

Town of *Paradise*

**First-Time Homebuyer Program
Certification Workshop**

Welcome!

Business & Housing Staff

- Lauren Gill, Town Manager (x104)
- Kate Anderson, Housing Program Supvr. (x122)
- Colette Curtis, Administrative Analyst (x112)

Agenda

- Overview of programs (HOME and CalHome)
- Review The Loan Procedure (who does what, how, when, where and why)
- Understand your responsibilities
- Resources: guidelines, brochures, forms, etc.
- Answer any question or concerns you may have

Overview of Programs

- **Gap financing** – Our homebuyer programs are designed to provide assistance, in the form of deferred payment “silent” second priority loans as “Gap” financing, toward the purchase price and closing costs of owner-occupied, affordable housing units.
 - CalHome: state-funded for lower-income families (80% of median income)
 - HOME: federally-funded for lower-income families (80% of median income)

Town of Paradise Income Limits for Housing Programs

Area Median Income: \$ 57,300	2013 Income Limits for Butte County								
		1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8 People
Lower Income		32,100	36,700	41,300	45,850	49,550	53,200	56,900	60,550

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- **Eligible buyer** – Anyone who has NOT been on title to a home for past three (3) years and meets certain income limits. They must meet income limits, qualify for a first mortgage, provide 2% of sales price, and attend a home buying class.
 - **Exceptions** – 1) a displaced homemaker who has not, within the preceding two years, worked on a full-time basis for a consecutive 12-month period; 2) a single parent who is unmarried or legally separated and has one or more minor children for whom the individual has at least 50% joint custody; and 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 assistance, a dwelling unit whose structure is either not permanently affixed to a permanent foundation in accordance with local or state regulations or not in compliance with state, local or model building codes and cannot be brought into compliance for less than the cost of constructing a permanent structure.
 - **Household income** – the annual gross income of all adult household members that is projected to be received during the coming 12-month period. Assets, that can be converted to cash, will be factored into annual income (actual income or 2.5% passbook rate).

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- **Eligible property** – A home, at or below the maximum purchase price, located in the town limits of Paradise, which is habitable based on Section 8 standards, (that has been vacant for 90 days or is owner-occupied)*, which will be the primary residence (e.g., SFR, Condo, Townhouse, MHL). The home must obtain clearance of Section I pest and lead-based paint.
 - **Lead-based Paint Visual Inspection*** – An assessment, conducted by a certified inspector (**Tom Barrett 521-9989 or Mike Brodie 228-9473**), that determines the stability of paint in homes built prior to 1978. Cracking, peeling or deteriorating paint can require additional testing (\$\$) and lead-safe stabilization methods (\$\$).

** Only required when using Federal (HOME) funds.*

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- **Primary loan** – The first mortgage must be at least a 30 year, fixed interest rate note that is fully amortized and can be underwritten by FHA, FNMA, FHLMC, Cal HFA, VA, etc., for the maximum amount that the Buyer qualifies. The first lender must be a commercial institution – not a private lender. Impound accounts are required.
 - **Ratios** – Front-end: minimum 28% up to 35%; Back-end: up to 45%

 - **Our loan** – Deferred loans; no payments are required. The note is due-and-payable when the property is sold, refinanced, no longer a primary residence or at the end of its term.
 - HOME and CalHome: 30 year, 3% simple interest loan. Interest accrues for 10 years only; if loan is still in effect after 20 years the accrued interest (ONLY) is forgiven – NEVER THE PRINCIPAL.

The Loan Procedures

1. Interested applicants should contact a Certified Lender to pre-qualify for a primary loan and obtain a pre-qualification letter.
2. The applicant brings the pre-qualification letter to the Housing Services department and applies for First-Time Homebuyer funds. The Lender provides the Town with a preliminary loan application and Interest Form.
3. Once a *Letter of Eligibility* is provided from the Town, the applicant attends a homebuyer workshop and works with Certified Realtor/Agent to select a home. The applicant enters into a purchase contract, contingent upon receiving loan approval from the Town, (and the Disclosure is completed at the time the contract is signed)*. The RE agent opens escrow and provides the Town with the sales contract (w/Disclosure*) and the Escrow Information Sheet.

The Loan Procedures (continued)

4. The Certified Lender will submit the appraisal and an underwriting transmittal form.
5. The RE agent will schedule all necessary inspections and ensure that repairs are made. The Town requires that all Section One items on the pest report be cleared (and a lead-based paint inspection for homes built before 1978)*. The Town staff will perform a health & safety inspection to ensure program compliance.
6. Once all necessary repairs are made and clearances are given, the Escrow Officer will provide the Town with an estimated HUD-1. Final approval will be granted by the Town, and a letter is sent to the applicant, lender and RE agent. Loan documents are prepared and delivered to escrow. The Town releases its funds once the escrow instructions have been met.

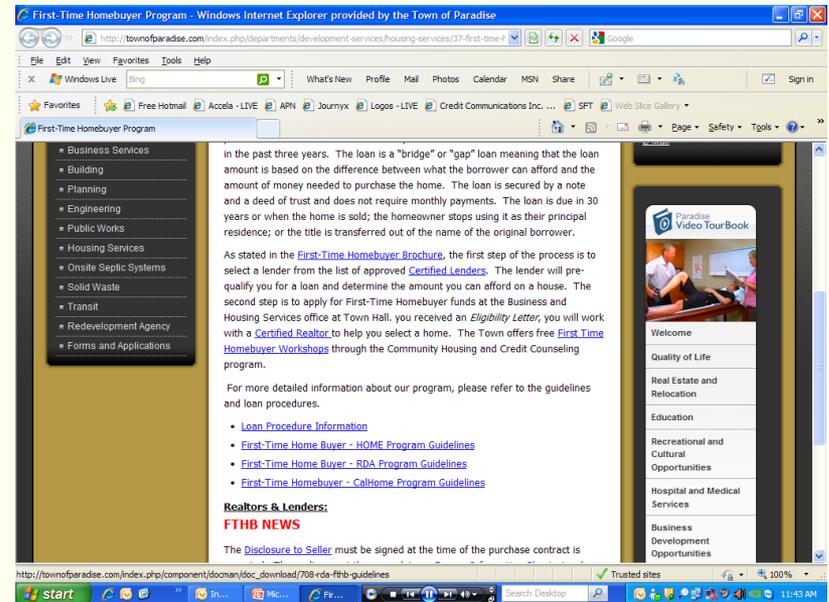
Your Responsibilities...

- **Town's responsibilities:** Collect necessary documents, establish eligibility, review first lender figures, perform inspection, approve loan, send loan docs to escrow, order funds, review signed docs.
- **Lender responsibilities:** Pre-qualification letter, Interest Form, preliminary application, underwriting summary, appraisal, send GFE to escrow, signed application and signed underwriting summary.
- **Realtor responsibilities:** Escrow Information Sheet, purchase contract (w/disclosure*), pest clearance, LBP clearance* (if applicable)
- **Escrow Officer responsibilities:** Preliminary title report, estimated HUD-1, follow escrow instruction.

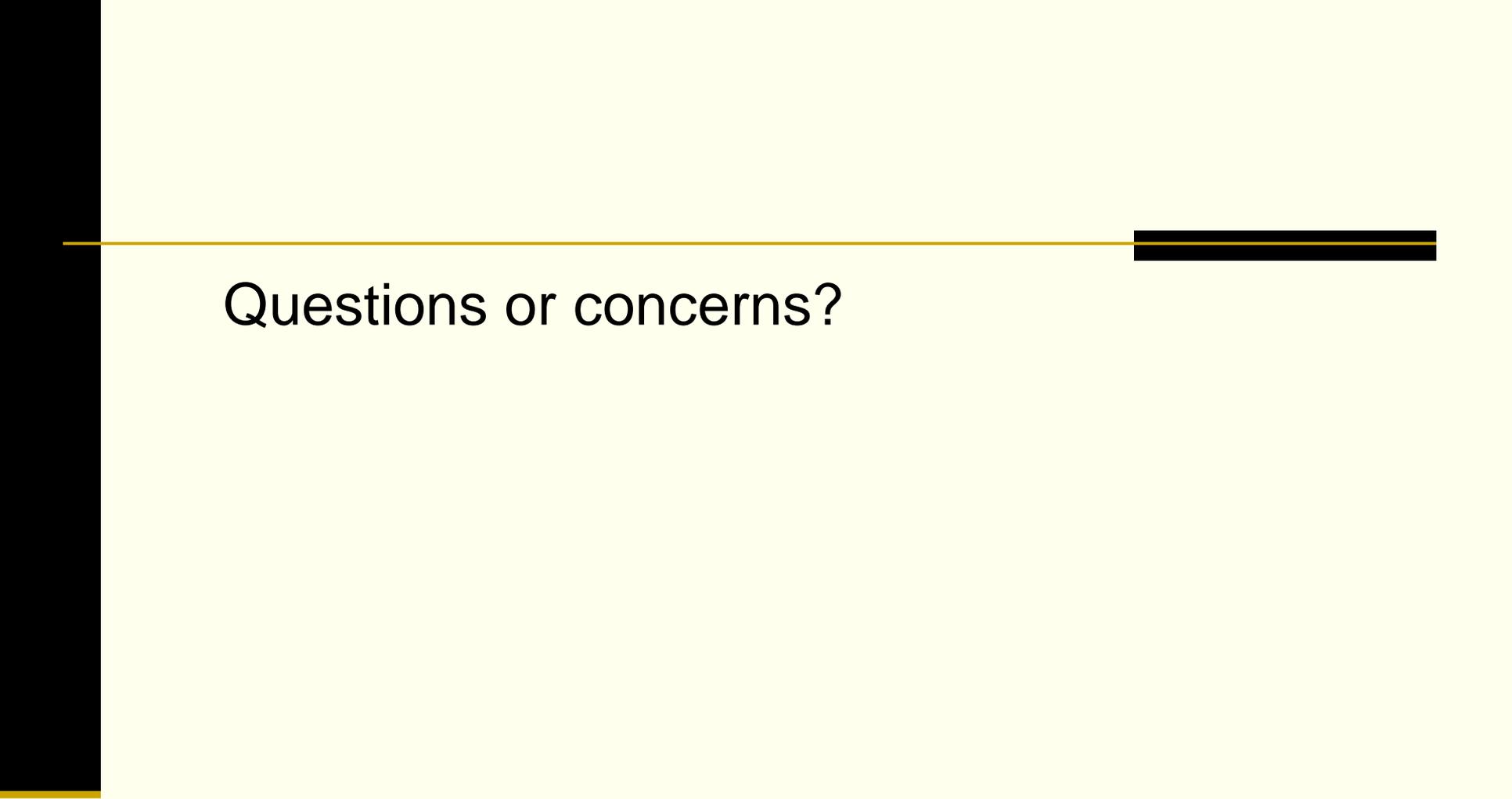
Resources

Town of Paradise website:

<http://townofparadise.com/index.php/departments/development-services/housing-services/37-first-time-homebuyer-program>



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- E-mail: kanderson@townofparadise.com
 - On the phone: Contact Kate Anderson, Housing Coordinator at 872-6291x122
 - In-person: Town Hall, 5555 Skyway, Business & Housing upstairs (above Finance)
 - Via fax: 872-5914 (dedicated for Housing)



Questions or concerns?

Realtors/Agents: Thank you for attending.

Be sure to...

- Fill out and return your information sheet, we will be publishing this information. (If we don't get your sheet, you aren't certified.)
- Put through lots of loans!!

We look forward to working with you.

Lenders: Quick 3-minute break and return for more info.

Gap Financing (Mind the Gap)

This example is based on a four person household with an annual gross income of \$42,000 (\$3,500 monthly income)

HOUSING PAYMENTS (PITI)

Principal & Interest payment	\$584.00
Insurance	103.00
Property tax	172.00
PMI	190.00
Total Housing Expense (PITI or "front-end ratio" is 30.0% of \$3,500)	\$1,049.00

OTHER HOUSEHOLD DEBT SERVICE

Car payment	\$200.00
Credit card payment	100.00
Total Other Debt	\$300.00

TOTAL OVERALL PAYMENTS

Housing	\$1,049.00
Other debt service	300.00
Total overall payments (overall debt or "back-end ratio" is 38.5% of \$3,500)	\$1,349.00

A \$1,146 per month loan payment equates to borrowing \$130,000 at 3.5% for a 30 year term.

SUBSIDY CALUCATION

Purchase price of property	\$165,000.00
Less primary loan amount (first mortgage)	(\$130,000.00)
Less down payment of 2% (provided by homebuyer)	(\$3,300.00)
Equals "GAP"	\$31,700.00
Plus estimated allowable settlement charges	\$3,300.00
TOTAL TOWNOF PARADISE SUBSIDY TO HOME BUYER	\$35,000.00

Calculating Income

Family Members	Position in Family	Age	Income Source
Jane Smith	Head	38	Earns \$1,275 semi-monthly as a manager of Kmart, and receives \$100/mo in child support.
John Doe	Boyfriend	36	Earns \$250/week as a part-time instructor w/PUSD for 40 weeks/year; he attends evening classes which he pays with a State Student Incentive Grant of \$3,500; and he pays \$50/mo in child support.
Bobby Smith	Son	3	No income.
Betty Smith	Daughter	2	No income.

Under the HOME Program, the Income Limit for a family of four in the jurisdiction is \$45,850. Is this household eligible for HOME assistance?

Go figure...

Jane– Annual wage income is \$1,275 semi-monthly x 24 periods/yr, or \$30,600. In addition, she receives \$100/mo x 12 months = \$1,200/yr.

John– Annual income is based on 40 weeks of work: \$250/wk x 40 wks/yr, or \$10,000 annually. His scholarship does not count as income. The child support he pays cannot be deducted from his income.

ANTICIPATED ANNUAL INCOME				
Household Member	a. Wages/ Salaries	b. Benefits/ Pensions	c. Other Income	d. Asset Income
Jane	\$30,600.00		\$1,200.00	Enter the greater of lines 2 or 3 from above in d.
John	\$10,000.00			
4. Totals	a. \$40,600.00	b.	c. \$1,200.00	d. ???
5. Enter total of items from 4a. through 4d. This is <i>Annual Income</i>.				5. \$

That's not all; we need to look at the assets...

Calculating Asset Income

Family Members	Position in Family	Age	Asset & Value
Jane Smith	Head	38	Checking Account -- \$3,695 average 6-month balance in a non-interest-bearing account
John Doe	Boyfriend	36	Savings Account –current balance is \$6,305 at 3.1%
Bobby Smith	Son	3	No accounts.
Betty Smith	Daughter	2	No accounts.

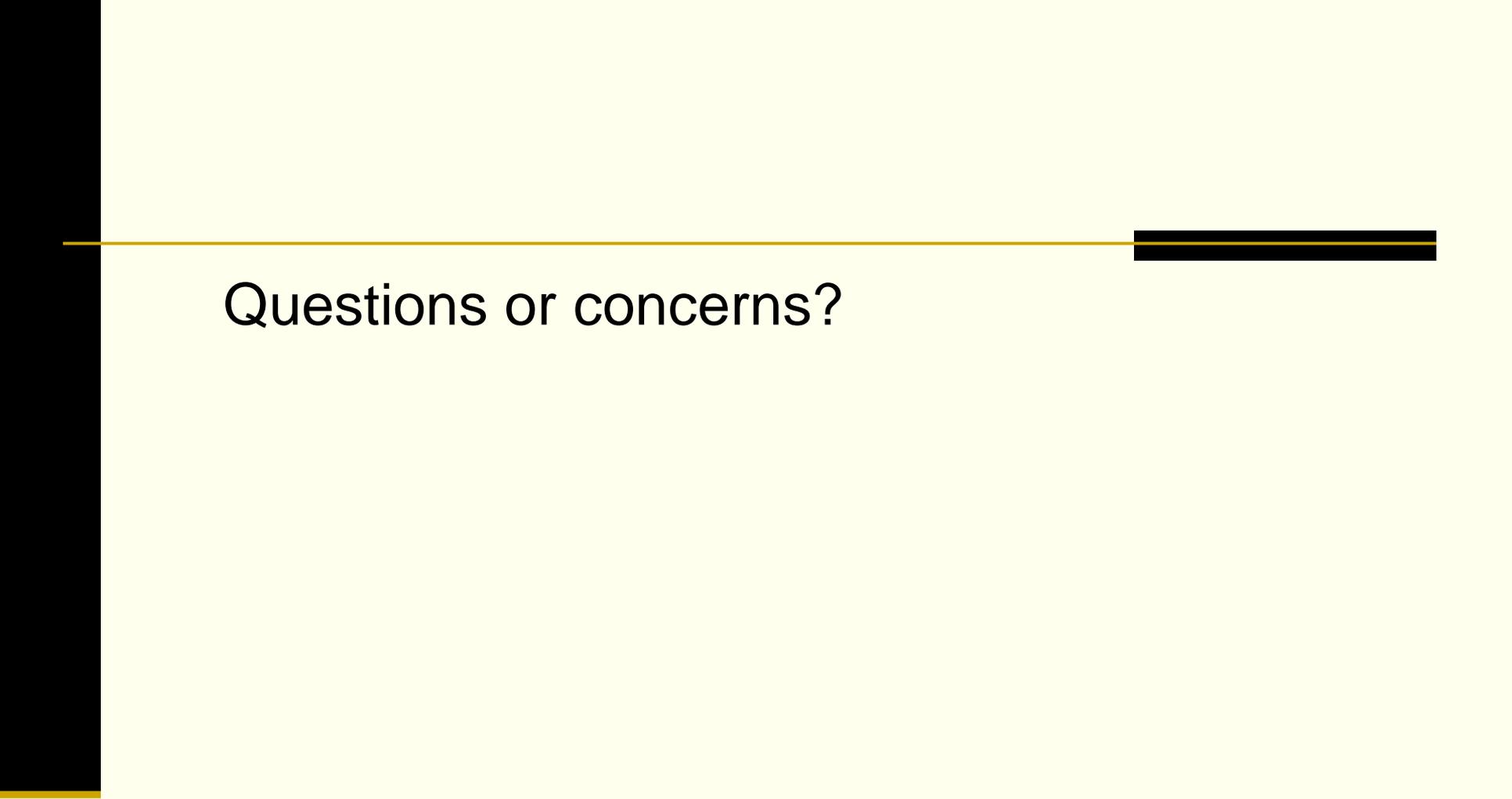
Passbook rate is 2.5%. Calculate the asset income.

Go figure...

ASSETS			
Household Member	Assets Description	Current Cash Value of Assets	Actual Income from Assets
Jane	Checking Account	\$3,695.00	\$0.00
John	Savings Account	\$6,305.00	\$195.46
1. Net Cash Value of Assets		1. \$10,000.00	
2. Total Actual Income from Assets			2. \$195.46
3. If line 1 is greater than \$5,000, multiply line by 2% (HUD Passbook Rate) and enter results here; otherwise leave blank			3. \$250.00

ANTICIPATED ANNUAL INCOME				
Household Member	a. Wages/ Salaries	b. Benefits/ Pensions	c. Other Income	d. Asset Income
Jane	\$30,600.00		\$1,200.00	Enter the greater of lines 2 or 3 from above in d.
John	\$10,000.00			
4. Totals	a. \$40,600.00	b.	c. \$1,200.00	d. \$250.00
5. Enter total of items from 4a. through 4d. This is <i>Annual Income</i>.				5. \$42,050.00

Based on the Income Limit for a family of four in this jurisdiction (\$45,850), this family is eligible for assistance.



Questions or concerns?

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