

Town of Paradise
First Time Home Buyer Program

Loan Procedures

1. Applicant(s) works with a certified lender of choice to obtain the primary lender's pre-qualification letter.
2. With the first lender's pre-qualification letter in hand, applicant(s) completes the Town of Paradise Program Interest Form and submits both to the Town. Based on the information provided by the applicant, Town staff will determine if it is likely that the applicant(s) qualify for assistance. For those who appear eligible, the Town will provide a *Letter of Pre-Qualification*. **The *Letter of Pre-Qualification* does not mean that the applicant is approved for funding.**
3. Applicant works with a certified real estate agent to select a home and enter into a purchase contract, contingent upon receiving Loan Approval from the Town. Agent obtains signatures of both Buyer and Seller on Town of Paradise disclosure statement (*Disclosure to Seller with Voluntary, Arm's Length Purchase Offer*) and includes it as part of the purchase agreement.
4. Real estate agent provides Town with a copy of:
 - *Escrow Information Sheet* (submitted to Town within 5 days of escrow opening)
 - Fully executed Real estate *Purchase Agreement* and any subsequent addendums
 - Town's Disclosure Statement (*Disclosure to Seller with Voluntary, Arm's Length Purchase Offer*) signed off by both Buyer and Seller.
 - Structural pest control report and clearance of Section 1 items (provided by close of escrow)
 - Lead based paint inspection report and clearance for homes older than 1978 (if applicable and provided by the close of escrow)
5. Applicant(s) applies for program through the Business & Housing office at the Town of Paradise. Applicant provides Town of Paradise with originals, signed where applicable, of:
 - Town of Paradise First-Time Homebuyer loan application packet
 - Town of Paradise First-Time Homebuyer Application
 - Eligibility Release form
 - Loan Procedure and Terms Acknowledgment
 - Race and Ethnic Data Reporting Form
 - State of California Fair Lending Notice
 - Lead Base Paint booklet and Receipt for same
 - Income documentation: 3 months pay stubs
 - Asset documentation: 6 months bank statements (checking and savings); current statement(s) from all cash or market assets (CD's, IRA's, Stocks, Whole Life Ins. policies, etc.).
 - Income Tax Statements + W-2's for the 3 most previous years. Forms must be signed by Applicant(s).
 - Homebuyer's Workshop *Certificate of Achievement* (provided by the close of escrow)
 - Any other documentation requested by the Town of Paradise that is necessary for determining eligibility

6. After review of all Items and verifications from third-party sources, a *Letter of Eligibility* or a *Letter of Denial* is sent to Applicant.
7. Lender provides Town of Paradise with a copy of:
 - Residential loan application (e.g., FM1003) submitted to underwriting
 - Credit report
 - Appraisal with photos, supporting sales price
 - Loan Underwriting and Transmittal Summary (e.g., FM1008)
 - Proof of personal funds for participation in program, including gift letter, when applicable
8. Escrow officer provides Town with a copy of:
 - Preliminary Title Report
9. Town staff inspects home to meet program compliance. Notice of any deficiencies/ needed corrections are given to participant's real estate agent, with recommended course of action.
10. Escrow officer provides the Town with copy of:
 - Preliminary HUD-1 Settlement Statement. This document is required prior to loan being approved.
11. Town reviews paperwork to determine financing affordability for applicant(s) and submits packet for loan approval from Town Manager.
12. Once approved a *Letter of Approval* is issued to first Lender indicating any outstanding conditions for approval or funding.
13. Town prepares loan document packet consisting of *Deed of Trust, Promissory Note, Notice of Default* and *Truth in Lending Statement*.
14. Check is ordered by Town for funding of loan
15. Loan documents are delivered to Escrow.
16. Loan documents are signed by Applicant(s) in escrow and original documents, as well as copies of documents to be recorded, evidence of homeowner's insurance, and copies of 1st lenders Promissory Note and Deed of Trust are returned to Town.
17. Before funding, Lender provides the Town with copies of:
 - Typed Loan Application (Fannie Mae #1003) signed by Buyer
 - Underwriting/Loan approval document signed by Lender
18. Upon final review and approval of packet, Town releases funds to escrow.
19. Escrow records all applicable legal documents and provides Town with final closing Statement (HUD-1), and Final Title Insurance Policy.
20. Town closes out the loan file.