



EL CAJON REDEVELOPMENT AGENCY

FTHB LOAN #

ADVANCE LOAN DISCLOSURE California Dream First-Time Homebuyer Program

You have applied for the California Dream First-Time Homebuyer Program funded through the El Cajon Redevelopment Agency for down payment and/or closing cost assistance. In order to provide funding for your loan, the Agency requires that any potential or new applicant be furnished this disclosure at least 30 days prior to execution of your loan documents to clarify certain terms of the loan you are applying for. This form supplements other disclosures or agreements you may have received from the City of El Cajon, your loan agent and those documents you will sign at loan closing.

SECTION 1. PERIOD OF AFFORDABILITY.

- In connection with this mortgage loan:
- The California Dream First-Time Homebuyer Program has a Period of Affordability, as required California Health & Safety Code Section 33413, of forty-five (45) years.

SECTION 2. EQUITY-SHARE.

- In connection with this mortgage loan:
- The California Dream First-Time Homebuyer Program has an Equity-Share Period that runs equal to the Period of Affordability, which is forty-five (45) years.
 - During the Period of Affordability, the property can only be transferred to an Eligible Person or Family to avoid payment of equity-share to the Agency.

If the property is sold to an Eligible Person or Family during the Period of Affordability, the eligible buyer(s) must apply through a Participating Lender and meet all Agency funded First-Time Homebuyer Program requirements that include, but are not limited to, Income limitations and Affordable Housing Cost requirements, and must close and be funded with a new Agency loan.

- During the Period of Affordability and if the property is sold, rented, refinanced, transferred, or conveyed without the express written consent of the El Cajon Redevelopment Agency, the principal loan amount plus applicable equity-share, will immediately become due and payable.
- Equity-share schedule is as follows:

# Months After Date of Agreement	Agency Equity Share
0-540	Not to exceed the amount of Original Purchase Price financed with Agency Funds. For example: if Agency Funds represented twenty percent (20%) of the Original Purchase Price of the property, a maximum of 20% of the Net Appreciation may be charged by the Agency.
541 and thereafter	0%

SECTION 3. ANNUAL INCOME RE-QUALIFICATION.

- In connection with this mortgage loan:
- Each Owner agrees to annually re-qualify as an Eligible Person or Family entitled to Agency assistance and continuing deferral of payments on the Promissory Note.
 - In the event the Owner is no longer an Eligible Person or Family, and throughout the period of ineligibility, monthly principal payments on the Promissory Note shall be required to be made by the owner to the Agency, commencing 60 days after determining ineligibility (or effective retroactively to) the first of the month following the event or events giving rise to the ineligibility.
 - The monthly amount to be paid to the Agency shall be 30% of any income over 120% of the Area Median Income (prorated monthly), as determined by the United States Department of Housing and Urban Development (HUD) and adjusted periodically, to a maximum of \$1,000.00 and not less than \$50.00 per month and is more particularly described in the Note. However, the maximum affordable housing cost, with any Agency approved mortgage, shall not exceed 35% of the gross income for the household.

SECTION 4. TAX CONSEQUENCES.

- **USE OF THE SHARED APPRECIATION LOAN WILL HAVE INCOME TAX OR ESTATE PLANNING CONSEQUENCES WHICH WILL DEPEND UPON YOUR OWN FINANCIAL AND TAX SITUATION. FOR FURTHER INFORMATION, YOU ARE URGED TO CONSULT YOUR OWN TAX ACCOUNTANT, ATTORNEY, OR OTHER FINANCIAL ADVISOR.**
- **THE QUESTIONS YOU SHOULD DISCUSS INCLUDE THE TAX DEDUCTABILITY OF THE CONTINGENT INTEREST PAYMENT, YOUR RIGHT TO UTILIZE THAT DEDUCTION IN YEARS OTHER THAN THE YEAR IT IS PAID, AND THE EFFECT OF THE LOSS OF TAX BENEFITS BEFORE THAT TIME.**

SECTION 5. DEFINITIONS

- “Agency Funds” or “Agency Investment” is defined as funds received from the El Cajon Redevelopment Agency. Agency Investment may include: Agency cash investment, the difference between the price of land provided by the Agency and the Fair Market Value of the land, the amount of fees waived by the Agency, and the value of in-kind contributions made on or behalf of the Agency.
- “Borrower’s Cash Contribution” is defined as the sum of costs actually paid by the Borrower plus any gift funds approved by the City (less any refund) for the original purchase of the security property which may include, but are not limited to: downpayment, installment payments of mortgage principal on the First Trust Deed, escrow fees, transfer taxes, recording fees, brokerage commission, other similar costs of the acquisition, Documented Capital Improvements, plus not less than the Legal Rate of Interest on those cash payments. Borrower’s Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.
- “Current Appraised Value” is defined as the value of the property (fair market value) obtained from an independent appraiser licensed by the State of California. The Agency reserves the right to obtain an independent appraisal.
- “Current Sales Price” is defined as the price obtained for the property in the open market (fair market value) and shall include any thing of value given for consideration (e.g., cash, personal property, real property, etc.).
- “Documented Capital Improvements” means Improvements (not repairs) more specifically outlined in IRS Publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City for review. Please contact the City of El Cajon Building Division to ensure that any Documented Capital Improvement meets current code and permits are obtained when required.
- “Effective Period” or “Period of Affordability” is defined as the period commencing on the date of this Agreement and ending on the earlier of the repayment of the loan from the Agency or forty-five (45) years after recordation of the Deed of Trust.
- “Eligible Person or Family” means any person or family of Low and/or Moderate Income (as defined in California Health and Safety Code §50093) who meets the income qualifications for Moderate Income Households (as defined in California Health and Safety Code §50052.5) as applicable to an Agency assisted Property.
- “Equity Share Period” is defined as the forty-five (45) year period after recordation of the Deed of Trust in which the Agency shall share Net Appreciation if the property is sold, rented, refinanced, conveyed, or transferred (except as provided in the Note), without the express written consent of the Agency.
- “Fair Market Value” means the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.
- “Gross Appreciation” is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value.
- “Homeowner Investment” is defined as the Borrower’s Cash Contribution.

- “Legal Rate of Interest” means interest calculated on the Borrower’s Cash Contribution based on the Federal Funds Rate at the time of sale, rental, refinance, transfer, conveyance, etc., of the property. The Federal Funds Rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The Agency will credit the Legal Rate of Interest to the homeowner as follows: Borrower’s Cash Contribution (X) the Legal Rate of Interest (X) the number of years owned (prorated to the nearest full month).
- “Net Appreciation” or “Net Appreciated Value” means the Gross Appreciation less the sum of the Homeowner’s Cash Contribution.
- “Original Purchase Price” is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs included in the purchase price and as listed on the Final HUD-1 Settlement Statement.
- “Contingent Deferred Interest”, “Deferred Interest”, or “Contingent Interest” means the sum a borrower is obligated to pay to a lender pursuant to the documentation of a Shared Appreciation Loan as a share of (1) the appreciation in the value of the security property, (2) rents and profits attributable to the subject property, or (3) both.
- “Shared Appreciation Loan” means any loan made upon the security of an interest in real property which additionally obligates the borrower to pay to the lender contingent deferred interest pursuant to the loan documentation.

By signing below, applicant(s) acknowledge that you have read and understand the requirements of the California Dream First-Time Homebuyer Program you are about to undertake. By your signature, you also acknowledge you have received a copy of this document.

Printed Name	Signature	Date
Printed Name	Signature	Date
Printed Name	Signature	Date
Printed Name	Signature	Date