



Homebuyer Assistance Program Down Payment Loans

Homebuyer Orientation Packet

2018

City of Lompoc

100 Civic Center Plaza

Lompoc, CA 93436

(805) 875-8270

www.cityoflompoc.com



**The City of Lompoc has an approved list of First Mortgage Lenders where you can obtain your First Mortgage Loan and receive assistance in applying for a Homebuyer Assistance Program Down Payment loan (see Appendix D). You may use any realtor or broker you choose to locate your home; it is helpful if your realtor has attended an informational workshop and is familiar with the City's down payment loan program.*

City of Lompoc

Homebuyer Assistance Program

I. PROGRAM OVERVIEW

The Lompoc Homebuyer Assistance Program is a program of the City of Lompoc, in collaboration with community partners the Housing Trust Fund of Santa Barbara County (HTF) and Peoples' Self-Help Housing Corporation (PSSHC), to expand homeownership opportunities in the community of Lompoc. The program helps bridge the homeownership affordability gap for local residents by providing 30-year deferred payment loans up to \$50,000 per household to assist first-time low-income homebuyers in purchasing a home in the City. Funds can be used for down payment costs for households who earn up to 80% of the Area Median Income (AMI), adjusted for household size. The loans have no current interest or principal payments, accrue 3% simple interest annually and are repaid upon sale, transfer or refinancing of the home or at the end of the loan term. Qualified applicants may also be eligible for a closing cost grant up to \$3,500. Funding for the program has been provided through the City of Lompoc.

The program removes financial barriers to the dream of homeownership by lowering home acquisition and carrying costs. The program enables qualified families to purchase a home that provides a stable residence that strengthens the family, the neighborhood and the community.

II. HOMEBUYER ELIGIBILITY REQUIREMENTS

Homebuyers seeking a down payment loan must meet the following minimum criteria:

- Applicants must be residents of or work within Santa Barbara County.
- Applicants must be a First-Time Homebuyer and not have owned a principal residence within three (3) years from the date of program application, and may not own other residential property.¹ [The City does not allow co-signers on the loan.]
- Applicants must be a low-income household and have the household income certified by the program management consultant Peoples' Self-Help Housing Corporation (PSHHC).
- The homebuyer must occupy the home as the primary residence for the duration of the loan.
- The home size must be sufficient for the household so that there is no overcrowding.
- Applicants must attend and complete a PSHHC Homebuyer Education Training class.
- Applicants must secure pre-approval of a 30-year fixed rate First Mortgage loan from a participating lender and have satisfactory credit and job/income stability.
- Applicants must contribute at least 3.5% of the home purchase price and closing costs and must invest any other liquid assets in excess of \$15,000 for the purchase of the home.

III. ELIGIBILITY OF THE HOME

Homebuyers may apply for a down payment loan to purchase market-rate homes located within the City of Lompoc. Eligible homes include detached or attached single-family homes; units in Planned Developments; townhomes; condominiums²; and, mobile homes on a permanent foundation that have an individual deed to the property. Homes must be ready for occupancy and meet building, health and safety code standards, including no peeling lead paint. The City requires that the home be inspected by a professional home inspection company. Affordable below market-rate homes with resale restrictions are ineligible.

¹ Some exceptions are allowed, such as for displaced homemakers and owners of mobile homes in mobile home rental parks. The First-Time Homebuyer definition is provided in Appendix A.

² Homebuyers should be aware that First Mortgage Lenders typically require that 70% of the units in a condominium project be owner occupied in order for the unit to be eligible for a First Mortgage loan.



Homebuyer Assistance Program

Loan Underwriting Standards Summary

PLEASE REVIEW THE WORKFORCE HOMEBUYER DOWN PAYMENT PROGRAM GUIDELINES AND DISCLOSURE FOR INFORMATION ON LOAN REQUIREMENTS.

I. HOMEBUYER QUALIFYING STANDARDS

First-Time Homebuyer: The borrower may not have owned a principal place of residence within the last three (3) years prior to application for the loan (with certain exceptions such as displaced homemakers or mobile home owners in rental parks), nor have ownership in other residential properties. *Please see Appendix A of the Program Guidelines.* [The City does not allow co-signers on the loan.]

Homebuyer Education Training: The borrower must have successfully completed Homebuyer Education Training by an approved Community Partner prior to applying for a down payment loan.

Workforce Household Income: The combined income of all household members cannot exceed 80% of Area Median Income, adjusted for household size. *Please see Appendix B of the Program Guidelines.*

Income Certification: The borrower(s) must have their income certified as an eligible low-income household by an approved Community Partner prior to applying for a down payment loan. The income certification is in addition to qualifying for the first mortgage loan.

Residency Requirements: Borrowers must be U.S. citizens or permanent alien residents and occupy the home as their primary residence for the duration of the loan. The City does not allow co-signers on the loan.

Employment/Income/Credit: Applicants must secure pre-approval of a fully amortized 30-year fixed rate First Mortgage loan from a participating lender and have satisfactory credit and income stability. Generally, applicants must demonstrate 12 months continuous employment.

II. PROPERTY ELIGIBILITY

Location: Properties must be purchased within the boundaries of the City of Lompoc. Unincorporated County areas are not eligible.

Eligible Housing Types: Market-rate detached or attached single-family homes; units in Planned Developments; townhomes; condominiums; and, mobile homes that are on a permanent foundation and have an individual deed to the property. Affordable below market-rate homes with resale restrictions are ineligible for the program.

Physical Condition: The home must be ready for occupancy and have no building, health and safety code violations or deficiencies or lead paint. The City requires that the home be inspected by a professional home inspection service.

Occupancy Requirements: The borrower and co-borrower must establish residency within 60 days of loan closing and occupy the home as a primary place of residence for a minimum of 10 months each year for the duration of the loan.

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

III. FINANCIAL

Down Payment Loan: Maximum 16.5% of the home purchase price, up to \$50,000, and based on homebuyer need. Average loans are anticipated to be in the \$35-40,000 range. Loans will be structured as 30-year deferred payment secondary loans with simple interest that accrues at 3% per annum.

Assistance CAP: There is a maximum equity Cap of 35%, including the homebuyer equity, City loan and other financing. The City loan will be reduced accordingly if the Cap is exceeded. [See Program Guidelines]

Homebuyer Financing Requirements: Borrowers must contribute at least 3.5% of the home purchase price and invest other liquid assets in excess of \$15,000 for the purchase of the home³.

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 Community Partners (*see list*).

Debt Ratios: Generally determined by the First Mortgage lender but with front-end housing costs no less than 22% and no more than 38% and back-end housing and all other long-term debt no greater than 45%. The City retains its right to disapprove a loan if it finds the debt ratios unaffordable for the homebuyer. The City at its sole discretion may approve exceptions to the ratio guidelines.

Loan-to-Value: The down payment loan plus the First Mortgage may not exceed 100% of the appraised value of the home. In certain cases (e.g., other deferred subordinate debt), the combined loan-to-value ratio may exceed 100%, provided the down payment loan and senior debt do not exceed the home's appraised value.

Appraisal: The City will rely on a full appraisal commissioned by the First Mortgage Lender. The appraisal must support the home purchase price. If the purchase price exceeds the appraised value, the City at its sole discretion may approve exceptions up to 105% of the appraisal guideline, provided that the combined first mortgage and City loan do not exceed 100% of the appraised home value, the homebuyer contributes the additional cash and the carrying costs of the home are affordable to the homebuyer.

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

IV. USE OF DOWN PAYMENT LOAN

Nonrecurring Closing Costs:

- Credit Report –credit for the borrower cost
- Home appraisal –credit for the borrower cost
- Loan origination fee
- Title, Escrow, Recording and Notary Fees
- Loan Interest Rate Buy-down up to a maximum of one-half point (.5%)
- Home Inspection Report and Home Warranty –credit for the borrower cost

Recurring Costs and Impounds:

- Property Tax Impound – maximum six months
- Prepaid Homeowner's Association fee
- Prepaid home insurance

Credit for Loan Qualification Costs:

- Homebuyer Education Course reimbursement – maximum of \$200
- Homebuyer Income Certification reimbursement – maximum of \$300

³ Some First Mortgage lenders may require a 5% down payment from the homebuyer. Homebuyers may use gifts from relatives, friends 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. The City at its sole discretion may waive the 45-day account seasoning requirement for gifts from immediate relatives, provided documentation is provided. However, in all cases the homebuyer must contribute a minimum of 1% of the cash investment from their own resources rather than gifts.

Maximum Household Income Limits

To be eligible for a Homebuyer Assistance Program Down Payment Loan, the applicant’s total household income must be classified as low-income and cannot exceed 80% of the Area Median Income (AMI) for Santa Barbara County households, adjusted for household size. The AMI is published annually by the U.S. Department of Housing and Urban Development and adopted by the California Department of Housing and Community Development.

The combined income of all household members 18 years 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 City of Lompoc loan (a spouse is not a dependent; he or she must be on the title and loan of the property); or
- Any other household member 18 years of age or older earning an income.

In April 2018, the Area Median Income utilized by HUD was \$79,600. Maximum household incomes based on household size that are eligible for the Homebuyer Assistance Program are shown below and are calculated based on the HUD figures.⁴

2018 Maximum Income Limits* Santa Barbara County

FY 2017 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Low (80%) Income Limits	\$56,250	\$64,250	\$72,300	\$80,300	\$86,750	\$93,150	\$99,600	\$106,000

⁴ These income levels are based on annual published HUD median income statistics and reflect HUD methodology in calculating the incomes.

City of Lompoc Homebuyer Assistance Program

Loan Repayment Examples

Example #1: The homebuyer purchases a two-bedroom condominium for \$200,000, using a \$33,000 down payment loan from the City of Lompoc, plus 3.5% or \$7,000 of his/her own cash⁵. The homeowner resells the home after seven years for \$270,000. The owner will repay the City of Lompoc the principal loan amount of \$33,000 plus 3% annual interest on the loan. The owner is responsible for paying for the transaction costs of the resale of the home (realtor fees, etc.) The owner's equity in the home has also increased by making payments of principal on the first mortgage loan.

Calculation of Loan Repayment at 3% Simple Annual Interest

Original Purchase Price of the Home.....\$200,000
 Total City Down Payment Loan.....\$ 33,000
 City Down Payment Percentage = \$33,000/\$200,000 = **16.5%**

*Possible Gross Resale Value, 2025⁶.....\$270,000
 Original Purchase Price.....\$200,000
 Original Down Payment Loan Amount 2018.....\$33,000
 Multiply by .03 (3% simple interest).....\$ 990
 Multiply by 7 (accrued interest if home sold after seven year).....\$6,930
 Amount due the City = \$33,000 in loan principal plus \$6,930 in accrued annual interest

Given the above assumptions as an example, the Owner would repay the City principal loan amount of \$33,000 plus \$6,930 in accrued interest, for a total of \$39,930.

Example #2: The homebuyer purchases a single-family home for \$303,000 using a \$50,000 down payment loan from the City of Lompoc, plus 5% of the home price or \$15,000 of their own cash⁷. The homeowner lives in the home for 30 years. At the end of the loan term, the owner will repay the City the principal loan amount of \$50,000 plus 3% annual interest on the loan. The owner's equity in the home has also increased during the 30 years by making payments of principal on the first mortgage loan.

Calculation of Loan Repayment at 3% Simple Annual Interest

Original Purchase Price of the Home.....\$303,000
 Total City Down Payment Loan.....\$ 50,000
 City Down Payment Percentage = \$50,000/\$303,000 = **16.5%**

⁵ There will also be closing cost expenses (such as realtor fees) for the original homebuyer in selling the home.

⁶ *The City offers no assurance or guarantee whatsoever that the Home will increase in value to any extent, or that it will not decrease in value. This example solely demonstrates how to calculate the down payment loan repayment.

⁷ There will also be closing costs (such as realtor fees) for the original homebuyer selling the home.

*Possible Gross Value, 2048⁸.....\$600,000
 Original Purchase Price.....\$303,000
 Original Down Payment Loan Amount 2017.....\$50,000
 Multiply by .03 (3% simple annual interest).....\$1,500
 Multiply by 30 (accrued interest if loan repaid at end of 30-year term).....\$45,000
 Amount due the City = \$50,000 in loan principal plus \$45,000 in accrued annual interest

Given the above assumptions as an example, the Owner would repay the City principal loan amount of \$50,000 plus \$45,000 in accrued interest, for a total of \$95,000.

⁸ *The City offers no assurance or guarantee whatsoever that the Home will increase in value to any extent, or that it will not decrease in value. This example solely demonstrates how to calculate the down payment loan repayment.

**City of Lompoc Homebuyer Assistance Program (LHAP)
Sample Financial Worksheet**

Date:

Borrower Name: John Doe

Co-Borrower Name: Jane Doe

3-bedroom single family home

ACQUISITION COSTS:

Home Purchase Price: \$240,000.00

Alterations, Repairs, Improvements

Estimated Prepaid Items:

Property Tax impound: 4 mos \$900.00

Homeowner's Insurance \$750.00

Prepaid HOA

Prepaid mortgage interest

Other (explain): Flood insurance premium \$350.00

Total Recurring Costs \$2,000.00

Estimated Closing Costs:

Credit Report \$25.00

Appraisal \$495.00

Loan Origination/Processing Fees \$1,200.00

Title Services and Lender's Title Insurance \$1,260.00

Owner's Title insurance \$985.00

Recording fees and Transfer taxes \$355.00

Home Warranty

Loan Interest Rate Buy-down

Mortgage Insurance Premium

Other (explain): City wire transfer fee \$30.00

Other

Total Non-recurring costs \$4,350.00

Total Acquisition Costs \$246,350.00

EQUITY/DOWNPAYMENT

Borrower earnest deposit \$900.00

Borrower cash \$6,950.00

% Borrower Equity 3.27%

(Minimum 3.5% or 1% w/documentated gifts) \$-

Other borrower: Documented family gift \$1,200.00

Borrower's closing costs paid by seller \$2,200.00

City of Lompoc Closing Cost Grant \$3,500.00

City of Lompoc Down Payment Loan (Maximum \$39,600.00

16.5% of home acquisition price, up to \$50,000)

Other Financial Assistance/Credits: \$-

Describe:

Total Equity/Downpayment \$54,350.00

FIRST MORTGAGE LOAN

Loan amount (exclude PMI, MIP, financed fees) \$192,000.00

PMI, MIP, Funding Fee financed

Total Loan Amount \$192,000.00

BALANCE (should equal zero) \$ -0-

AFFORDABILITY TEST - Monthly

Mortgage Payment \$944.52

Property Taxes \$225.00

Insurance \$62.50

HOA (if any)

Monthly PMI (if any) \$ -0-

Total Housing Costs \$1,232.02

Household Mo. Income \$3,833.00

Annual Income \$45,996.00

% for housing costs 32%

% housing & all debt*

(*Lender to calculate)

LOAN INFORMATION:

Mortgage Amount \$192,000

Interest Rate 4.25%

Term 30 years

Loan-to-Value Ratio 96.5%

(1st & Second loans)

SECONDARY LOAN CAP TEST

Assistance Ratio*	Max. Ratio
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22.6%	35%
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\$54,350.00	\$84,000.00
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(*Total City loan, homebuyer equity and all other assistance).

Down Payment Loan Percentage

Acquisition Price: 16.50%

Notes:

* If homebuyer equity, secondary loan and grant assistance exceeds 35% of the home purchase price, the City loan will be reduced until total equity and assistance is 35% or lower.

LHAP Form 110

Community Partners

A. Homebuyer Education and Income Certification Provider

Prior to applying for a loan, you must successfully complete a Homebuyer Education Training course and receive a certificate of completion. You may contact Peoples' Self-Help Housing to enroll in either an online or regular course. You must also establish that you are an eligible low-income household based on Area Median Income standards through verification of your household income. There is a fee for the Homebuyer Education Training Course and Income Certification. You may receive a credit towards your minimum down payment requirement for the costs of these fees.

The following agency is approved by the City of Lompoc to provide both Homebuyer Education Training and Income Certification.

Peoples' Self-Help Housing

3533 Empleo Street

San Luis Obispo, CA 93401

Contact: John Clendening

(805) 540-2446

Email: johnc@pshhc.org

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

C. Participating First Mortgage Lenders

You may contact the following participating lenders by phone or email to arrange an appointment to be pre-approved for a First Mortgage and obtain an application for the City of Lompoc Homebuyer Assistance Program Down Payment Loan.

Bank of America

200 W Branch Street, Arroyo Grande, CA 93420

215 N H Street, Lompoc, CA 93436

Brent Lewis (805) 219-9213 (office)

brent.lewis@bankofamerica.com

Cornerstone

1826 State Street, Santa Barbara CA 93101

Kelly Marsh (805) 563-1100

kmarsh@houseloan.com

Guild Mortgage

2236 S. Broadway, Suite B, Santa Maria, CA 93454

Contacts:

Shelly Nunez (805) 361-0355, ext. 21

snunez@guildmortgage.net

Wesley Aguirre (805) 361-0355, ext. 11

waguirre@guildmortgage.net

King's Mortgage Services, Inc.

136 W. Branch Street, Arroyo Grande, CA 93420

Contact: Teresa Coelho Halvorson (805) 904-6991 (office) (805) 710-2705 (cell)

tcoelho@kingmortgage.com

Rabobank

Mortgage Banking Services

1554 S. Broadway, Santa Maria, CA 93454

Contacts:

Didi Reynoso

(805) 614-5307; internal 55307 (office); (805) 689-0038 (cell)

Diane.Reynoso@rabobank.com

Edna Young

(805) 614-5355 (office); (805) 315-5075 (cell)

edna.young@rabobank.com

Wells Fargo Home Mortgage

575 Price Street, Pismo Beach, CA 93449

Contacts:

Sergio Montesinos NMLSR ID 453301

(805) 349-7978 (office) (805) 904-7073 (cell)

Sergio.Montesinos@wellsfargo.com

Carla Blandon NMLSR ID 419108

(805) 215-3194 (office)

carla.blandon@wellsfargo.com

Ventura County Community Development Corporation

2231 Sturgis Road, Suite A, Oxnard, CA 93003

(805) 273-7804 (office); (805) 896-1296 (cell)

avega@vccdc.org

D. Title Companies and Escrow Officers

Fidelity National Title

511 North H Street, Suite D, Lompoc, CA

Cheryl Tolan (805) 735-6481 (office) (805) 478-9018 (cell)

Cheryl.Tolan@fnf.com

First American Title Company

100 South H Street, Lompoc, CA 93436

Allison Campitelli (805) 737-3737

acampitelli@firstam.com