

TOWN OF PARADISE
CalHome Sponsored
First-Time Homebuyer Mortgage Assistance Program

PROGRAM GUIDELINES

CalHome Program	The Town of Paradise has an allocation of State CalHome funds available for mortgage assistance to qualified borrowers. This funding is administered in accordance with Guidelines adopted by the State Department of Housing and Community Development (HCD). CalHome financing is “gap” financing, that is, the difference between the typical mortgage low-income households can pay, plus their down payment, subtracted from the cost of a modest home. The subsidy amount will be the gap, plus non-recurring closing costs. Funds are provided to qualified households in the form of a 30-year, deferred-payment mortgage. The CalHome First-Time Homebuyer Mortgage Assistance loan helps buyers purchase homes by providing financial assistance to reduce the amount of the first mortgage.
Application Process/Selection	Applicant(s) work with Town-certified lenders of choice to obtain the primary lender’s pre-qualification. Applicant(s) apply for Town assistance and submit all supporting documentation. Once eligibility has been determined, Applicant(s) then work with a certified real estate agent to select a home and enters into a purchase contract, contingent upon receiving Town program loan approval. Lender provides Town with a copy of loan packet. Town will review the packet for compliance with program guidelines and submit the package and recommendation to the Town Manager for approval. The Town provides the applicant with a decision letter. Eligible buyers will be qualified on a first-come, first-served basis.
Eligible Homebuyer(s)	The applicant(s) must be a first-time homebuyer(s), which means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with CalHome assistance. In addition, the homebuyer(s) must meet the income eligibility requirements. Preference will be given to those applicants who have been a resident of Paradise or its sphere of influence for at least the last 12 months prior to applying for assistance.
Displaced Homemaker	The CalHome Section 7716(m) contains a provision for displaced homemakers, single parents, and individuals who have owned a housing unit not permanently affixed to a foundation or a severely dilapidated housing unit to be considered eligible for the program.
Household Size	Any person whose primary residence will be the housing unit being purchased is considered a member of the household. You may not count, as part of your household, foster children, unborn children and children not living in the home. Children with two residences may only be counted if the child lives with the qualified applicant 50% of the time.
Household Income	The CalHome borrower household must have a gross annual income not exceeding 80% of county median income for the size of the household. For program eligibility, the total annual income includes income of <u>all adult members of the household over the age of 18 years old</u> . Income also includes income from assets over \$5,000 calculated at 2.5% of the value of the asset. Borrower must be income qualified not more than 180 days prior to the closing of their loan.
Homebuyer Costs	Eligible households must document that they have the funds necessary for their amount of the down payment and closing costs as required by the primary lender and/or the Town of Paradise. The Town of Paradise requires the homebuyer to contribute a minimum of 2% of sales price of home as a down payment. These funds can be gifted from a relative and are NOT in addition to any first lender minimum down payment requirements.

Credit Worthiness	Qualifying ratios are a guideline in determining a potential borrower's credit worthiness. Many factors such as credit history, amount of down payment and size of loan will influence the decision to approve or disapprove a particular loan. Prior bankruptcies and/or foreclosures will be taken into consideration and a determination will be made based on the circumstances.
Homebuyer Education	The CalHome homebuyer must attend a Town of Paradise-approved homebuyer education class. The class will cover such topics as: preparing for homeownership, available financing, credit analysis, loan closing, homeownership responsibilities, home maintenance, and loan servicing.
Housing Unit Eligibility	Housing units eligible for the program must be located within Paradise town limits and be in compliance with State and local codes and ordinances. Said units include new or previously-owned single-family detached houses, condominiums, townhouses, units in residential loft structures or manufactured homes in a common-interest development or on a single-family lot and placed on a permanent foundation system.
Housing Debt Ratio	Monthly housing costs (front-end ratio) shall be between 28% and 35% of the borrower's gross monthly income. Total debt costs (back-end ratio) shall not exceed 45% of the borrower's gross monthly income. Compensating factors (with pre-approval by the Town) might allow for variances in these ratios.
Maximum Sales Price	The maximum allowable sales price of the assisted unit cannot exceed the current median sales price of a single-family home in Butte County.
Maximum Loan Amount	\$40,000.00
Term	30-year, deferred-payment mortgage as long as the residence continues to be owner-occupied; the entire loan is due and payable when the home is no longer occupied by borrower.
Interest Rate	3% simple interest for 10 years; after 20 years of continuous owner-occupancy of property, the interest (only) is forgiven
Primary Loan	Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from an institutional mortgage lender consistent with affordable housing costs outlined above. The term of the loan shall be fully amortized in a minimum of 30 years. Mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments, or deferred interest. The first mortgage lender is required to collect and manage impound account for payment of taxes, assessments and hazard insurance according to the lender's requirements. All subordinate financing provided shall defer principal and interest payment for the term of the CalHome Program loan.
Subordination	The Town of Paradise will only subordinate to a first trust deed loan if the primary loan has a fixed interest rate, is fully amortized, and is provided by an institutional lender when the interest and/or term are reduced, to pay-off documented and verified medical costs, or to pay-off documented and verified capital improvements on the subject property. Neither debt consolidation nor cash-out is permitted.
Max CLTV	The loan-to-value ratio for the CalHome Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed one hundred percent (100%) of the property value at the time the loan is made.
Loan Repayment	Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome program loan maturity date. Program loans are not assumable. However, in some limited circumstances, the original loan might be transferrable. Borrower may begin making voluntary payment to the Town at any time.