



Homebuyer Assistance Program
Down Payment Loans
Program Guide and Disclosure

2018

City of Lompoc

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Lompoc, CA 93436

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**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 Guide

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City of Lompoc

Workforce Homebuyer Down Payment Loan 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, 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 applicant's 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 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 down payment loan assistance to purchase market-rate homes located within the City of Lompoc that meet the criteria outlined below. Affordable below

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.

market-rate homes with resale restrictions or homes that require substantial rehabilitation are ineligible for the program.

A. Location of the Home: The home must be located within the City of Lompoc.

B. Type of Home:

- **Allowed Types:** Detached or attached single-family homes; units in Planned Unit Developments; townhomes; condominiums² and mobile homes that are on a permanent foundation and have an individual deed to the property.
- **Ineligible Home Types:** Vacation homes, investment properties, multi-family buildings, second units, duplexes, 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 and health and safety code standards, including no peeling lead paint. The City requires that the home be inspected by a professional home inspection service.

IV. HOUSEHOLD INCOME TARGETING

Applicants for homebuyer down payment assistance must have combined household incomes that do not exceed 80% of Area Median Income, adjusted for household size.

Area Median Income is determined annually by the U.S. Department of Housing and Urban Development. Santa Barbara County Area Median Income is currently \$79,600³ for a family of four and is adjusted for household size. However, an eligible family of four could earn a maximum of **\$80,300** annually. *Homebuyer income limits by household size are shown in Appendix B.*

V. DOWN PAYMENT LOANS

A. Type of Loan

The down payment loans offered under this program are subordinate financing, secured by a second position on the home. The loans are deferred “soft seconds,” with no current interest or principal payments. Instead, the interest will accrue at 3% simple interest annually and is due, along with the loan principal, at the end of the loan term or upon sale, transfer or refinancing of the home. 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. 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 Loan Limits and Assistance Levels

The maximum down payment loan amount under this program will be \$50,000. The amount of the individual homebuyer loan will be based on the home purchase price, homebuyer income and need.

² Homebuyers should be aware that First Mortgage Lenders may have varying requirements that 50-70% of the units in a condominium project be owner occupied in order for the unit to be eligible for a First Mortgage loan.

³ The Lompoc Homebuyer Assistance Program will use HUD published annual maximum incomes, using HUD methodology. The 2018 median family income is \$79,600; however, the maximum income limits for a family of four is \$80,300.

The down payment loan may not be for more than the homebuyer needs to purchase the home with affordable monthly payments. The City of Lompoc may from time to time adjust the maximum loan amount, based on program experience.

The maximum portion of the City of Lompoc secondary loan that can be used toward the down payment is 16.5% of the home purchase price, up to a limit of \$50,000. Homebuyers may also choose to apply a portion of the loan proceeds towards other eligible nonrecurring and recurring closing costs and expenses incurred in qualifying for the down payment loan, as long as the homebuyer contributes a minimum of 3.5% of the home purchase price. [*Some lending partners may require a 5% down payment.*] The City and its program consultants, in coordination with the First Mortgage Lender, will calculate the amount of the down payment loan needed to assist the buyer in purchasing an individual home.

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 City of Lompoc loan for their individual home purchase. If the combined down payment, including the homebuyer portion, City of Lompoc loan and other assistance, exceeds 35% of the home purchase price, the amount of the City of Lompoc down payment loan will be reduced accordingly, so that the 35% maximum assistance level will not be exceeded. The purpose of this policy is to use the Lompoc Homebuyer Assistance Program (LHAP) Down Payment Loan funds to assist homebuyers who truly have a financial need and to deploy the funds to assist as many homebuyers as possible.

C. Uses of the Loan: The primary purpose of the City of Lompoc 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, for an interest rate buy-down on the first mortgage loan and for certain other costs associated with acquisition of the home.

Eligible uses of the LHAP Down Payment Loan are listed in Appendix G.

VI. CLOSING COST GRANTS

Homebuyers who purchase a home within the City of Lompoc with a down payment loan from the Homebuyer Assistance Program may be eligible for a closing cost grant of up to **\$3,500** per household 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. The City in its sole discretion will determine the amount of the closing cost grant available to eligible homebuyers.

VII. HOMEBUYER FINANCING REQUIREMENTS

Borrower Match: Homebuyers must qualify for a fully amortized **30-year fixed rate** first mortgage from a Homebuyer Assistance Program approved lender and provide a cash investment of **at least 3.5%** of the purchase price of the home. 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, friends and employers as a portion of their 3.5% cash requirement if satisfactory documentation is provided and the homebuyers have held these funds for at least 45 days in their own account. The City 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 homebuyers 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 do not qualify as the homebuyers' own funds. Homebuyers may also receive grants or contributions from other homebuyer assistance programs (such as WISH or Neighborhood Housing Services sources) toward a larger down payment amount and closing costs, as long as the homebuyer provides the minimum 3.5% cash portion.

VIII. HOMEBUYER EDUCATION

Applicants seeking a Homebuyer Assistance Program Down Payment Loan must attend a Homebuyer Education Training course provided by Peoples' Self-Help Housing Corporation (PSHHC) prior to applying for the City of Lompoc down payment loan or making an offer on a home. The homebuyer education training provides 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 of 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 the PSHHC Homebuyer Education Training course.

Contact information for the PSHHC homebuyer training is included in Appendix D.

IX. OWNER OCCUPANCY

- Homebuyers who receive a Homebuyer Assistance Program Down Payment Loan must occupy their home as their principal residence until the down payment loan is repaid. The City of Lompoc may 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. The City does not allow co-signers on the applicant's loan.

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 down payment loan carries 3% interest. However, there are no current interest payments; instead, the interest accrues annually. The interest is due, along with the loan principal amount, at the end of the loan term or upon sale, transfer or refinancing of the home.

Examples that demonstrate how the interest works are included in Appendix I.

D. Appraisal and Loan to Value Ratio: The down payment loan plus the First Mortgage may not exceed 100% of the appraised value of the home. However, in certain cases (such as when

the home may have other approved deferred subordinate debt), the combined loan-to-value ratio may exceed 100%, provided the City of Lompoc down payment loan and senior debt do not exceed 100% of the home's appraised value.

The City will rely on a full appraisal commissioned by the First Mortgage Lender and 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. The City of Lompoc reserves the right to approve or reject any proposed home financing where the combined homebuyer cash and loan to value ratio exceeds 100%.

E. Collateral: The down payment loan will be secured by a second trust deed on the property.

F. 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 fees and other loan closing costs. The cost of such fees may be included in the down payment loan amount. 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. The First Mortgage lender will provide a Good Faith Estimate of the loan costs 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. Homebuyers may prepay all or a portion of the down payment loan at any time without incurring any prepayment penalties. 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.

XII. LOAN BENEFITS

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

XIII. REGULATORY REQUIREMENTS

A condition of the City of Lompoc program funding is to help provide long-term affordable homeownership opportunities for local residents. This will be accomplished through recording a secondary lien on the home. Homebuyers receiving a down payment loan under this program must agree to meet the loan conditions and homeowner requirements outlined in the Deed of Trust that

will be recorded against their title to ensure that the home remains owner occupied and that the City of Lompoc receives its loan principal and accrued interest at the end of the loan term or upon sale, transfer or refinancing of the home.

XIV. FIRST MORTGAGE FINANCING

Homebuyers must obtain a First Mortgage Loan only from a lender that has been specifically approved to participate in the City of Lompoc's Homebuyer Assistance Program. The First Mortgage Loan from an approved participating lender must meet the following standards:

- Term of at least 30 years;
- Fixed interest rate at market or below market rate (no subprime loans will be accepted);
- Fully amortized loan with monthly payments; no negative amortization or balloon payments;
- Establishment of an impound account for property taxes and insurance; and
- No prepayment penalty.

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. The City, at its sole discretion, and on a case-by-case basis may grant a waiver to lower the minimum upfront ratio to no less than 20%, based on the homebuyer need for additional affordability. Maximum payment ratios will be determined in coordination with the participating First Mortgage Lender but generally should not exceed 38% of income for all front-end housing costs (principal, interest, property taxes, insurance, HOA fees and other assessments) and 45% maximum for all back-end debt, which includes housing costs plus other long-term debt or monthly obligations.

The City's program management consultants will coordinate with community lending partners to establish mortgage and household 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

The City and its program consultants will collaborate with Community Lending Partners to obtain pre-approval of the Homebuyer Assistance 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 participating lenders may offer discounts on First Mortgage loan processing and closing costs and access to additional matching down payment loan funds or grants for qualified low to upper moderate-income applicants.

A list of participating Community Lending Partners providing First Mortgage Loans under the City of Lompoc's Homebuyer Assistance Program 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 Homebuyer Assistance Program Down Payment Loan, you must first complete a Homebuyer Education Training course provided by Peoples' Self-Help Housing Corporation and obtain a certificate of successful completion.

Step 2: First Mortgage Loan Pre-Approval. You must then be pre-approved for a First Mortgage Loan from a Homebuyer Assistance Program 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 Down Payment Loan from the City of Lompoc.

Step 3: Income Certification. To apply for a Homebuyer Assistance Program Down Payment Loan, you must have your household income certified to verify that you are an eligible low-income household. Peoples' Self-Help Housing Corporation will perform your income certification. PSHHC will charge a fee for the income certification. This fee is an eligible expense that can be counted as part of your homebuyer equity contribution towards the purchase of your home. *To contact PSHHC, please see the list of Community Partners 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 both your first mortgage and City of Lompoc down payment loans.

Step 5: Submit Your Down Payment Loan Application. You will obtain the Homebuyer Assistance Program Down Payment 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 City's program consultants for processing.

Step 6: Down Payment Loan Commitment. The City's consultants will review your completed loan application packet and make a recommendation on the funding of your loan within 10 to 12 days to the City of Lompoc. If you qualify, the City will issue you a loan commitment for the down payment loan.

Step 7: Escrow and Loan Closing: The City and its program consultants will prepare your down payment loan documents, which will include a Promissory Note, Deed of Trust and Truth-in-Lending Disclosure Statement, for your review and signature. The City will then coordinate with the First Mortgage Lender, Title Company and its program consultants 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 and 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 Homebuyer Assistance Program Down Payment Loan is offered by the City of Lompoc with funding provided by the City of Lompoc and program management provided by Peoples' Self-help Housing Corporation (PSHH) and the Housing Trust Fund of Santa Barbara County (HTF).

Please make inquiries to and obtain an application from an HTF-approved Community Partner:

Bank of America
Cornerstone Home Lending
Guild Mortgage
Kings' Mortgage Services
Rabobank
Wells Fargo Home Mortgage
Ventura County Community Development Corporation (VCCDC)

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

For general information about the program, you may contact City of Lompoc at:

City of Lompoc
100 Civic Center Plaza
Lompoc, CA 93436
Contact: Chanel Toledo
(805) 875-8041
Email: c_toledo@ci.lompoc.ca.us
Website: www.cityoflompoc.com



The Homebuyer Assistance Program complies with Fair Housing and Equal Housing Opportunity Laws.

XVIII. DISCLOSURE STATEMENT

A. Explanation of Loan Documents and Requirements

The Workforce Homebuyer Assistance Program is supported with funding provided by the City of Lompoc. The program management consultants, the Housing Trust Fund of Santa Barbara County and Peoples' Self-Help Housing, have prepared the following loan documents on behalf of the City of Lompoc to meet the requirements of the HAP including:

- Loan Estimate;

- City Promissory Note;
- City Deed of Trust; and
- City of Lompoc’s Disclosure Statement.

This Disclosure Statement explains the major provisions of the City of Lompoc Promissory Note and 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. First-Time Homebuyer Requirement

To be eligible for a Homebuyer Assistance Program down payment 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, and may not own other residential property. 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.
- (4) An individual who owned a mobile home as a principal residence in a mobile home rental park where they did not own the land, provided that the home has been sold prior to receiving the down payment loan.

A full definition of a First-Time Homebuyer is contained in Appendix A.

C. 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 City of Lompoc. You may not lease or rent your home to another party except that, with the prior written approval of the City of Lompoc, 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 City of Lompoc approval so long as you continue to reside in your home as your primary residence.⁴ The City of Lompoc will carry out compliance monitoring and may periodically require you to provide documented proof that you are occupying your home as your principal place of residence.

⁴ Homebuyers should be aware that some First Mortgage loan conditions may not allow renters.

If you do not continuously occupy your home as a primary residence, you must immediately repay the down payment loan principal amount along with any accrued interest due to the City of Lompoc. This provision lasts for 30 years or until the loan is repaid.

D. Verification of Income

Homebuyers eligible for the Homebuyer Assistance Program down payment loan must have a total household annual income that does not exceed 80% of Area Median Income for low-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 income.

Homebuyers will be required to have their income verified by a City-approved Community Partner and will need to produce necessary documentation such as verification of employment for all household members earning an income, Federal Income Tax Returns, recent employment paystubs or self-employment profit and loss statements. Documentation is required for all income earned by household members 18 years or older who 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.

E. 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 City loan.

F. 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 City of Lompoc). If your home is located in a flood zone, you must also obtain flood insurance that is acceptable to the City of Lompoc. The insurance policies must name the City of Lompoc as an additional insured. The insurance and maintenance requirements are detailed in the Deed of Trust.

G. 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 City of Lompoc loan is not repaid. This ownership provision may be modified, upon written approval of the City of Lompoc, if the homeowner demonstrates need or other good cause.

H. 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 City of Lompoc down payment loan principal amount plus accrued interest due to the City of Lompoc at the time of sale. When you decide to sell or transfer or refinance your home, you must notify the City of Lompoc by submitting the Form of Notice of Intent to Transfer that is attached to Exhibit A in the Deed of Trust. The Notice of Intent to Transfer lists the information and documents you must provide to the City of Lompoc when you sell, transfer or refinance your home.

The requirements for sale or transfer of your home are discussed in more detail in sections 15 through 18 of the Deed of Trust.

I. Refinancing Your Home

You may choose to refinance your First Mortgage loan, in which case you must repay all sums due under the City's Promissory Note.

The purpose of this requirement is to that public funds are recycled to assist future first-time, low-income homebuyers in purchasing an entry-level home.

J. 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 principal or interest payments 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 City of Lompoc the principal amount plus accrued annual interest on the loan.

Borrowers may repay the full amount of the City of Lompoc loan at any time before it is due without any prepayment penalty. Borrowers may also make a partial repayment of principal and interest at any time.

K. Violation of Loan Document Requirements

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, accrued interest and any other costs incurred to the City of Lompoc in enforcing the Loan Documents. The City of Lompoc may also obtain a court order to enforce the provisions of the Loan Documents, or may foreclose and take your home.

L. Loan Repayment Examples

These examples show how to calculate the amount owed to the City of Lompoc if you decide to sell, transfer or refinance your home, or at the end of the loan term. When you repay the City of Lompoc down payment loan, you will repay the principal amount plus three percent (3%) simple interest per year that accrues on the loan. The first example assumes that you repay the City of

Lompoc down payment loan at the end of seven (7) years. The second example assumes you repay the City of Lompoc at the end of 30 years, when the loan is due and payable.

3% Simple Interest Down Payment Loan Repayment Example

Original Down Payment Loan Amount 2018.....\$50,000
Multiply by .03 (3% simple interest annually).....\$ 1,500
Multiply by 7 (seven years interest in this example).....\$10,500
Repayment of City loan in 7 years: \$50,000 + \$10,500.....\$60,500

Original Down Payment Loan Amount 2018.....\$50,000
Multiply by .03 (3% simple interest annually).....\$ 1,500
Multiply by 30 (thirty years interest in this example).....\$45,000
Repayment of City loan in 30 years: \$50,000 + \$45,000.....\$95,000

There are several other examples of how to calculate the amount you will owe the City of Lompoc when you repay your down payment loan in Appendix H.

City of Lompoc
Workforce Homebuyer Down Payment Loan 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 City of Lompoc’s Program Manager, the Housing Trust Fund. Please keep a signed copy for your records.

1. I have received, read and understood the above Disclosure Statement. In addition, I understand the following:
 - A. I must live in the home. I cannot lease or rent it unless approved by the City of Lompoc. This restriction is for 30 years or until the City of Lompoc loan is repaid.
 - B. I must contact the City of Lompoc before any sale, transfer or refinancing of the home.
 - C. I must repay the Homebuyer Assistance Program Down Payment Loan plus accrued interest at the rate of 3% simple annual interest on the principal amount when I sell the home or transfer ownership or refinance the home, or if I violate any of the provisions 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

Appendix A

Definition of First-Time Homebuyer

To be eligible for the City of Lompoc's Homebuyer Assistance Program, you must be a First-Time Homebuyer, which means you must not have owned a principal place of residence within the last three (3) years prior to application for the City of Lompoc 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. In addition, the City of Lompoc also allows persons who have previously owned a mobile home in a mobile home park where they did not own the land to be included as First-Time Homebuyers, provided the home has been sold prior to obtaining a down payment loan.

§ 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 (2) years, worked on a full-time basis as a member of the labor force for a consecutive 12-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.

Previous Mobile Home Owner Exception: An individual(s) who previously owned a mobile home as a principal residence in a mobile home rental park where they did not own the land may not be excluded from consideration as a First-Time Homebuyer, provided that the home has been sold prior to receiving a down payment loan.

Appendix B

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 Family Income published by HUD was \$79,600. Maximum household incomes based on household size that are eligible for the Homebuyer Assistance Program Down Payment Program are shown below and are calculated based on HUD methodology.⁵

2018 Maximum Income Limits Santa Barbara County

FY 2018 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

⁵ These income levels are based on annual published HUD median income statistics and reflect the HUD methodology.

APPENDIX C

Eligible Area for Home Purchase

The Homebuyer Assistance Program serves the City of Lompoc. Applicants must purchase a home located within the boundaries of the City of Lompoc.

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 agency is approved by the City of Lompoc to provide Homebuyer Education Training. You may contact this agency to enroll in either an online or regular course.

Peoples' Self-Help Housing

3533 Empleo Street

San Luis Obispo, CA 93401

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

Contact: John Clendening

(805) 540-2446

Email: johnc@pshhc.org

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

B. Income Certification Providers

When you apply for the Workforce Homebuyer Down Payment Loan, you must first establish that you are an eligible low to upper moderate-income household based on Area Median Income standards through verification that your household income. You may have your income certified for a fee by these community partners. The cost of the household income certification may be included in your down payment loan or closing cost grant if your loan is approved.

Peoples' Self-Help Housing

3533 Empleo Street

San Luis Obispo, CA 93401

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

Contact: John Clendening

(805) 540-2446

Email: johnc@pshhc.org

C. Participating First Mortgage Lenders

You may contact the following participating lenders by phone or email to arrange an appointment to be pre-approved for a First Mortgage and obtain an application for the 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

Brent.lewis@bankofamerica.com

Cornerstone Home Lending

1826 State Street Santa Barbara, CA 93101
Kelly Marsh (805) 563-1100
kmarsh@houseloan.com

Guild Mortgage Company

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@kingsmortgage.com

Rabobank

1554 S. Broadway, Santa Maria, CA 93454
Contacts:
Edna Young (805) 614-5355 (office) (805) 315-5075 (cell)
edna.young@rabobank.com
Didi Reynoso (805) 614-5307, ext. 55307 (office) (805) 689-0038 (cell)
Diane.Reynoso@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
carla.blandon@wellsfargo.com

Ventura County Community Development Corp.
2231 Sturgis Road, Suite A, Oxnard, CA 93003
Alex Vega (805) 273-7804
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

Appendix E

Occupancy Guidelines

- The homebuyer must occupy the purchased home as his/her primary residence within 60 days after the close of escrow.
- The homeowner must occupy the home as his/her principal residence throughout the term of the City of Lompoc loan or until the down payment loan is repaid.⁶
- The City of Lompoc will perform compliance monitoring and will require documented proof of homeowner occupancy at intervals determined by the City of Lompoc.
- The homeowner may not lease or rent the home to another party unless pre-approved by the City of Lompoc. Any allowed rental may be for a maximum one year period and will only be approved by the City of Lompoc 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 the home without the City of Lompoc approval so long as all borrowers of record continue to reside in the home as their principal place of residence.⁷
- If the home is not continuously occupied by the owner the loan will be in default and repayment of the City of Lompoc principal amount along with accrued interest due to the City of Lompoc will be immediately due and payable.

⁶ 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.

⁷ Borrowers should be aware that some First Mortgage Lenders may not allow the homebuyer to rent rooms.

Appendix F

Income Verification Requirements

Borrowers applying for a Homebuyer Assistance Program Down Payment Loan must have their income certified by an approved City of Lompoc Community Partner to verify that they meet the eligibility requirement of a low-income household.⁸ To verify household income, applicants will need to submit an Income Certification Application and receive an Income Certification and Affidavit Form completed by a City-approved Community Partner. Generally, the applicant must provide the following information with the 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 income tax returns for the last three years, 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 works for an employer 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.

Peoples' Self-Help Housing Corporation will perform the income certification for the borrower. Please see Appendix D for their contact information.

⁸ **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 ratio, credit score and other criteria used by the lender. After that you must be income certified by a City of Lompoc and HTF-approved Community Partner as an eligible low to upper moderate-income household for purposes of participating in the City of Lompoc program.

Appendix G

Eligible Uses of the Workforce Homebuyer Down Payment Loan

The primary use of the Workforce Homebuyer Down Payment Loan is to provide homebuyers with financial assistance towards the down payment needed to purchase a home. The maximum amount of the City of Lompoc loan that can be used toward the down payment is 16.5% of the home purchase price. Homebuyers may also apply a portion of the loan proceeds toward other eligible nonrecurring and recurring closing costs and expenses incurred in qualifying for the down payment loan. The following uses are eligible:

Nonrecurring Closing Costs

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

Recurring Costs and Impounds⁹

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

Loan Qualification Costs

Credit for cost of Homebuyer Education Course – maximum of \$100
Credit for Homebuyer Income Certification – maximum of \$250

⁹ Borrowers may use a portion of the City of Lompoc down payment loan for recurring costs and impounds required as part of the home purchase loan closing, based on the First Mortgage Lender requirements.

Appendix H

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 cash¹⁰. 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, 2025¹¹.....\$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 cash¹². 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%**

¹⁰ There will also be closing cost expenses (such as realtor fees) for the original homebuyer in selling the home.
¹¹ *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.
¹² There will also be closing costs (such as realtor fees) for the original homebuyer selling the home.

*Possible Gross Value, 2048 ¹³	\$600,000
Original Purchase Price.....	\$303,000
Original Down Payment Loan Amount 2018.....	\$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.

¹³ *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.