



Town of *Paradise*

**First-Time Homebuyer Program
Certification Workshop**

Welcome!

Business & Housing Staff

- Jim Goodwin, Town Manager (x104)
- Kate Anderson, Housing Program Manager (x122)
- Sarah Richter, Housing Technician (x130)
- Nadia Alekseev, Housing Technician (x126)
- Stephanie Gregorio, P/T Office Assistant (x128)

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 questions 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 (up to 105% of CLTV) of owner-occupied, affordable housing units.
 - HOME: federally-funded for lower-income families (80% of median income) *Currently not available*
 - CalHome: state-funded for lower-income families (80% of median income for households NOT affected by the disaster and 120% of median income for households that were affected) **UNTIL END OF 2025**

Town of Paradise

Income Limits for Housing Programs

(Income limits are updated around June of every year)

Butte County - Lower Income (80% AMI)	2023 Income Limits							
	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8 People
	46,200	52,800	59,400	65,950	71,250	76,550	81,800	87,100
Moderate Income (120% AMI)	76,950	87,900	98,900	109,900	118,700	127,500	136,300	145,050

Who is a First-Time Home Buyer?

- **Eligible buyer** – Anyone who has NOT been on title to a home for the past three (3) years and meets certain income limits. They must qualify for a first mortgage, provide 2% of sales price, have a minimum credit score of 620 and attend the Town of Paradise's Homebuyers workshop.
 - **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.
 - **Please Note** – People who are on title to property that lacks a habitable dwelling **are** eligible as First-Time Home Buyers. (*This means people who own empty lots in Paradise*).

Income limits

- **Household income** – the annual gross income of all adult household members that is projected to be received during the coming 12-month period. Including:
 - Child support, tips, overtime, bonuses, periodic and determinable gifts, side-hustles, retirement distributions, etc.
 - AND;
 - Income from assets – interest and dividends or;
 - 2% passbook rate of financial assets that can be converted to cash, whichever is higher.

Self-Employment: *If a person is self-employed, we will use the net income of the business.*

Property Eligibility

- **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, (if HOME, 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, if HOME, lead-based visual assessment which the Town conducts). *Not required for new construction, but still recommended.*
- Septic clearance and weed clearance are also required by the Town of Paradise.
- Certificate of Occupancy must be issued before Close of Escrow.
- Housing staff will need to conduct Health & Safety Inspection during inspection period. Habitability is a condition of funding.

What is the Max Purchase Price?

The maximum purchase price is set annually under the HOME program and monthly under the CalHome program. The 2023 HOME limit is \$398,000. The CalHome limit is the monthly median sales price for the County as published by the California Association of Realtors.

<https://www.car.org/marketdata/data/countysalesactivity>

Go to: CAR.org

>Industry 360

>Data & Statistics

>Current Sales & Price Statistics

Far North	Feb-24	Jan-24	Feb-23	Price MTM% Chg	Price YTY% Chg	Sales MTM% Chg	Sales YTY% Chg
Butte	\$451,120	\$390,000	\$405,000	15.7%	11.4%	13.8%	-12.0%
Lassen	\$263,000	\$229,000	\$212,500	14.8%	23.8%	28.6%	50.0%
Plumas	\$370,000	\$363,620	\$305,000	1.8%	21.3%	0.0%	112.5%
Shasta	\$366,250	\$395,000	\$350,000	-7.3%	4.6%	-6.5%	13.4%
Siskiyou	\$340,000	\$329,000	\$208,000	3.3%	63.5%	10.5%	23.5%

Other Requirements

- **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 25% up to 35%; Back-end: up to 45%
- **Town's loan** – Deferred; 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 the 30-year term.
 - HOME and CalHome: 30 year, 1% simple interest loan. Interest accrues for 10 years only. No forgiveness of interest or principal.

Important Note: there is NO short sale option for a CalHome loan.

Rate restrictions

HOME requirement:

Mortgage interest rate cannot exceed the Fannie Mae 90-day Yield Rate plus 100 basis points (or 1 percent).

If in doubt, contact us before you lock in a rate.

March 2024 30 Year Fixed

Retiring June 3 2024, visit www.fanniemae.com/rny to learn more

MANDATORY DELIVERY COMMITMENT

30-YEAR FIXED RATE A / A

DATE	TIME	10-DAY	30-DAY	60-DAY	90-DAY
03/01/2024	08:15	06.44572	06.45191	06.47879	06.50948
03/04/2024	08:15	06.36773	06.36773	06.37425	06.41806
03/05/2024	08:15	06.29553	06.29553	06.30244	06.31492
03/06/2024	08:15	06.27980	06.27980	06.28722	06.30021

https://www.fanniemae.com/content/datagrid/hist_net_yields/cur30.html

The Loan Procedures

1. Applicant(s) works with a certified lender of choice to obtain the primary lender's pre-qualification letter. (If applicant is lower-income, has funds and needs \$100K or less for a purchase already identified, then send them directly to the Town).
2. The first lender submits pre-qualification lender with program interest form to the Town. The Town will contact the Applicant and provide them with an application.
3. Based on the information provided by the applicant (3 mos. of pay stubs, 3 mos. of bank statements, current statement of any investments, 3 yrs. of tax returns), 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.**
4. 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.
5. Real estate agent provides Town with a copy of the Escrow Information Sheet, Purchase Agreement w/addendums, and Disclosures. The Town will conduct Health & Safety Inspection and order and pay for the LBP Report, if applicable. Buyer's agent shall provide Town with pest inspection when completed.

The Loan Procedures (continued)

5. Applicant(s) applies for program through the Business & Housing office at the Town of Paradise. Applicant provides Town of Paradise with 3 mos. of pay stubs, 6 mos. of bank statements, current statement of any investments, 3 yrs. of tax returns. Applicant must attend a Homebuyer Workshop before the close of escrow.
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 their credit report, loan application, preliminary underwriting statement, appraisal, gift letter (if applicable), and vesting information. Lender must provide escrow with GFE.
8. Escrow officer provides Town with the Preliminary Title Report and an estimated closing statement.
9. Town staff inspects home to meet program compliance. Notice of any necessary corrections are given to participant's real estate agent.
10. Town reviews paperwork to determine financing affordability for applicant(s) and submits packet for loan approval from Town Manager.

The Loan Procedures (continued)

11. Once approved, a *Letter of Approval* is issued to first Lender indicating any outstanding conditions for approval or funding.
12. Town prepares loan document packet consisting of *Deed of Trust*, *Promissory Note*, *Notice of Default* and *Truth in Lending Statement*.
13. Check is ordered by Town for funding of loan and loan documents are delivered to Escrow.
14. Loan documents are signed by Applicant(s) in escrow and original documents, as well as copies of documents to be recorded, copies of first Lender's Promissory Note and Deed of Trust are returned to Town. Before funding, Lender provides the Town with copies of the Loan Application signed by Buyer, the Underwriting/Loan approval document signed by Lender, and an Evidence of Insurance which lists the Town as an additional mortgagee.
15. Upon final review and approval of packet, Town releases funds to escrow.
16. Escrow records all applicable legal documents and provides Town with final closing disclosure.

Your Responsibilities...

- **Buyer's responsibilities:** Provide necessary documents to first lender and town, shop for a home, enter into a purchase agreement, review inspection reports, attend a homebuyer workshop, sign documents in escrow and provide funds.
- **Town's responsibilities:** Collect necessary documents, establish eligibility, review first lender figures, perform inspection, order LBP report (if applicable), approve loan, send loan docs to escrow, order funds, review signed docs, and authorize recording/release of funds.
- **Lender responsibilities:** Pre-qualification letter, Interest Form, preliminary application, underwriting summary, appraisal, send GFE to escrow, signed application, signed underwriting summary and Evidence of Insurance listing the Town as an additional mortgagee.
- **Realtor responsibilities:** Escrow Information Sheet, purchase contract w/disclosure, pest report and clearance.
- **Escrow Officer responsibilities:** Preliminary title report, estimated closing statement, follow escrow instruction and final closing statement.

Important Things to Remember:

- Buyer must contribute 2% towards purchase. Seller credit does not count. POCs do not count except Fair Plan upfront premium.
- Purchase price limit changes *monthly*.
- Buyer may not payoff other debts through escrow.
- First lender income calculations and ratios do not have to match Town income calculations and ratios.
- The Town does not gross up non-taxable income.
- The Town has to count the income from all adults in the household, not just the applicant.
- Buyer must complete CalHome FTHB workshop before COE.
- Certificate of Occupancy must be issued before COE.
- Receipt of *signed* 1003 and 1008, and insurance certificate with Town of Paradise as additional insured are conditions of funding.
- Principal loan amounts are never forgiven.
- Housing staff is here to answer program questions – especially weird ones!

Resources

Town of Paradise website:

<https://www.townofparadise.com/housing>

Town of Paradise
CALIFORNIA
INC. 1979

Community Resources Government Business Recovery and Building

Search

Housing

- CDBG-DR Multifamily Housing Program
- Community Development Block Grant (CDBG)
- First Time Home Buyer Program
- Owner-Occupied Housing Rehabilitation
- Rebuild Advocates
- Septic Repair & Replacement Grant
- Urgency Ordinance No. 598

Housing

The Town of Paradise housing programs are funded through State and Federal Grants and bring dollars into the community that not only help out residents and improve our housing stock, but also help to support those residents who work in the housing industry, including realtors, lenders, contractors/sub-contractors and building suppliers.

Housing Assistance Currently Offered

- Deferred, low-interest loans to eligible **first-time home buyers**.
- Deferred, low-interest loans to eligible home-owners for **home repairs or reconstruction**.
- **Septic Repair or Replacement Grant**
- **CDBG-DR Multi Family Rental Housing Development Project**

These programs are offered to low and moderate income residents of Paradise.

First Time Home Buyer Program

Owner-Occupied Housing Rehabilitation and Reconstruction

Septic Repair & Replacement Grant

CDBG-DR Multifamily Housing Program

Contact Information

Housing Department

Primary Contact

- E-mail: housing@townofparadise.com
- On the phone: Housing Department at 872-6291x122
- In-person: Town Hall, 5555 Skyway, Business & Housing
- Via fax: (530)871-2263 (dedicated for Housing)



Questions?

Questions or concerns?

Gap Financing

This example is based on a four-person household with an annual gross income of \$60,000 (\$5,000 monthly income)

HOUSING PAYMENTS (PITI)

Principal & Interest payment	\$1,193.81
Insurance	229.17
Property tax	125.00
PMI	0.00
Total Housing Expense (PITI or “front-end ratio” is 30.96% of \$5,000)	\$1,547.98

OTHER HOUSEHOLD DEBT SERVICE

Car payment	\$281.00
Credit card payment	109.00
Total Other Debt	\$390.00

TOTAL OVERALL PAYMENTS

Housing	\$1,547.98
Other debt service	390.00
Total overall payments (overall debt or “back-end ratio” is 38.76% of \$5,000)	\$1,937.98

A \$1,509.70 per month loan payment equates to borrowing \$175,000 at 7.25% for a 30 year term

SUBSIDY CALCULATION

Purchase price of property	\$275,000.00
Less primary loan amount (first mortgage)	(\$175,000.00)
Less down payment of 2% (provided by homebuyer)	(\$5,500.00)
Equals “GAP”	\$94,500.00
Plus estimated allowable settlement charges	\$5,514.00
TOTAL TOWN OF PARADISE SUBSIDY TO HOME BUYER	\$100,000.00

Calculating Income

Family Members	Position in Family	Age	Income Source
Jane Smith	Head	38	Earns \$1,575 semi-monthly as a manager of Dollar General, and receives \$100/mo in child support.
John Doe	Boyfriend	36	Earns \$500/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 Town's program, the Income Limit for a family of four in the jurisdiction is \$65,950. Is this household eligible for assistance?

Go figure...

Jane— Annual wage income is \$1,575 semi-monthly x 24 periods/yr, or \$37,800. In addition, she receives \$100/mo x 12 months = \$1,200/yr.

John— Annual income is based on 40 weeks of work: \$500/wk x 40 wks/yr, or \$20,000 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	\$37,800.00		\$1,200.00	Enter the greater of lines 2 or 3 from above in d.
John	\$20,000.00			
4. Totals	a. \$57,800.00	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 0.05% IRA – current balance \$15,600 with an annual rate of return of 7.6%
Bobby Smith	Son	3	No accounts.
Betty Smith	Daughter	2	No accounts.

Passbook rate is 2%. 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		\$3.15
John	IRA Account	\$15,600.00		0
1. Net Cash Value of Assets		1. \$25,600.00		
2. Total Actual Income from Assets				2. \$3.15
3. If line 1 is greater than \$5,000, multiply line by 2% (HUD Passbook Rate) and enter results here; otherwise leave blank				3. \$512.00

ANTICIPATED ANNUAL INCOME

Household Member	a. Wages/ Salaries	b. Benefits/ Pensions	c. Other Income	d. Asset Income
Jane	\$37,800.00		\$1,200.00	Enter the greater of lines 2 or 3 from above in d.
John	\$20,000.00			
4. Totals	a. \$57,800.00	b.	c. \$1,200.00	d. \$512.00
5. Enter total of items from 4a. through 4d. This is <i>Annual Income</i>.				5. \$59,512.00

Based on the Income Limit for a family of four in this jurisdiction (\$65,950), this family is eligible for assistance.



Questions?

Questions or concerns?



Thank you for attending. Be sure to...

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

We look forward to working with you.