



# American Dream First-Time Homebuyer Program

## Program Description

The City of El Cajon **American Dream** First-Time Homebuyer Program now provides down payment and closing cost assistance to first-time homebuyers with the help the CalHome and HOME/ADDI Programs. This loan program can help with the purchase of a new or existing home within the City by financing the gap necessary to make housing affordable to low-income households. **This is a shared-appreciation loan in compliance with the HOME and CalHome Programs. See page (2) for an example of the financial consequences of this program.**

## Eligibility Criteria

Your household income cannot exceed 80% of the Area Median Income (80% AMI) or the following:

Household Size	Maximum Income Low-Income	Maximum Income Very-Low Income
1 person	\$ 44,000	\$ 27,500
2 persons	\$ 50,250	\$ 31,400
3 persons	\$ 56,550	\$ 35,350
4 persons	\$ 62,800	\$ 39,250
5 persons	\$ 67,850	\$ 42,400
6 persons	\$ 72,850	\$ 45,550
7 persons	\$ 77,900	\$ 48,700
8 persons	\$ 82,900	\$ 51,850

Effective June 26, 2010, and subject to periodic updates

- The home must be your principal residence.
- The minimum number of persons per bedroom shall not be less than one and cannot exceed two persons.
- You must be able to contribute a minimum of one percent (1%) of the purchase price of your own money for liquid reserve assets. Gift funds from an immediate family member, church, employer or non-profit agency are allowed to pay additional closing costs, with documentation, but cannot be used to meet the 1% borrower reserve requirement above.
- Credit must meet City established guidelines.
- You must not have owned a home within the last three years.
- You cannot own any real property now.

## Property Guidelines

- The purchase price cannot exceed \$437,000 for SFR's or \$313,500 for a Condominium (Effective 06/01/05, subject to periodic updates)
- Homes may be single-family, condominiums, town-homes, or manufactured homes that meet FNMA conventional guidelines and are considered real property.
- The property must be vacant or owner occupied upon execution of the purchase offer.
- The home must be free from any health and safety defects and lead-based paint hazards.
- The home must be in the City of El Cajon.

## Loan Terms

- No monthly payments. Repayment is deferred until the borrower sells, transfers, refinances or converts the home to a rental property.
- No interest – instead, the City shares the equity. The principal does not decrease.

## Maximum Loan<sup>1</sup>:

- **Low-income** households (50.01% to 80% AMI): up to 40% of the purchase price or appraised value, whichever is less for down payment;
- **Very-low income** households (below 50% AMI): up to 50% of the purchase price or appraised value, whichever is less for down payment;
- CalHome funds will cover 67% of the down payment<sup>2</sup>.
- HOME/ADDI funds will cover 33% of the down payment, plus up to \$5,000 for closing costs and pre-paid items (if requested) but cannot exceed 221d(3) limits<sup>3</sup>.
- City and CalHome funds cannot be used to pay debts.
- The City loan may be used for down payment and closing costs as specified above, on fully amortizing fixed rate loans only.
- Adjustable rates loans, Balloon, temporary buy-downs, negatively amortizing, or prepayment penalty loans are not allowed.
- Maximum fees to the Buyer of 1.25% origination, discount points for below par pricing only, and \$350 processing are acceptable for the purchase transaction. No other Broker or Admin type fees allowed. Other 3<sup>rd</sup> party fees that are reasonable and customary are allowable.
- Total housing ratio (PITI) cannot exceed 35% of applicant(s) monthly gross income.
- Maximum CLTV (with financed insurance) cannot exceed 103%.
- Maximum debt-to-income ratio is 42%.
- Minimum Housing Ratio is 28%
- Impounds are required on the 1<sup>st</sup> mortgage.
- All applicants must apply for MCC credits concurrently. Call 800-591-3111 for more information.

## How to Apply

1. Request a Participating Lender List and an Approved Homebuyer Education Providers list from the website at [www.ci-el-cajon.ca.us](http://www.ci-el-cajon.ca.us) or by calling (619) 441-1710 or online.
2. Attend an approved Homebuyer Education class.
3. Select a lender. The lender will pre-qualify you and submit a package to the City for pre-approval.
4. Find a home to purchase that meets Program and pre-approval requirements.
5. The lender will submit a request for funds and City loan application materials and related documentation. Funds are limited and are available on a first-come, first-serve basis.

**For more information please contact the Department of Redevelopment and Housing (619) 441-1710. Terms are subject to change without notice.**

The City of El Cajon is committed to providing equal housing opportunity for all people regardless of race, color, gender, religion, national origin, familial status or disability.

*If you believe you have been a victim of discrimination, contact the U.S. Department of Housing & Urban Development's Fair Housing Hotline (800) 669-9777.*

See page (2) for a program Equity Share example

**For more information on Housing Programs, check out the City website at: [www.ci-el-cajon.ca.us](http://www.ci-el-cajon.ca.us)**

<sup>1</sup> Each funding source will encumber the subject property with a separate lien and applicable documents.

<sup>2</sup> If HOME/ADDI funds are depleted, CalHome funds will cover 100% of the down-payment amount, plus up to \$5,000 for non-recurring closing costs, subject to the above limitations.

<sup>3</sup> Effective January 1, 2010: 1-BR \$144,355; 2-BR \$175,536; 3-BR \$227,086; 4-BR \$249,271.



## American Dream First-Time Homebuyer Program Shared Equity Example<sup>1</sup>

**NOTE:** The maximum equity to be shared by the City shall not exceed the amount equal to the percentage of the value of the residence financed by the CalHome and HOME/ADDI Program loan(s). That is, if the loan equals twenty percent (20%) of the **Original Purchase Price** of the residence, a maximum of twenty percent (20%) of the **Net Appreciation** may be charged by the City.

The following *example* assumes the following: (a) **Current Sales Price** or **Current Appraised Value** (as may be the case of a refinance), in the example, of \$260,000, (b) **Original Purchase Price (OPP)** of \$180,000, (c) initial **Gross Appreciation** of \$80,000 (the Current Sales Price of \$260,000 minus the Original Purchase Price of \$180,000), (d) \$26,000 in closing costs (estimated at 10% of the **Current Sales Price**), (e) initial **Net Appreciation** of \$54,000, and an equity share schedule based on the percentage of CalHome assistance of \$30,150 (16.75% of OPP) and HOME/ADDI assistance of \$14,850 + \$5,000 (11.03% of (OPP)) on an Initial Purchase Price of \$180,000. *The table is for the purpose of illustration only and will apply to any form of default of the City administered Programs. Actual sales price and net sales price will vary. The principal amount of the loans remains due and is in addition to any equity-share that may be owed to the City.*

# Months After Date of Agreement	Current Sales Price or Current Appraised Value (a)	Original Purchase Price (b)	Gross Appreciation (c) (difference of a-b)	Seller's Closing Costs (d) (10% of Current Sales Price)	Net Appreciation (e) (c-d)	Seller's Equity Share of Net Appreciation (f) (72.22% of [e])	CalHome & City Equity Share of Net Appreciation (g) (27.78% of [e])	Principal Amount Due to City (h)	Total Amount due to City (g+h)
0-180	\$260,000	\$180,000	\$80,000	\$26,000	\$54,000	\$38,998.80	\$15,001.20	\$50,000	\$65,001.20
181 and thereafter	\$285,000	\$180,000	\$105,000	\$28,500	\$94,500	\$94,500.00	\$0	\$50,000	\$50,000.00

In this *example*, the finance charge/equity-share varies between \$0<sup>2</sup> and \$15,001.20 through year fifteen (15). Your amount will differ, depending upon gross sales price, net sales price, the amount of equity, the number of months after the date of agreement that the sale, transfer, rental or refinance occurs, etc.

In the event that no Net Appreciation exists at the time of transfer or sale, the CalHome and HOME/ADDI funds will still be due and payable. In the event that a negative Net Appreciation situation exists, and the full amount of the HOME/ADDI funds are not available to be recaptured, the amount of HOME/ADDI funds required to be repaid to the City will be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

$$\frac{\text{HOME/ADDI Investment}}{\text{HOME/ADDI Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME/ADDI amount to be recaptured}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME/ADDI Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{Amount to Homeowner}$$

Provided that Borrower is not in default under the terms of the Note, the Note interest/equity share shall be forgiven in its entirety and interest in the equity of the Property shall be relinquished by the City fifteen (15) years from the date of the execution of the Note, as provided in the loan documents.

**"ADDI Funds"** or **"ADDI Investment"** is defined as funds received pursuant to Title I of the American Dream Downpayment Act (Public Law 108-186, approved December 16, 2003), and regulated under 24 CFR Part 92.600 (Subpart M of the HOME rule).

**"CalHome Funds"** or **"CalHome Loan"** is defined as funds received pursuant to the CalHome Program administered through the California Department of Housing and Community Development.

**"Current Sales Price"** is defined as the price obtained for the property in the open market and shall include any thing of value given for consideration (e.g., cash, personal property, real property, etc.)

**"Current Appraised Value"** is defined as the value of the property obtained from an independent appraiser licensed by the State of California. The City reserves the right to obtain an independent appraisal.

**"Documented Capital Improvements"** is defined by the IRS as Improvements (not repairs) 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 City or thirty (30) years after recordation of the Deed of Trust.

**"Equity Share Period"** is defined as the fifteen (15) year period after recordation of the Deed of Trust in which the City 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 City.

**"Gross Appreciation"** is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value.

**"HOME Funds"** or **"HOME Investment"** is defined as funds received pursuant to the HOME Investment Partnership Program.

**"Homeowner investment"** is defined as the amount of Seller's Cash Contribution and Documented Capital Improvements made by the owner since purchase.

**"Net Appreciation"** is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the documented value of capital improvements from the Gross Appreciation amount.

**"Original Purchase Price"** is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs as listed on the Final HUD-1 Settlement Statement.

**"Seller's Cash Contribution"** is defined as cash deposited by the Borrower plus any gift funds approved by the City (less any refund) in the Original Purchase Price transaction. Seller's Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.

**"Seller's Applicable Closing Costs"** include those costs of broker's commissions escrow fees, title costs and fees, recording fees, etc.

<sup>1</sup> Upon request of an assisted household, the City may elect to forgive all or a portion of the Equity-Share upon sale, if the assisted property is sold to another low-income household who utilizes HOME or CalHome funds for the purchase of the property. City review and approval will be required.

<sup>2</sup> Equity-share would equal \$0 in the event the property is sold to another qualified family who applies for CalHome/HOME assistance and the City elects to forgive the entire equity-share portion due to the City.