HOME PROGRAM

Eligibility Letter

Date

Mr. and Mrs. _____

Paradise, California 95969

Dear Mr. and Mrs.

According to the information in the loan application packet that we have received from your first lender, you are eligible to participate in the Town of Paradise's *First Time Home Buyers Program.* This does not mean, however, that you are approved for funding. Final approval is made when you have selected a qualified home, when all of the requirements for escrow have been met, and if funds are available.

Attached is a copy of our *First Time Home Buyer Program Loan Procedures* for you to use as a guide. This is not necessarily an all-inclusive list, as there may be other circumstances requiring further action from you, your lender, your agent or your escrow officer.

If you have not already done so, now is the time to sign up for the *Homebuyer's Workshop* that is offered twice a month in Chico and Oroville. There is no fee for this half-day seminar and the Town will require a copy of your *Certificate of Completion* as part of your loan packet. For reservations call 891-4124.

Your first mortgage loan must be fully amortized and have a term "all due and payable" in no fewer than 30 years. There shall not be a balloon payment due before the maturity date of the Program loan. You will also be required to have impound accounts for taxes and insurance.

In addition, please be aware that if you were to seek to refinance your first mortgage in the future, our Program loan can only be subordinated under special circumstances, with no cash out to borrower, and will require Town approval.

By now, you have already selected your real estate agent to assist you with the process of finding your home, which cannot exceed the purchase price of $304,000.00. He/she will also assist you in completing all escrow and loan obligations.

In regards to the Town's loan, the maximum amount the Town will contribute is $40,000, but not all borrowers will receive the maximum amount. Each qualified borrower will receive only the necessary amount based on a range of 30% (minimum) – 35% front-end ratio. The back-end ratio should not exceed 45%.

Based on the information you provided, your total household gross annual income is $_____. The Town's loan requires that you spend a minimum of 30% of your monthly income on your house payment, including taxes and insurance. Your monthly salary of $_____ x .30 = $ _____, which will be your minimum house payment.

There are several qualifying factors for the home as well. The home must be located within the Town of Paradise, pass certain inspections, be vacant or owner-occupied, and must not exceed the sales price limit. Newer manufactured homes on approved foundations may qualify.

Owning a home is very exciting and liberating, but it carries a tremendous responsibility. When you own a home, you own the repairs. Maintaining a home and keeping a cash reserve in a savings account is very important. Learn as much as you can about basic home maintenance and budgeting so that your experience is a positive one.

If you have any questions about the process, please call me at 872-6986.

Sincerely,

Kate Anderson
Housing Coordinator

C: Lender
Realtor

HOME
Approval Letter to Lender

Date

Lender Information
Paradise, CA 95969
FAX:

Dear Lender:

This letter is to verify approval of a Town mortgage subsidy loan in the amount up to $40,000.00, based on the eligible gap financing requirements, for _____, for property being purchased at _____, Paradise, California 95969. This loan approval is subject to the following conditions:

1. Receipt and approval of _____

The Town's loan shall be in the form of a deferred payment loan with a term of 30 years, with 3% interest for ten years. After ten years, there is no additional interest charged on this loan. If ____ _____ still occupies the home in 20 years, the interest is forgiven. The loan is not assumable, and there are no penalties for early payoff. The loan may be subordinated only under certain conditions.

The Primary loan must be fully amortized and have a term "all due and payable" in no fewer than 30 years. There shall not be a balloon payment due under the Primary loan before the maturity date of the Program loan. The homebuyer is required to have impound accounts for the payment of taxes and insurance.

Thank you for your assistance with the financing of this loan. Also, thank you for your timely and professional responses to all conditions. It was a pleasure to work with the _____ team, and we look forward to many more financing opportunities.

Sincerely,

Kate Anderson
Housing Coordinator
530/872-6986

C: Realtor
Escrow Officer

HOME PROGRAM

Loan Document Packet

HOME
ESCROW INSTRUCTIONS

Date

Title & Escrow
Address
Paradise, CA 95969

Attn: _____, Escrow Officer

Re: Escrow Number: _____
Client Name: _____
_____, Paradise, CA

With regards to the above, we are enclosing the following documents and instructions for escrow:

- Request for Notice of Default
- Truth in Lending Disclosure Statement
- Promissory Note Secured by Deed of Trust in the Amount of $_____.
- Deed of Trust

1. Have the borrower execute the above referenced documents, where appropriate, and provide a copy to them. Notarize appropriate documents.
2. Record the Town's Deed of Trust.
3. Complete and record Town's Request for Copy of Notice of Default or Sale pertinent to senior loan(s).
4. Issue an ALTA Insurance Policy for the Town of Paradise in the amount of $_____
5. Provide Town with evidence of homeowner's insurance on the property.
6. **Ensure that the Buyer contributes 2% of the purchase price of the home ($_____.00) as a down payment, plus credit report fees.** Any excess funds must be given to the First Mortgage Lender as a principal reduction, but this amount should never exceed $200.00. Please coordinate the closing date with our office so that your pro-rations are as accurate as possible.
7. Return fully executed Town of Paradise loan documents after signing.
8. Provide Town with copies of the 1st Lender's Promissory Note and Deed of Trust.
9. Provide final HUD-1 Settlement Statement upon close of escrow.

Final Approval and Funding of this loan is subject to:

- **Receipt and approval** _____
- **Receipt and approval** _____

Thank you for your assistance. If you have any questions, please call me at 872-6986.

Sincerely,

Kate Anderson
Housing Coordinator

C: Realtor
Lender

WHEN RECORDED MAIL TO:

Town of Paradise
ATTN: Lauren Gill
5555 Skyway
Paradise, CA 95969

(FOR RECORDER'S USE)

REQUEST FOR NOTICE OF DEFAULT
UNDER SECTION 2924b CIVIL CODE

In accordance with Section 2924b, Civil Code, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deed of Trust recorded as Instrument No. _____, on_____ In Book_____ Page_____ of Official Records of Butte County, California executed by, _____ whose address is _____ Paradise, California 95969, As Trustor, in which _____ is named as Beneficiary, and _____ as Trustee, be mailed to TOWN OF PARADISE, ATTN: LAUREN GILL at 5555 SKYWAY, PARADISE, CALIFORNIA, 95969.

Notice: A copy of any Notice of Default and any Notice of Sale will be sent only to the address contained in this recorded Request: If your address changes, a new Request must be recorded.

Date: _____ _____

STATE OF CALIFORNIA) ss
COUNTY OF BUTTE)

On _____,
before me, _____, Notary Public, personally appeared

_____

Who proved to me on the basis of satisfactory evidence) to be the persons(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s), acted, executed the instrument.

I certify under PENALY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____**(Seal)**
Signature

(This area for official notorial seal)

Town of Paradise
HOME
First Time Home Buyers Program

TRUTH IN LENDING DISCLOSURE STATEMENT

The following is an explanation of the terms for the Town of Paradise down payment assistance loan. Please read carefully and ask for an explanation of any item(s) that is(are) not clear.

Applicant		
Amount Financed		
Interest Rate	3% simple interest for ten years. After ten years, there is no more interest charged on this loan. If the buyer still owns and resides on the property after 20 years, the interest is forgiven. The principal amount is still due.	
Special Conditions	You must reside in this property as your principal place of residence for the life of this loan. Under the Town's loan guidelines, you may not rent out this property. At this time, we do not allow refinancing of the property for any reason. If you refinance your loan at any time, you must pay off the Town's loan. Property taxes and homeowners insurance are required for the life of this loan.	
Interest Rider	Attachment on Deed of Trust	Yes
Terms	**This loan is deferred for <u>Thirty (30)</u> years starting on the date that the loan is recorded. The loan will be called when the property is sold, refinanced, transferred, rented, or in the case of a breach of contract by the homeowner. The following transfers of interest will not require the repayment of the loan: (1) a transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant; (2) a transfer in which the transferee is a person who occupies or will occupy the property, which is: (2a) a transfer where the spouse becomes an owner of the property; (2b) a transfer resulting from a decree or dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or (2c) a transfer into an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property. These loans are not assumable. The borrower may repay the loan at any time without penalty.**	
Maximum Interest Charged		
Subordination/Refinancing	Loans will be due and payable upon refinancing of the property.	
Loan Due Date	Thirty (30) years after date of recordation	
Monthly Payment Amount	None – this is a deferred loan	
Creditor	Town of Paradise	

** Simple interest shall be assessed on an annual basis beginning 12 months from the anniversary date of the recording of the Loan Instrument (Deed of Trust), and for each anniversary of the recording of the Loan Instrument, for a period of ten years. After the tenth anniversary of the loan, interest will no longer be charged for the remainder of the loan. The total principal, plus applicable interest, will be due and payable at the end of the designated term or when the property is sold, transferred or is in any way conveyed or refinanced.

LOAN FEE BREAKDOWN:

1. The loan is secured by a Mortgage (or Deed of Trust) on the property at _____,**<u>Paradise, California 95969.</u>**
2. Property Insurance: To be paid by borrower and maintained throughout the life of the loan.
3. Property taxes: To be paid by borrower and maintained current throughout the life of the loan.

I hereby acknowledge receipt of a copy of this statement:

_____ _____
Borrower Date

_____ _____
Borrower Date

Town of Paradise
HOME
First Time Home Buyer's Program

PROMISSORY NOTE
SECURED BY DEED OF TRUST

This Note is for a Deferred Payment Loan with Principal and Interest
And contains an Acceleration Clause

Borrower:

Property Address:

Lender: Town of Paradise, California

Principal Amount:

Date:

The "Borrower(s)", for value received, promises to pay to the Town of Paradise (Note Holder), 5555 Skyway, Paradise, California 95969, or any other place designated in writing submitted by Holder to Borrower, the principal sum of Dollars ($), plus interest on the unpaid principal balance, according to the terms contained in this Note.

Use of Funds: The loan is to purchase the property at the address above.

Occupancy. Borrower(s) must reside in the above property as their principal place of residence for the term of this loan.

Term: This Note shall be for a term of thirty (30) years at which time all unpaid principal and interest remaining will be due and payable

Interest: This Note shall bear interest on the unpaid principal balance from the date (as stated above,) and be computed as simple interest upon the unpaid balance of the principal amounts and at the annual rate of 3% for ten years. At the end of ten years, the interest rate converts to zero. After 20 years of continuous owner-occupancy of the above property, the interest only will be forgiven in its entirety. The principal amount is still due in its entirety.

Payments: No installment payment of principal or interest are required during the first thirty years after the making of this note at which time the Note shall become due and payable in full in lawful money of the United States.

Acceleration: The principal and accrued interest stated in this Note shall become all due and payable upon any total or partial sale, transfer, conveyance, assignment or lease of the whole or any part of the real property described in the Deed of Trust. This Note is not assumable.

Obligations of Persons Under This Note: If more than one person signs this Note, each person is fully and personally obligated to keep all the promises made in this Note, including the promise to pay the full amount owed. The Note holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of the signers of this Note may be required to pay the entire amount owed under this Note.

Giving of Notice: Unless applicable law requires a different method, any notice that must be given to the signers of this Note will be given by first class mail to the property address above or to a different address if so specified in writing by the signers of this Note. .

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in the first paragraph, unless notified in writing of a change of address by the Note Holder.

Recapture of Investment: Should the property be sold prior to the retirement of this Note to a Buyer that does not qualify as a low income buyer under this program, then the note shall become all due and payable and the entire downpayment assistance shall be recaptured from the net proceeds of the sale. If the net proceeds are not sufficient to recapture the full HOME investment plus enable the homeowner to recover the amount of the homeowner's downpayment, principal payments, and any capital improvement investment, the Town will forgive up to 6% of the total HOME investment, plus accrued interest, for each year of ownership. The forgiveness of this debt shall in no way exceed the total amount of the homeowner's downpayment, principal payments, and capital improvement investments.

Subordination: This note shall be subordinate to the original senior loan, any refinancing or early pay-off or release of the Note secured by the senior Deed of Trust shall cause this Note to move into senior position.

Attorney's Fees: Borrower(s) agrees to pay the following costs, expenses and attorney's fees paid or incurred by the Note Holder. If the Holder brings any action or proceeding in connection with the enforcement or collection of this Note, the Prevailing Party (as hereafter defined) in any such proceeding, action or appeal thereon shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, the party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred.

In addition to the foregoing award of attorneys' fees, the Note Holder shall be entitled to its attorney fees incurred in any post judgment proceedings to enforce any judgment in connection with this Note. This provision is separate and several and shall survive the merger of this provision into any judgment.

I/we have read, understand, and accept the terms and conditions contained in this Note.

_____ _____

Borrower Signature Date

_____ _____

Borrower Signature Date

INTEREST WAIVER RIDER

This **INTEREST WAIVER RIDER** is made on the ____ day of _____ **2007,** and is incorporated into and shall be deemed to amend and supplement the Deed of Trust and the Promissory Note of the same date given by the undersigned ("Borrower") to secure Borrower's Note to: **The Town of Paradise, a municipal corporation, ("Lender")**, whose address is **5555 Skyway, Paradise, California**, and covering the property described as: _____ **, Paradise, 95969,** in the County of **Butte**, and the State of California **(APN** _____ **).**

MODIFICATIONS: In addition to the covenants and agreements made in the Promissory Note, Borrower and Lender further covenant and agree as follows:

If the loan is still in effect on the anniversary of it's 20th year, and providing that the borrower(s) still own and reside in the home as his/her/their principal place of residence, interest accrued during the term of the loan will be forgiven.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this Interest Waiver Rider.

_____ Date: _____
Homeowner

_____ Date: _____
Homeowner

Recording requested by and
When recorded return to:

TOWN OF PARADISE
Attn: Lauren Gill
5555 Skyway
Paradise, CA 95969

Town of Paradise
HOME PROGRAM

FIRST TIME HOME BUYERS PROGRAM
DEED OF TRUST

NOTICE TO BORROWER

THIS DEED OF TRUST CONTAINS PROVISIONS RESTRICTING ASSUMPTIONS

Loan No. _____

This Deed of Trust is made on _____, by _____, (the "Borrower"), whose address is _____, **Paradise California 95969,** and _____ **Title Company,** the "Trustee"), whose business address is _____, **Paradise, California 95969,** in favor of the **Town of Paradise, a municipal corporation**, ("Lender") or Assignee, whose address is **5555 Skyway, Paradise, CA 95969.**

1. BORROWER, IN CONSIDERATION OF THE INDEBTEDNESS HEREIN RECITED AND THE TRUST HEREIN CREATED, HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee in trust, with power of sale and right of entry and possession, all of Borrower's right, title and interest now held or hereafter acquired in and to the following: (a) all of that certain real property (the "Property") located at _____, **Paradise, 95969**, in the County of **Butte**, and the State of California, which is more particularly described in Exhibit A (attached) which is incorporated herein by this reference; and (b) all buildings, improvements and fixtures now or hereafter erected thereon, and all appurtenances, easements, and articles of property now or hereafter affixed to, placed upon or used in connection with the Property, together with all additions to, substitutions for, changes in or replacements of the whole or any part of said articles of property; all of which are hereby pledged and assigned, transferred, and set over onto Trustee, and for purposes of this Deed of Trust declared to be part of the realty; provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property.

2. FOR THE PURPOSE OF SECURING:

2.1. The purpose of this Deed of Trust is to secure repayment of the indebtedness evidenced by that certain Promissory Note of the Borrower dated _____ _____, and entitled the Town of Paradise Promissory Note "**Loan No.** _____ _____" (the "Note") of the Borrower in the principal amount of _____ **No/100 Dollars ($ .00),** together with simple interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, riders, extensions or renewals of the Note. The Note and this Deed of Trust are subject to the terms, conditions, and restrictions of the State of California HOME Program as set for the in the Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated *by reference.*

2.2. This Deed of Trust also secures the following obligations and amounts, with interest thereon as to any payment:

(a) Any amount as may hereafter be borrowed from Lender by the then-record owner of the Property and evidenced by a promissory note or notes reciting that it or they are so secured and all modifications, extensions, or renewals of the Note; and

(b) Any amount as may be incurred, paid, or advanced by Lender, or as may otherwise be due to Trustee or Lender, under any provision of this Deed of Trust and any modification, extension, or renewal of this Deed of Trust; and

(c) Any amount as may otherwise be paid or advanced by Lender to protect the security or priority of this Deed of Trust.

(d) Performance of each obligation, covenant, and agreement of Borrower contained in this Deed of Trust, the Note, or any other document executed by Borrower in connection with the loan(s) secured by this Deed of Trust, and all amendments to these documents whether set forth in this Deed of Trust or incorporated in this Deed of Trust by reference.

3. BORROWER COVENANTS:

Borrower hereby covenants to maintain and protect the security of this Deed of Trust, to secure the full and timely performance by Borrower of each and every obligation, covenant, and agreement of Borrower under the Note and this Deed of Trust, and as additional consideration for the obligation(s) evidenced by the Note, Borrower covenants as follows:

3.1. Title. That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands subject to any declarations, easements, or restrictions listed in the schedule of exemptions to coverage in any title insurance policy insuring Lender's interest in the Property.

3.2. Payment of Principal and Interest. That Borrower shall promptly pay, when due, the principal and interest on the Note, and such other charges as are provided in the Note, and such other amounts as are provided under this Deed of Trust.

3.3. Maintenance of the Property. (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without the Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of the Lender.

3.4. Appear and Defend. Borrower shall appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Lender or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which the Lender or Trustee may appear, and in any suit brought by the Lender to foreclose this deed.

3.5. Payment of Taxes and Utility Charges. Borrower shall pay, at least ten (10) days before delinquency all taxes and assessments affecting the Property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, fines and impositions attributable to the Property, leasehold payments or ground rents, if any, and any interest on the Property or any part thereof; all costs, fees and expenses of this trust. Borrower shall make such payments when due, directly to the payee thereof.

3.6. Insurance. To keep the Property insured with loss payable to the Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies on such forms and in the amount of the replacement cost of the Property, and to deliver the original of all such policies to the Lender, together with receipts satisfactory to the Lender evidencing payment of the premiums. All such policies provide that the Lender shall be given thirty (30) days advance written notice of the