide to sell, transfer or refinance your home, you must notify the Housing Trust Fund. You may submit Exhibit B Form of Notice of Intent to Transfer that is at the end of the Housing Trust Fund Deed of Trust. The Notice of Intent to Transfer lists the information and documents you must provide to the Housing Trust Fund when you sell, transfer or refinance your home. The requirements for sale or transfer of your home are discussed in more detail in sections 17 through 19 of the Housing Trust Fund Deed of Trust.

J. Refinancing Your Home

You may choose to refinance your First Mortgage loan, in which case you generally must repay all sums due under the Housing Trust Fund Promissory Note. However, if you refinance your home and the principle amount of all debt secured by the home does not exceed the remaining balance of the Original First Loan Amount and HTF Loan plus the refinancing loan costs incurred by borrower and payable to third parties through the close of escrow, and no cash is taken out payable to the borrower through the refinancing, you will not be required to repay the Housing Trust Fund at that time. Certain other conditions must be met in order for approval of this refinancing option:

- The refinancing may only be provided by a licensed Institutional Lender;
- The refinanced First Lender Loan must be a fully amortized fixed rate loan, has a term for at least the period of time remaining on the Housing Trust Fund Note, is fully documented and has no balloon payments; and,
- Following such refinance, the principal amount of all debt secured by the Home does not exceed the remaining balance of the Original First Lender Loan Amount and Housing Trust Fund Loan plus the loan costs incurred by the Borrower and payable to third parties through the close of escrow, and no cash is taken out or payable to Borrower through the refinancing; and,
- The total housing cost to the Borrower after the refinance does not exceed the Borrower's ability to pay and does not create a cost burden on the Borrower beyond that which was approved when the Housing Trust Fund lien was placed.

The purpose of these requirements is to ensure the continued affordability of the home to the homeowner and to minimize the risk of loss of your home through default and foreclosure.

K. Loan Repayment and Prepayment

You must repay the down payment loan either on its Maturity Date in 30 years or upon resale, transfer or refinancing of your home. You will make no payment on the down payment loan until such time as you sell or transfer the property or refinance the First Mortgage loan, unless you violate any of the terms of the Loan Agreements (for example, not occupying the home as your primary residence or renting it to someone else). When you repay the down payment loan you will owe the Housing Trust Fund the unpaid Principal Amount plus unpaid accrued interest.

Borrowers may repay the full amount of the HTF loan at any time before it is due without any prepayment penalty. In addition, Borrower may make partial repayment of the Principal Amount at any time, so long as such partial principal prepayment is accompanied by payment of interest accrued on such principal. No prepayment charge will be imposed by the Housing Trust Fund.

If you are unable to repay your loan at the maturity date due to hardship circumstances, the Housing Trust Fund, at its sole discretion, may make a one-time amendment to the Housing Trust Fund Note and Housing Trust Fund Deed of Trust to either: a) extend the Maturity Date of your loan for up to an additional 30 years at 0% interest; or, b) convert the debt at loan maturity, that is the principal balance and any accrued interest, to an amortized loan, repayable in 15 years at 0% interest. The Housing Trust Fund, at its sole discretion, may also choose to forgive all or a portion of the unpaid accrued interest on the principal balance.

L. Violation of loan documents

If you violate any provisions in the Loan Documents, you will be considered in default. Similarly, if you default on the First Mortgage loan or any other loan on the home, you will also be considered in default of the down payment loan. If you fail to correct the violation, you will be required to repay the down payment loan principle, accrued interest and any other costs incurred to the Housing Trust Fund in enforcing the Loan Documents. The Housing Trust Fund may also obtain a court order to enforce the provisions of the Loan Documents, or may foreclose and take your home.

M. Loan Repayment Example

This example shows how to calculate the amount owed to the Housing Trust Fund if you decide to sell, transfer or refinance your home, or at the end of the loan term. When you repay the Housing Trust Fund down payment loan you will repay the unpaid Principal Amount plus unpaid accrued interest at three percent (3%) per year on the Principal Amount.

3% Simple Annual Interest Example

In this example, you purchased the home for \$500,000 using a \$100,000 down payment loan from HTF. The ratio of the HTF loan to the home purchase price was $\$100,000/\$500,000 = 20\%$. Hypothetically, you resold the home in 2028 for \$600,000.

Original purchase price of the home.....	\$500,000
Total Housing Trust Fund Loan Amount.....	\$100,000
One possible Resale Value, 2028 ¹⁴	\$600,000

Original HTF Loan Amount 2022.....	\$100,000
Multiply by .03 (3% annual simple interest).....	\$ 3,000
Multiply by 6 (6 years in this example).....	\$15,000

Therefore, the owner would repay the Housing Trust Fund the principal amount of \$100,000 plus \$15,000 in accrued interest, for a total of \$115,000. The exact amount of accrued interest due would depend on the date of repayment of your Loan.

There are several other examples of how to calculate the repayment of your down payment loan in Appendix I.

¹⁴ HTF 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 illustrate how repayment of the HTF Loan is calculated.



North County Workforce Homebuyer Program Disclosure Statement

Please sign the Disclosure Statement in the space provided below and provide the original to the First Mortgage lender who will submit your application to the Housing Trust Fund of Santa Barbara County, Inc. ("Housing Trust Fund"). Please keep a signed copy for your records.

1. I have received, read and understood the Disclosure Statement provided in the HTF North County Workforce Homebuyer Program Guidelines¹⁵. In addition, I understand the following:
2. I must live in the Home. I cannot lease or rent it unless approved by the Housing Trust Fund. This restriction is for 30 years or until the Housing Trust Fund Loan is repaid.
3. I must contact the Housing Trust Fund before any sale, transfer or refinancing of the Home and provide the Housing Trust Fund with requested documentation for sale, transfer or refinance.
4. I must repay the Housing Trust Fund Loan, including the unpaid Principal Amount together with accrued interest on the unpaid principal at an interest rate of 3% per year from the date of the Housing Trust Fund Note, when I sell the Home or transfer ownership.
5. I must repay the Housing Trust Fund Loan, including the unpaid Principal Amount together with accrued interest on the unpaid principal at an interest rate of 3% per year from the date of the Housing Trust Fund Note, if I refinance the home and the principle amount of all debt secured by the Home exceeds the remaining balance of Original First Loan Amount and balance of the HTF Loan plus the loan costs incurred by me and payable to third parties through the close of escrow, or if I violate any of the Loan Documents.

I have read and understand the above Disclosure Statement.

By: _____ Dated: _____
Signature of Borrower

Print Name of Borrower

By: _____ Dated: _____
Signature of Borrower

Print Name of Borrower

¹⁵ The First Mortgage lender can provide you a copy of the Program Guidelines. You can also obtain a copy by contacting the Housing Trust Fund at (805) 845-3585 or email: ylounsbury@sbhousingtrust.org

XIX. UNDERWRITING PROCESS AND STANDARDS

A. Overview of Underwriting Process:

Borrowers who apply for an HTF down payment loan under the North County Workforce Homebuyer Program will work with their first mortgage lender, with HTF technical assistance, to complete and submit a complete a detailed application for their loan. The key application documents required include the borrower application form with certifications and acknowledgements, a property and loan information form, executed sales agreement for the home, preliminary title report, home inspection report, household income certification forms, first mortgage loan commitment letter and a lender's financial worksheet that demonstrates the affordability of the home to the borrower. HTF has developed a detailed checklist of the required documentation, shown on page 25. Once HTF receives a completed application with accompanying documentation, the HTF Workforce Homebuyer Program Loan Administrator underwrites the loan. HTF issues a Loan Estimate with conditional loan commitment within 3 days of receiving the application and a final loan commitment within 10-12 working days or less.

We work with the first mortgage lender to jointly process our borrower down payment loans. The borrower signs an Authorization for Release of Records (ARR) that allows the first mortgage lender and HTF to share information. The ARR authorizes the Housing Trust Fund of Santa Barbara County, Inc. (HTF) to request and obtain copies of documentation containing the borrower's non-public personal financial information in the possession of the lender/broker that is processing the First Mortgage to which the North County Workforce Homebuyer Program down payment loan will be subordinate. The ARR further authorizes the lender/broker or the Community Partner that has performed income certification services for the borrower applicant to release to HTF any documents related to the borrower loan application package, including but not limited to, tax returns, any credit report, employment and income certification or verification (past or present), unemployment or disability payment history, asset verification, and any other credit information, including past and present mortgage and/or landlord references. This authorization remains in effect for 90 days from the date signed by the borrower and may be revoked by the borrower at any time by notifying HTF or the lender/broker in writing.

As part of the HTF application, the borrower also signs a Certifications and Acknowledgements form that authorizes HTF or its designee to verify any information contained in the North County Workforce Homebuyer Program borrower application package prior to approval of a down payment loan, including first-time homebuyer status, verification of employment, income, consumer credit, residency and loan and assets that are determined by, but not limited to, a review of tax returns, bank accounts, earnings statements, residence and employment history, consumer credit reports and title searches. The borrower also acknowledges that all material misrepresentations, alterations, and/or omissions from the initial HTF loan application, including but not limited to household size, income and asset information, loan details, etc., are not permissible and may render all future re-submissions ineligible for review and approval for a period of one year. The borrower also further acknowledges that any discrepancies or misrepresentations will be cause for rejection of the application and may constitute a default under the HTF's North County Workforce Homebuyer Program, even if discovered after the home purchase has been completed.

Since HTF, the first mortgage lender and Community Partners are authorized by the borrower to share information, HTF does not order a separate credit report for our borrower; rather, HTF reviews the borrower credit report that was ordered by the first mortgage lender as part of its underwriting for the down payment loan. The credit report for the borrower(s) must be current and dated within 90 days of submission of our loan application. We also ask for and review two most recent monthly statements from all borrowers for all asset accounts, including bank checking and savings account statements, investment accounts, individual retirement accounts, investment and trust accounts, etc., as part of our loan underwriting. In addition, we review the first mortgage loan Uniform Residential Loan Application Fannie Mae Form 1003 and Uniform Underwriting and Transmittal Summary, Fannie Mae Form 1008 as well as documentation of any gift funds to the borrower for the home acquisition.

We do not have a specific credit rating requirement for our borrowers; rather, we rely on the first mortgage lender underwriting and approval of the first mortgage loan. If in our review we determine that there are borrower weaknesses in the credit area, we ask for an explanation from both the borrower and the first mortgage lender and then make a determination on whether we feel the borrower is credit worthy.

B. Income Eligibility and Household Size:

All borrowers must have their household size and income certified to determine if they are an eligible low-income or moderate-income (in the case of victims of a natural disaster) household, earning no more than 80% of Area Median Income or 120% of Area Median Income, respectively. HTF contracts with public and nonprofit housing and HUD-certified counseling agencies who are experienced in income certification to carry out income certification for our borrowers. These community partners are trained in HUD income certification guidelines and standards and will complete the CalHome Gross Income Worksheet in accordance with CalHome Program requirements for each of our borrowers. Loan applicants complete a detailed loan application that requests the borrower to list the name and age of all household members as well as the combined household income. Applicants sign a Certification and Acknowledgement as part of the application that attests that the information in the application is correct. Applicants must provide necessary documentation for the household size verification and income certification process such as verification of employment for all household members earning an income, 3 years of Federal Income Tax Returns, recent employment paystubs or self-employment profit and loss statements, documentation of income from child support, alimony, pensions, SSI, SDI or SSA, copies of recent bank checking and savings and other asset statements. Documentation is required for all income earned by household members 18 years or older that will be living in the home. As part of the household size and income certification our community partners review all of the income certification documentation and calculate the household income using HUD and CalHome Program standards. They also compare the Tax Returns to the information listed on the loan application and ask about any differences. If it is suspected that the applicant might be counting extra household members, our community partners may ask for further documentation from the applicants, such as a Divorce decree which states child custody or evidence of school enrollment, etc. The community partner completes the CalHome Program Gross Income worksheet and an income certification form, which are forwarded to HTF along with all supporting documentation.

C. Loan Underwriting Standards Summary:

A summary of HTF's underwriting standards is outlined on the following pages.



Workforce Homebuyer Program Loan Underwriting Standards Summary

PLEASE REVIEW THE WORKFORCE HOMEBUYER 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), 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 HTF-approved Community Partner prior to applying for a down payment loan.

Low-to-Moderate Income Household: The combined income of all household members cannot exceed 80% of Area Median Income, adjusted for household size, for low-income households and 120% of Area Median Income for moderate-income households. *See Appendix B income limits in the Program Guidelines.*

Income Certification: The borrower(s) must have their income certified as an eligible low to moderate-income household by an HTF-approved Community Partner as part of applying for a down payment loan.

Residency Requirements: Borrower(s) must live or work in Santa Barbara County, be a U.S. citizen, a Naturalized Citizen or permanent resident alien and occupy the home as a primary residence for the loan term. Loan Co-signers or non-occupant borrowers are not allowed. There is no exception to this policy.

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: *Eligible North County areas:* City of Santa Maria, City of Lompoc, City of Buellton, City of Guadalupe, City of Solvang and the unincorporated County areas (e.g. Orcutt, Santa Ynez, Los Alamos, etc.). *Eligible South County areas:* City of Carpinteria, City of Goleta, City of Santa Barbara and the unincorporated County areas.

Eligible Housing Types: 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 or mobile homes on leased land within a mobile home park¹⁶.

Physical Condition: The home must be ready for occupancy and have no building, health and safety code violations or deficiencies or lead paint. HTF requires a Home Inspection Report.

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 Borders: Homeowner may not lease or rent the home to another party during the term of the HTF loan, except for approved good cause (*see Appendix E in Guidelines*). Homeowners may rent out a room provided all borrowers continue to reside in the home (unless prohibited by First Mortgage lender).

¹⁶ HTF in coordination with the first mortgage lender reserves the right to approve the mobile home as eligible for an HTF down payment loan, depending on the age and condition of the mobile home unit and the terms of any mobile home park lease.

III. FINANCIAL:

Maximum Sales Price: 100% of the current median single-family home sales price in Santa Barbara County¹⁷.

Down Payment Loan: Maximum 20% of the home purchase price, up to \$100,000, and based on homebuyer need. Structured as 30-year deferred payment secondary loans with accrued interest.

Homebuyer Financing Requirements: Borrowers must contribute at least 3%-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 home¹⁸.

First Mortgage Loan Requirements: 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 HTF Community Partners (see list).

Debt Ratios: Determined by the First Mortgage lender but generally with front-end housing costs no less than 22%, generally a maximum of 35% but in no case more than 38% and back-end housing and all other long-term debt no greater than 45%. HTF at its sole discretion may waive minimum and maximum debt ratios if there are compelling compensating factors or a need to achieve greater affordability.

Loan-to-Value: The HTF loan plus the first mortgage may not exceed 100% of the sales price (or appraised value if lower) plus a maximum of 5% of the sales price for actual nonrecurring closing costs.

Appraisal: HTF will rely on a full appraisal commissioned by the First Mortgage Lender. The appraisal must be prepared by an independent, state-licensed appraiser using the comparable properties approach.

Loan Repayment: Due at the end of the 30-year term or upon sale, transfer, rental, refinance of the home (certain exceptions apply), failure to occupy as a primary residence or upon default.

HTF Lien Position: The HTF down payment loan will be a second lien recorded after the performing amortized first mortgage loan. All other subordinate financing must defer principal and interest for the term of the HTF loan and will be junior to the HTF lien.

IV. USE OF DOWN PAYMENT LOAN:

Nonrecurring Closing Costs in an amount not to exceed 5% of the home purchase price:

- Credit Report
- Home appraisal
- Title and Escrow fees (for the HTF secondary loan)
- Recording and Notary Fees (for the HTF secondary loan)
- Loan Interest Rate Buy-down no greater than 1% of the first mortgage loan amount
- County Transfer Tax Fee
- HTF Wire transfer fee
- Home Inspection Report

Loan Qualification Costs:

- Homebuyer Education Training Course—The Borrower will receive a grant up to \$150 to reimburse the actual cost of the Homebuyer Education Training. The borrower may be credit at or reimbursed at escrow closing.
- Homebuyer Income Certification—credit towards homebuyer equity requirement – maximum \$350

¹⁷ As published by the California Association of Realtors at: <https://www.car.org/en/marketdata/data/countysalesactivity>

¹⁸ The down payment requirement may vary based on the requirements of the First Mortgage lender. Some lenders may allow a 3% cash contribution from the homebuyer and others may require 3% or 5%. HTF will defer to the first mortgage lender's standard in these cases. Homebuyers may use gifts from relatives and employers as a portion their own cash if satisfactory documentation is provided and the homebuyer has held these funds for at least 45 days in their own account. HTF may grant exceptions to the 45-day requirement on a case-by-case basis if gift funds are from immediate relatives. However, in all cases the homebuyer must contribute a minimum of 1% of the cash investment from their own resources rather than gifts.

V. Loan Underwriting Review Prior to Loan Closing:

HTF considers loan applications on a first-come, first-serve basis and will process all loan applications equitably until loan program funding is exhausted. In approving or rejecting an applicant secondary financing down payment loan, HTF will ensure that both Community Partners and HTF have followed proper loan origination and underwriting procedures, in accordance with HTF Program Guidelines and CalHome Program requirements. HTF will underwrite each individual borrower loan application and will thoroughly review the borrower application and all required application documents requested on the application checklist (see page 26). As part of the loan underwriting and approval process HTF verify that:

- The information in the loan application and credit documents is consistent and that any conflicts or discrepancies have been resolved and properly documented in writing;
- The appraisal was performed by an independent, state-licensed appraiser and the appraised value of the home to be purchased was established using reasonable comparables, and that the home meets local health and safety codes and is ready for occupancy;
- The home is of sufficient size that there is no overcrowding based on HUD standards and guidelines;
- The borrower has certified that they are a First-time Homebuyer under State HCD CalHome Program and HTF guidelines and that documentation certifying the borrower's completion of an HTF-approved homebuyer education training course and pre-approval of a First Mortgage loan by a participating lender has been included;
- Documentation has been included in the loan application that verifies that the borrower has been income certified as an eligible low-to-moderate income household following HUD and CalHome Program guidelines, and that income guidelines and debt ratios have been followed in underwriting the first mortgage loan that do not exceed the HTF program standards and FHA regulations;
- Accurate borrower financial statements, tax returns and credit reports are included, and that any outstanding judgments shown on the credit report have been sufficiently explained in accompanying documentation; and,
- The source of borrower minimum 3%-3.5%¹⁹ equity contribution for the purchase of the home and any gift funds have been identified and appropriated documented; and,
- The affordability of the home for the borrower has been established by a review of the HTF Form-107 Lender's Financial Worksheet and that credits are clearly accounted for and there is no unallowable cash out to the borrower²⁰.

HTF will review the first mortgage loan documents, escrow instructions, preliminary Settlement Statement and borrower vesting documents to ensure that the terms of the first mortgage loan financing are consistent with HTF affordable housing requirements and the fees and charges are usual and customary and that homebuyer vesting matches HTF loan documents. At loan closing HTF will coordinate with the First Mortgage Lender and Title Company Escrow Officer to ensure that all documents requiring signatures have been appropriately and timely executed and that any corrections have been initialed by the borrower, First Lender and HTF. HTF also reviews the Final Settlement Statement to ensure that the proposed fees and charges have been accurately prepared and are allowable by FHA.

¹⁹ Some first mortgage lenders may allow a minimum 3% equity contribution from the borrower for the purchase of the home. In these cases, HTF will defer to the first mortgage lender's requirements.

²⁰ Cash out of escrow to the borrower is limited to the amount deposited by the borrower and not needed for the HTF minimum down payment requirement. Seller credits in a reasonable amount that create cash-back to the buyer are allowed. Credits from lenders or agents that create a cash-back situation are not allowed; instead these credits will be used to reduce the HTF loan amount and not released to the homebuyer.



North County Workforce Homebuyer Program Loan Application Checklist and Required Documents

For Down Payment Loan Approval in Stacking Order: (Borrower/ Lender/Realtor to Provide):

- ☐ NCWHP Form 201-Borrower Application with signed Certifications and Acknowledgements and Authorization for Release of Records;
- ☐ NCWHP Form 202-Homebuyer Education Training certificate or letter of completion from an HTF approved Community Partner with attached Verification Form;
- ☐ NCWHP Form 203-Pre-approval letter for a First Mortgage Loan from the HTF-approved participating First Mortgage Lender, with attached Verification Form 103;
- ☐ NCWHP Form 204-Income Certification Form signed by an-HTF approved Community Partner with accompanying CalHome Gross Income Worksheet (Community Partner will provide all documentation);
- ☐ NCWHP Form 205b-Original Signature Program Disclosure Form;
- ☐ NCWHP Form 206-Property and Loan Information Sheet;
- ☐ NCWHP Form 207-Lender's Financial Worksheet;
- ☐ Documentation to prove legal residency: copy of CA Driver's License or CA Identification Card, Birth Certificate or U.S. Passport, or Green Card for all Borrowers;
- ☐ First Mortgage loan application and documentation (Uniform Residential Loan Application Fannie Mae Form 1003 and Uniform Underwriting and Transmittal Summary, Fannie Mae Form 1008) copies;
- ☐ First Mortgage Loan Estimate copy;
- ☐ Current credit report for borrower(s) dated within 90 days of submission;
- ☐ Three most recent monthly statements from all borrowers for all asset accounts, including checking and savings accounts, individual retirement accounts, investment and trust accounts, etc.;
- ☐ Documentation of any gift funds to the borrower for the home acquisition;
- ☐ Executed Purchase and Sale Agreement and all addenda;
- ☐ Appraisal of the home (no more than 120 days old);
- ☐ Standard Flood Hazard Determination Form (SFHDF);
- ☐ Home Inspection Report from a professional service; and,
- ☐ Preliminary Title Report (no more than 45 days old).

For Loan Closing (First Mortgage Lender/Title Co. to provide):

- ☐ Updated Uniform Residential Loan Application Fannie Mae Form 1003 and Uniform Underwriting and Transmittal Summary Fannie Mae Form 1008 (if changes have been made);
- ☐ Updated Credit Report for borrower (if more than 90 days old);
- ☐ Buyer(s) Settlement Disclosure;
- ☐ Escrow Wiring Instructions;
- ☐ Certified copies of First Mortgage Lender Promissory Note and Deed of Trust;
- ☐ Property Liability Insurance Certificate with HTF named as additional insured; and,
- ☐ ALTA Policy of Title Insurance issued to HTF in the amount of the loan.

Please submit this loan application with required items to your First Mortgage Lender.

HTF reserves the right to decline an applicant's loan at any time prior to the property's close of escrow if HTF or its subcontractors obtain information contradictory to that presented in the application by the borrower or lender/broker. Any application misrepresentations or falsifications may result in disqualification from this and future HTF programs.

North County Workforce Homebuyer Program Contacts:

Yvette Lounsbury, Workforce Homebuyer Loan Administrator, Housing Trust Fund of Santa Barbara County
Phone: (805) 845-3585; Email: YLounsbury@sbhousingtrust.org

Appendix A

Definition of First-Time Homebuyer

To be eligible for the Housing Trust Fund's Workforce Homebuyer Program, you must be a First-Time Homebuyer, which means you must not have owned a home as a principal place of residence within the last three (3) years prior to application for the Housing Trust Fund down payment loan. State law allows for certain exceptions to the three-year requirement, as described in the definition of a First-Time homebuyer in California Code of Regulations, Title 25 Section 7151 below:

§ 7151: Definitions:

h) "First-time Homebuyer" means an individual or individuals or an individual and his or her spouse who are in the process of buying a dwelling with the intent to occupy the home as a principal place of residence and who have not owned a home during the three-year period before the purchase of a home with Program Funds, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

(1) a displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

(2) a single parent who, while married, owned a home with his or her spouse or resided in a home owned by a spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or

(3) an individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with Program Funds, a dwelling unit whose structure is:

(A) not permanently affixed to a permanent foundation in accordance with local or state regulations; or

(B) not in compliance with state, local or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Appendix B

1. Maximum Household Income Limits

To be eligible for a Workforce Homebuyer Down Payment Loan, the applicant's total household income cannot be more than 80% of the Area Median Income (AMI) for Santa Barbara County for low-income households, adjusted for household size. Applicants who are victims of a Santa Barbara County natural disaster and whose income does not exceed 120% of AMI, adjusted for household size, are also eligible for a down payment loan. 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 (State HCD).

Applicants who apply for a loan must have their household income and size certified by an HTF Community Partner. The combined income of all household members 18 years old 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;
- Claimed as a dependent on the tax returns of the household member who will appear on the title and Housing Trust Fund loan (a spouse is not a dependent; he or she must be on the title and loan of the property); or,
- Any other family household member 18 years of age or older earning an income, except that the income of full-time students is exempted.

In 2022, the Area Median Income utilized by State HCD is \$100,100 for a family of four. Maximum household incomes eligible for the Workforce Homebuyer Program are shown below and are calculated based on the State HCD Hold Harmless Policy.²¹ The maximum income limits are revised annually when new Area Median Incomes are published by HUD.

Santa Barbara County Maximum Income Limits - 2022

FY 2022 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Low (80%) Income Limits	\$78,350	\$89,550	\$100,750	\$111,900	\$120,900	\$129,850	\$138,800	\$147,750
Moderate (120%) Income Limits	\$84,050	\$96,100	\$108,100	\$120,100	\$129,700	\$139,300	\$148,900	\$158,550

²¹ From State Department of Housing & Community Development guidelines, which were published on May 13, 2022. 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. Due to Santa Barbara County's high housing costs and HUD methodology, the loan income maximum income limits are higher than the median income limits.

2. Moderate-income Victims of Santa Barbara County Natural Disasters:

Moderate-income households earning up to 120% of Area Median Income who were victims of the 2017 and 2018 disasters in Santa Barbara County, as included in four Federal Disaster Declarations²², may be eligible to apply for an HTF down payment loan, if they meet the following eligibility criteria:

1. formerly renters physically or economically displaced by 2017 and/or 2018 disasters in order to assist them in purchasing newly constructed and existing homes and become owner-occupants in affected counties (homes must be ready for occupancy); or,
2. formerly owners of a dwelling unit whose structure is not in compliance with building codes due to 2017 and/or 2018 disasters and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

CalHome funds can be used to assist applicants who were formerly renters physically displaced due to 5% increase in rent and/or, either voluntarily terminated a tenancy within six months of the rent increase or received an unlawful detained for nonpayment of rent at any time the rent increased due to 2017-18 fire disasters. In order to assist them in purchasing newly constructed and existing homes and become owner-occupants in affected counties (homes must be ready for occupancy); or formerly owners of a dwelling unit whose structure is not in compliance with building codes due to 2017-18 disasters and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Moderate-income applicants must present proof of homeownership or tenant residency for the effected years:

1. Proof of mortgage payments (mortgage statement).
2. PG&E or SMUD Bill or Bank Statement.
3. Lease/Rent agreement, current and for the previous two years.
4. Proof of noncompliance with building codes due to the 2017-18 fires (building inspection).

PLEASE CONTACT THE HTF OFFICE TO DETERMINE IF YOU ARE AN ELIGIBLE MODERATE-INCOME VICTIM OF A SANTA BARBARA NATURAL DISASTER.

²² Federal Disaster Declaration DR-4344, Federal Disaster Declaration DR-4353, Federal Disaster Declaration DR-4382, and Federal Disaster Declaration DR-4407.

APPENDIX C

List of Eligible Jurisdictions

The Workforce Homebuyer Down Payment Program serves the County of Santa Barbara, including all cities located within the county and the unincorporated rural and suburban areas.

Therefore, to be eligible for a Workforce Homebuyer Down Payment Loan from the Housing Trust Fund, you may purchase a home located only in these cities within Santa Barbara County. Homes located in the unincorporated areas of North and South County (e.g. Los Alamos, Los Olivos, Orcutt, Carpinteria Valley, etc.) are also eligible for the program.

North County:

City of Buellton
City of Guadalupe
City of Lompoc
City of Santa Maria
City of Solvang

South County:

City of Carpinteria
City of Goleta
City of Santa Barbara

Appendix D

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 to enroll in a course.

Peoples' Self-Help Housing-- NeighborWorks®

1060 Kendall Road

San Luis Obispo, CA 93401

Web-Site: <http://ehomeamerican.org/pshhc> (You can sign up to take the course at this Web-site)

Contacts:

John Clendening, Housing Specialist

(805) 540-2446

Email: johnc@pshhc.org

Ventura County Community Development Corporation – NeighborWorks® Homeownership Center

2231 Sturgis Road, Suite A

Ventura, CA 93030

Contact: Keily Victoria, Director of Program Development & Administration

(805) 273-7800

Email: kvictoria@vccdc.org

B. Income Certification Providers:

When you apply for the Workforce Homebuyer Program loan, you must first establish that you are an eligible low-to-moderate income household based on state 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 credited towards your required 3.5% cash equity for the purchase of your home 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 Management

(805) 897-1032

Email: vloza@hacsb.org

People's Self-Help Housing Corporation

1060 Kendall Road

San Luis Obispo, CA 93401

Contact:

John Clendening, Housing Specialist

(805) 540-2446

Email: johnc@pshhc.org

C. Participating First Mortgage Lenders:

You can contact the following participating lenders be pre-approved for a First Mortgage and obtain an application for the HTF Workforce Homebuyer Down Payment Loan. Prior to contacting the First Mortgage lender it is recommended that you have completed a Homebuyer Education Training Program from an approved HTF Community Partner.

Bank of America

1102 Higuera Street, San Luis Obispo, CA 93401
Contact: Stephanie Smith AVP, Credit Solutions Advisor
NMLS #518857
(805) 316-7275
Email: stephanie3.smith@bofa.com

Cornerstone Home Lending, Inc.

1826 State Street, Santa Barbara, CA 93101
Contact: Kelly Marsh Vice President/California
NMLS #245822
(805) 563-1100
Email: kmarsh@houseloan.com

CrossCountry Mortgage, LLC

994 Mill Street, Suite 200, San Luis Obispo, CA 93401
Contact: Ben Lerner Branch Manager
NMLS395723
(805) 250-2402
Email: ben.lerner@myccmortgage.com

Envoy Mortgage

2345 South Broadway, Suite A
Santa Maria, CA 93454
Contact: Eddie San Jose
(805) 878-8822
esanjose@envoymortgage.com

Guild Mortgage Company

2236 S. Broadway Suites A & B
Santa Maria CA 93454
Contact: Cyndi Nunez Branch Manager
NMLS #255666
(805) 705-0579
Email: cnunez@guildmortgage.net

Guaranteed Rate

809 De La Vina St Santa Barbara, CA 93101

Contact: Jeff Bochsler Branch Manager/VP of Mortgage Lending

NMLS #770636

(805) 335-8753

Email: Jeff.Bochsler@rate.com

Contact: Mark Johnson VP of Mortgage Lending

NMLS #45109

(805) 456-5531

Email: mjohnson@rate.com

loanDepot

320 James Way, Suite 280 Pismo Beach, California 93449

Contact: Steve Franklin Branch Manager

NMLS# 459624

(805) 394-7160

Email: sfranklin@loandepot.com

Supreme Lending

201 S Broadway St Suite 118 Orcutt, CA 93455

Contact: Shelly Nunez Production Manager

NMLS #1187387

(559) 8536257

Email: Shelly.Nunez@supremelending.com

Appendix E

Occupancy Guidelines

- The Workforce homebuyer must occupy the purchased home as his/her primary residence within 60 days after the close of escrow.
- The homeowner must occupy their home as their principal residence throughout the term of the Housing Trust Fund loan or until the down payment loan is repaid. Occupying your home as your primary place of residence means that you must live in your home for at least ten (10) months out of each calendar year. Co-borrower non-occupants and co-signers are not allowed under the HTF North County Workforce Homebuyer Program. There are no exceptions to this policy.
- The Housing Trust Fund will perform compliance monitoring and will require documented proof of homeowner occupancy at intervals determined by the Housing Trust Fund.
- The homeowner may not lease or rent the home to another party unless pre-approved by the Housing Trust Fund. Any allowed rental may be for a maximum one-year period and will only be approved by the Housing Trust Fund in the event of the homeowner's extended hospitalization or convalescent care, temporary employment relocation, sabbatical, extended travels, other hardship circumstance or good cause.
- The homeowner may rent out a room within their home without Housing Trust Fund approval so long as all borrowers of record continue to reside in the home as their principal place of residence²³.
- If the home is not continuously occupied by the owner the loan will be in default and repayment of the Housing Trust Fund Loan will be immediately due and payable.

B. No Purchase of Other Residential Real Estate

1. A condition of the Housing Trust Fund down payment loan is that you may not own other residential property in California or the United States when you apply and will not purchase or agree to purchase any other residential real property, in whole or in part, as long as the Housing Trust Fund Loan is not repaid. There may be some exceptions to this policy, for example residential property that is inherited by the borrower subsequent to the borrower receiving the Housing Trust Fund Loan. Another example of a possible exception might be a borrower who is put on title on a home occupied by an elderly parent in another State. However, in all cases the homeowner must request written approval from the Housing Trust Fund and demonstrate need or other good cause. The Housing Trust Fund retains sole discretion for any waiver or modification of this ownership provision.

²³ Borrowers should be aware that some First Mortgage Lender may not allow the homebuyer to rent rooms.

Appendix F

Income Verification Requirements

Applicants for a Workforce Homebuyer Down Payment Loan must have their income certified by an approved Housing Trust Fund Community Partner to verify that they meet the eligibility requirement of a low-to-moderate income household²⁴. To verify household income, applicants will need to submit an Income Certification Application and receive an Income Certification and Affidavit Form completed by an HTF-approved Community Partner. Generally, the applicant must provide the following information with their application:

- Federal Income Tax Returns (signed) with W2s from the last three years as well as the two most recent paystubs for all household members over the age of 18 (within 60 days).
- Supporting documentation for all other income received including disability, alimony, child support, unemployment, social security, interest and dividend income, etc.
- Written verification of employment for all household members earning an income (within 60 days of application submission).
- An applicant who is self-employed will need to provide the last three year's income tax returns, both State and Federal, plus a profit and loss statement from an account for the last six months.
- An applicant who is both self-employed and has a job must provide documentation for both sources of income.
- Two most recent statements from all asset accounts, including checking and savings accounts, individual retirement accounts, investment and trust accounts, etc., for each household member who is at least 18 years old.

A list of Community Partners that can perform the applicant Income Certification is in Appendix D.

²⁴ **PLEASE NOTE:** Income certification is not the same as qualifying for a loan from a First Mortgage Lender. You will first need to be pre-qualified for a loan from a participating First Mortgage lender based on your income and job stability, debt to income ratios, credit scores and other criteria used by the lender. After that you must be income certified by an HTF-approved Community Partner as an eligible low-to-moderate income household for purposes of participating in the HTF program.

Appendix G

Eligible Uses of the Workforce Homebuyer Program Loan

The primary use of the Workforce Homebuyer Program Loan is to provide homebuyers with financial assistance towards the down payment needed to purchase a home. The maximum amount of the HTF loan that can be used towards the down payment is 20% of the home purchase price. Homebuyers may also apply a portion of the loan proceeds towards other eligible nonrecurring closing costs and expenses incurred in qualifying for the down payment loan. The following uses are eligible:

Nonrecurring Closing Costs:

Credit Report
Home Appraisal
Home Inspection Report
Title and Escrow fees (for HTF down payment loan)
Recording and Notary Fees (for HTF down payment loan)
County Transfer Tax Fee
HTF Wire transfer fee
Loan Interest Rate Buy-down no greater than 1% for the first mortgage loan amount
Upfront Mortgage Insurance Premium
Home Warranty

Loan Qualification Costs:

Homebuyer Education Training Course—The Borrower may receive a grant up to \$150 to reimburse the actual cost of the Homebuyer Education Training. The borrower may be credited or reimbursed at escrow closing.

Homebuyer Income Certification—credit towards homebuyer equity requirement – maximum \$350

Appendix H

Home Inspection and Habitability Requirements

A. Home Inspection Requirements

The Housing Trust Fund requires that homes eligible for secondary loans under the North County Workforce Homebuyer Program be completed, ready for occupancy and meet local building and health and safety code standards, including no deteriorated lead paint. A Home Inspection Report must be submitted by the applicant for a down payment loan as part of the application packet. The Housing Trust Fund will require the repair of health, safety, security and soundness defects and local code violations prior to funding of the down payment loan. Generally, the Housing Trust Fund does not require the repair of minor defects, deferred maintenance and normal wear as a condition of the loan. It is required that the roof have a minimum remaining life of two years.

1. Qualifications for Home Inspection:

A professional Home Inspection company must be used to perform the home inspection. The homebuyer may also use a licensed contractor, provided that the contractor can provide evidence that he/she has received specific training in home inspection that is recognized by or certified by either the California Real Estate Inspection Association (CREIA), American Society of Home Inspections (ASHI), National Association of Home Inspection (NAHI) or comparable association.

2. Home Inspection Report:

The Home Inspection Report must clearly indicate and delineate between health and safety hazard items, repair items, routine or deferred maintenance items, recommended upgrades and items that require additional review by a specialist.

3. Required Repairs:

a. Local Code Violations: The home must not have any conditions that constitute a public nuisance or code violation under local codes. Examples of property nuisances might include boarded up, partially destroyed, dilapidated or unpainted conditions on homes, broken windows, door or other openings that constitute a hazardous condition, overgrown grass or weeds in excess of one foot from the ground which are unsightly or likely to harbor rats or vermin, abandoned equipment, vehicles or pools, trash and garbage, etc. Borrowers should work with their realtor to identify any possible violations of local codes prior to executing a sales contract to purchase a home.

b. Health & Safety Hazards: Health and safety items must be repaired prior to loan closing. Examples of health and safety hazards include but are not limited to:

- Lack of carbon monoxide and smoke detectors
- Water heater does not meet local or state building codes (e.g. not seismically secured; defective or no relief valve on the water heater, etc.)
- Faulty or defective mechanical systems (electrical, plumbing or heating)
- Broken windows
- Broken or defective garage door opener
- Serious trip hazards

- Electrical outlets not grounded in kitchen counter or bathroom areas
- Damaged fire wall between the garage and living areas
- Damaged or deteriorating asbestos
- Hazardous materials on site

c. Soundness of the home: The home should not have any physical deficiencies or conditions that affect its structural integrity. Homebuyers should be careful in executing home sales contracts where the home may have serious structural problems, as required repairs may be costly unless the seller agrees to make the repairs. Examples of problems with the soundness of the home that will be of concern to the Housing Trust Fund include but are not limited to:

- Leaking or worn out roof: The Housing Trust Fund will follow the FHA standard that the roof must have a **minimum remaining life of two years**. If the roof is worn out or has major leaks, the Housing Trust Fund will require that it be repaired or replaced.
- Structural Failure: Evidence of settlement or bulging foundation
- Standing water against the foundation or excessively damp basement
- Active termite infestation, mold or dry rot.

d. Lead Paint: Homes constructed pre-1978 must be evaluated for lead paint hazards by the Home Inspector or a specialist, if recommended by the Home Inspector. The home must not have any deteriorated exterior or interior lead paint that is peeling, chipping, chalking or cracking. Deteriorated lead paint may require specialized cleaning, repairs or maintenance. Any lead paint evaluation and repair must meet the standards in HUD Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing (2012).

e. Bathrooms: The home must have at least one bathroom with a workable toilet, sink and shower or bathtub in the bathroom.

B. Overcrowding Standards

The Housing Trust Fund will not provide down payment assistance to eligible homebuyers who purchase homes that result in overcrowding. The Housing Trust Fund will use the occupancy policy of a maximum of two persons per bedroom as determined as reasonable by HUD under the Fair Housing Act²⁵. However, the Housing Trust Fund's general occupancy standard may be tempered by the size and configuration of the home and the age of any children who will occupy the home. On a case-by-case basis, HTF may allow one additional person above the two persons per bedroom standard, provided the home has adequate additional space such as a den, office or large living room²⁶. The Housing Trust Fund reserves the right to disallow a down payment loan to a homebuyer based on the Housing Trust Fund's determination that the use of its funds would result in overcrowded living conditions.

²⁵ The HUD Keating Memorandum dated March 20, 1991 supports an occupancy policy of two persons per bedroom, as a general rule, as reasonable under the Fair Housing Act.

²⁶ In regards to rental housing, the California Department of Fair Employment and Housing (DFEH) recommends two persons per bedroom plus one additional person for the overall rental unit. However, the DFEH recommendation relates to rental housing rather than homeownership housing and exceeds the HUD definitions of overcrowding and severe overcrowding, which are 1 person per room and 1.5 persons per room, respectively, excluding bathrooms and kitchens. The Housing Trust Fund has adopted official policies for its affordable housing programs that call for occupancy standards that do not exceed HUD overcrowding standards.

Appendix I

Repayment Sales Examples

Example #1: The homebuyer purchases a condominium for \$365,000, using a \$73,000 down payment loan (representing 20% of the home purchase price) from the Housing Trust Fund, plus 3.5% or \$12,775 of his/her own cash. The homeowner resells the home after seven years for \$480,000. The owner will repay the Housing Trust Fund Loan, including the Principal Amount of \$73,000 plus accrued interest at 3% per year on the unpaid Principal Amount. The owner's equity in the home has also increased by making payments of principle on the first mortgage loan.

This example shows how to calculate the amount owed to the Housing Trust Fund if you decide sell your home and repay your loan prior to the end of the loan term. When you repay the Housing Trust Fund Loan you will repay the unpaid Principal Amount plus unpaid accrued interest at three percent (3%) per year on the Principal Amount.

3% Simple Annual Interest Sales Example

In this example, you purchased the home for \$365,000 using a \$73,000 down payment loan from HTF. The ratio of the HTF loan to the home purchase price was $\$73,000/\$360,000 = 20\%$. Hypothetically, you resold the home in 2032 for \$480,000²⁷.

Original purchase price of the home.....	\$365,000
Total Housing Trust Fund Loan Amount.....	\$ 73,000
One possible Resale Value, 2032.....	\$480,000

Original HTF Loan Amount 2022.....	\$73,000
Multiply by .03 (3% annual simple interest).....	\$ 2,190
Multiply by 7 (7 years in this example).....	\$15,330

Therefore, the owner would repay the Housing Trust Fund the Principal Amount of **\$73,000** plus **\$15,330** in accrued interest, for a total of **\$88,330**. The exact amount of accrued interest due would depend on the date of repayment of your Loan.

Given the above assumptions as an example, the owner would repay the Housing Trust Fund principal loan amount of \$73,000 plus accrued interest at 3% per year. In this example, the amount owed the Housing Trust Fund when you sell the home would be \$88,330. The amount owed might be less if you had made a partial paydown of the loan Principle Amount and accrued interest.

²⁷ HTF 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 illustrate how repayment of the HTF Loan is calculated.

Repayment Refinance Example

Example #2: The homebuyer purchases a single-family home for \$550,000 using an \$100,000 down payment loan (representing 18% of the home purchase price) from the Housing Trust Fund, plus 3.5% of the home price or \$19,250 of their own cash. The homeowner lives in the home for 10 years and then decides to refinance and repay the Housing Trust Fund. The owner will repay the Housing Trust Fund Loan, including the Principle Amount of \$100,000 plus accrued interest at 3% per year on the Principle Amount. The owner's equity in the home will have increased during the 10 years by making payments of principle on the first mortgage loan.

This example shows how to calculate the amount owed to the Housing Trust Fund if you decide refinance your home and repay your loan prior to the end of the loan term. When you repay the Housing Trust Fund Loan you will repay the unpaid Principal Amount plus unpaid accrued interest at three percent (3%) per year on the Principal Amount.

3% Simple Annual Interest Refinance Example

In this example, you purchased the home for \$550,000 using a \$100,000 down payment loan from HTF. The ratio of the HTF loan to the home purchase price was $\$100,000/\$550,000 = 18\%$. Hypothetically, you resold the home in 2032 for \$825,000²⁸.

Original purchase price of the home.....	\$550,000
Total Housing Trust Fund Loan Amount.....	\$100,000
One possible Appraised Value ²⁹ , 2032.....	\$825,000

Original HTF Loan Amount 2022.....	\$100,000
Multiply by .03 (3% annual simple interest).....	\$ 3,000
Multiply by 10 (10 years in this example).....	\$ 30,000

Therefore, the owner would repay the Housing Trust Fund the Principal Amount of **\$100,000** plus **\$30,000** in accrued interest, for a total of **\$130,000**. The exact amount of accrued interest due would depend on the date of repayment of your Loan.

Given the above assumptions as an example, the Owner would repay the Housing Trust Fund principal loan amount of \$100,000 plus accrued interest at 3% per year. In this example, the amount owed the Housing Trust Fund when you refinance the home would be \$130,000. The amount owed might be less if you had made a partial payoff of the loan Principle Amount and accrued interest.

²⁸ HTF 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 illustrate how repayment of the HTF Loan is calculated.

²⁹ The new first mortgage lender will appraise your home as part of the refinance.