



**A REALTOR<sup>®</sup>'S  
GUIDE TO FINANCE  
PROGRAMS FOR  
FIRST-TIME HOME  
BUYERS**



CALIFORNIA ASSOCIATION OF REALTORS®

**C.A.R.'s First-Time Home Buyer Toolkit  
A REALTOR'S® Guide to California Finance Programs**

Dear California REALTOR®:

Assisting first-time buyers has always been an important and often challenging part of the California housing market. The truth is, these transactions do take a little more effort and preparation on the part of the REALTOR® and the home buyer, but there is no greater reward than getting that family into their first home.

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Assisting a first-time home buyer with a public or private-sponsored program may seem to be a daunting task, but with preparation and planning, it can be one of the best transactions you will ever facilitate. This is even more true today when market conditions are extremely attractive with improved housing affordability in the state. At the same time, turmoil in the mortgage market and, more generally, in the financial system has once again made obtaining the right mortgage a critical and difficult process.

There are components to working with first-time home buyer programs that will make the transaction different, and will require an investment of your time. Requirements can include: home buyer education, income eligibility, and layering financing, to name a few.

The CALIFORNIA ASSOCIATION OF REALTORS® continues to be a strong advocate for programs that will assist home buyers in these difficult economic times. We have developed this guide as an introduction to the programs currently available to potential California home buyers from state and local agencies. The recent passage of the Housing and Economic Recovery Act of 2008, as well as changes to state and local programs, make this timely guide a must read for California REALTORS®. Given that these programs will evolve over time, always contact the relevant agency to verify program availability and eligibility before you begin.

If working with first-time home buyers is your calling, you will need to invest in learning about the various programs that are offered in your community. With this guide, you'll learn the basics of working with these programs and some practical tips to help you avoid the common pitfalls.

William E. Brown  
2008 President, C.A.R.



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## **Mission Statement**

The purpose of the CALIFORNIA ASSOCIATION OF REALTORS® is to serve its membership in developing and promoting programs and services that will enhance the members' freedom and ability to conduct their individual businesses successfully with integrity and competency, and, through collective action, to promote the preservation of real property rights.

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# Program Requirements and Loan Types

## Typical First-Time Home Buyer Program Requirements

While program requirements may vary from agency to agency, the following are typical requirements:

- The applicant must be a first-time home buyer. A first-time home buyer is most often defined as someone, including his or her spouse, who has not had an ownership interest in a principal residence at any time during the past three years. The term includes displaced homemakers and single parents. This requirement is not necessary if the property is located in a federally designated target area.
- The buyer must meet income requirements:  
**Low Income** – 50 to 80 percent of the area median income (AMI)  
**Moderate Income** – 80 to 120 percent of the AMI  
*The qualifying income includes the total household income: the income of all adults 18 years of age or older who are residing in the property. For an example of income limits, see chart on page 5.*
- Maximum purchase price may not exceed limits established for the area.
- Applicant may be required to live in the home being purchased for the entire term of the loan, or until the home is sold or refinanced. The program is not eligible for property purchased as an investment or rental.
- If the assistance is a loan, the applicant may be required to provide a down payment.
- Applicant must complete an agency-approved home buyer education training class.
- For local programs, the prospective property must be located within the city limits or unincorporated county areas.
- Applicant must be a citizen of the United States or a qualified alien.

## Common Programs & Loan Types

There are several types of finance assistance programs offered for first-time buyers. Down payment assistance is the focus of several programs. Others offer specific loan products designed to help first-time home buyers. The following are the most common types of programs that are currently offered and a list of typical conditions attached to a loan program:

**Down Payment/Closing Cost Assistance** – A deferred loan, usually at 0 percent interest with loan due on sale, title transfer, or first mortgage repayment, or in 30 years.

**Second Loan (Second Mortgage)** – A mortgage loan in addition to the first, or primary, mortgage loan. This is a loan subordinated to the first mortgage.

**Shared Appreciation Loan** – This is applicable to city and county down payment-assistance programs. It involves a loan with a zero or low-interest rate in exchange for sharing the property's increased future value with the lender. The appreciation is calculated by subtracting the original sales price from the current sales price or the current appraised market value. The principal balance amount plus a share of the appreciation will be due at the end of term or when the borrower sells, rents, or transfers title of the property.

**Deferred Loan** – A second, third, or fourth mortgage that does not have to be repaid until the end of the loan period, the house is sold or refinanced, or title of property is transferred.

**Recoverable Grant** – A small loan (or grant) that has to be repaid under certain conditions but otherwise becomes a true grant and does not have to be paid back.

## Typical Homeownership Program Income Limits

Income limitations vary based on specific programs and regions but, as a guide, the following income limits applied for CalHFA-funded programs in 2008:

	EXISTING RESALE		NEW CONSTRUCTION	
	1 or 2 Persons	3+ Persons	1 or 2 Persons	3+ Persons
<b>Alameda County</b>				
Moderate Income	\$103,320	\$120,540	\$103,320	\$120,540
Low Income	\$61,992	\$71,291	\$72,324	\$83,173
<b>Los Angeles County</b>				
Moderate Income	\$90,960	\$106,120	\$90,960	\$106,120
Low Income	\$54,576	\$62,762	\$63,672	\$73,223
<b>Orange County</b>				
Moderate Income	\$111,600	\$130,200	\$111,600	\$130,200
Low Income	\$66,960	\$77,004	\$78,120	\$89,838
<b>Riverside County</b>				
Moderate Income	\$79,920	\$93,240	\$79,920	\$93,240
Low Income	\$39,960	\$49,954	\$47,952	\$55,154
<b>Sacramento County</b>				
Moderate Income	\$85,200	\$99,400	\$85,200	\$93,240
Low Income	\$42,600	\$48,990	\$51,120	\$58,788
<b>San Diego County</b>				
Moderate Income	\$94,800	\$110,600	\$94,800	\$110,600
Low Income	\$56,880	\$65,412	\$66,360	\$76,314
<b>San Francisco County</b>				
Moderate Income	\$135,720	\$158,340	\$135,720	\$158,340
Low Income	\$81,432	\$93,412	\$95,004	\$109,255
<b>San Joaquin County</b>				
Moderate Income	\$73,560	\$85,820	\$73,560	\$85,820
Low Income	\$36,780	\$42,297	\$44,136	\$50,756
<b>Santa Clara County</b>				
Moderate Income	\$127,320	\$148,540	\$127,320	\$148,540
Low Income	\$76,392	\$87,851	\$89,124	\$102,493
<b>Stanislaus County</b>				
Moderate Income	\$67,800	\$79,100	\$67,800	\$79,100
Low Income	\$33,900	\$38,985	\$40,680	\$46,782

Effective 3/27/08

# Federal Programs

## **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Phone: 202.708.1112

Web site: [www.hud.gov](http://www.hud.gov)

### **HOME Investment Partnerships Program (HOME)**

HOME is a federal block grant implemented through state and local governments. States are automatically eligible for HOME funds. However, local jurisdictions must meet a minimum allocation threshold in order to be a participating jurisdiction. Households receiving HUD assistance must be low-income. HOME income limits are published each year by HUD.

### **SAN DIEGO**

Phone: 619.578.7490

Web site: [www.sdhc.net](http://www.sdhc.net)

#### **Shared Appreciation Program**

Eligibility: Low income

Type: Deferred, shared appreciation loan

Maximum loan: \$70,187 or 25 percent of purchase price, whichever is less.

Loan term: 30 years

Interest: 0 percent

### **FRESNO**

Phone: 559.621.8300

Web site: [www.fresno.gov](http://www.fresno.gov)

#### **Home Buyer Assistance Program**

Eligibility: Low income

Type: Deferred, forgivable loan\*

Maximum loan: \$75,000

Loan term: Due upon sale of the property, change of use, or change of ownership.

Interest: 0 percent

\*\$4,000 of the loan can be forgiven after 15 years.

### **ROSEVILLE**

Phone: 916.774.5270

Web site: [www.roseville.ca.us/housing](http://www.roseville.ca.us/housing)

#### **First Time Home Buyer Downpayment Assistance Program**

Eligibility: Low income

Type: Deferred, shared appreciation loan

Maximum loan: \$120,000

Loan term: 30 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership, whichever occurs first.

Interest: 0 percent

### **SAN BERNARDINO COUNTY**

Phone: 909.388.0910

Web site: [www.sbcounty.gov](http://www.sbcounty.gov)

#### **Home Ownership Assistance Program**

Eligibility: Low income

Type: Deferred loan

Maximum loan: \$54,000, assuming family of eight (2007)

Loan term: Due upon sale of the property, refinance, or change of ownership.

Interest: 0 percent

## **AMERICAN DREAM DOWNPAYMENT INITIATIVE (ADDI)**

**Web site:** [www.hud.gov/addi](http://www.hud.gov/addi)

American Dream Downpayment Initiative (ADDI) provides HUD-funded grants to help home buyers with down payment and closing costs. ADDI is administered as a part of the HOME program by state and local participating jurisdictions. Individuals who qualify for ADDI assistance must be low-income.

### **SAN DIEGO**

**Phone:** 619.578.7490

**Web site:** [www.sdhc.net](http://www.sdhc.net)

#### **Down Payment/Closing Cost Assistance Grant**

**Eligibility:** Low income

**Type:** Recoverable grant

**Maximum loan:** \$15,000 or 6 percent of purchase price, whichever is less.

**Loan term:** Within first six years, due when property is sold or refinanced. After six years, the grant is forgiven.

**Interest:** 5 percent if property is sold or refinanced within the first six years

### **OAKLAND**

**Phone:** 510.238.3015

**Web site:** [www.oaklandnet.com/government/hcd](http://www.oaklandnet.com/government/hcd)

#### **American Dream Downpayment Initiative Program**

**Eligibility:** Low income (cannot exceed 60 percent of AMI)

**Type:** Deferred loan

**Maximum loan:** \$10,000 or 6 percent of purchase price

**Loan term:** 30 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership, whichever occurs first.

**Interest:** 3 percent simple

### **SANTA ANA**

**Phone:** 714.667.2250

**Web site:** [www.ci.santa-ana.ca.us](http://www.ci.santa-ana.ca.us)

#### **Down Payment Assistance Loans**

**Eligibility:** Low income

**Type:** Deferred loan

**Maximum loan:** 6 percent of purchase price

**Loan term:** 45 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership, whichever occurs first.

**Interest:** 0 percent

### **SANTA ROSA**

**Phone:** 707.543.3300

**Web site:** [ci.santa-rosa.ca.us](http://ci.santa-rosa.ca.us)

#### **American Dream Downpayment Initiative Program**

**Eligibility:** Low income

**Type:** Deferred loan

**Maximum loan:** \$10,000

**Loan term:** 15 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership, whichever occurs first.

**Interest:** 3 percent

# The Housing and Economic Recovery Act of 2008

In early 2008, the Economic Stimulus Act of 2008 raised conforming loan limits in high-cost areas to \$729,750 (up from \$417,000); however, this provision was temporary and is set to expire on Dec. 31, 2008.

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 (HERA). This piece of historic legislation will assist an estimated 400,000 homeowners facing foreclosure, many of whom reside in California, by allowing them to refinance their current mortgages with a Federal Housing Administration (FHA)-backed loan. Another centerpiece of this legislation is the creation of a \$7,500 tax credit for first-time home buyers and the continuation of the Hope for Homeowners program. Effective Oct. 1, 2008, the bill also will permanently increase FHA, Fannie Mae, and Freddie Mac loan limits.

Under HERA, the new loan limits for Fannie Mae and Freddie Mac are the greater of either \$417,000 or 115 percent of an area's median home price, up to \$625,500. The new FHA loan limit will be the greater of \$271,050 or 115 percent of an area's median home price, up to \$625,500. Both new loan limits will be effective upon the expiration of the Economic Stimulus limits on Dec. 31, 2008.

## Homeowners May Already Be Eligible for Assistance

Families should not wait to seek mortgage relief. Right now, homeowners can determine if they are already eligible for mortgage assistance through *FHASecure*, FHA's existing refinancing program. They can obtain information through either of the following options:

1. Contact a local HUD-approved housing counseling agency at HUD.gov.
2. Contact the HOPE NOW Alliance at (888) 995-HOPE.

## **\$7,500 TAX CREDIT FOR FIRST-TIME HOME BUYERS** – *Features of the tax credit include:*

- Ten percent of cost of home, not to exceed \$7,500.
- Portion (6.67 percent of credit) to be repaid each year for 15 years. If the home is sold before 15 years, then remainder of credit is recaptured on sale.
- Any single-family residence (including condos, co-ops) that will be used as a principal residence.
- Reduces income tax liability for the year of purchase. Can be claimed on tax return for that tax year.
- Full amount of credit available for individuals with adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). Phases out above those caps (\$95,000 and \$170,000, respectively).
- Purchaser (and purchaser's spouse) may not have owned a principal residence within three years prior to purchase.
- The tax credit phases out for a taxpayer with a modified adjusted gross income of no more than \$75,000 (or \$150,000 for joint returns)
- This tax credit is available for qualifying homes purchased from April 9, 2008, through June 30, 2009.



## HOPE FOR HOMEOWNERS PROGRAM

Hope for Homeowners maintains FHA's long-standing requirement that new loans be based on a family's long-term ability to repay the mortgage. By continuing to slow the rate of foreclosures, this program will support FHA's existing effort to stabilize local housing markets. From Sept. 2007 to June 2008, FHA has guaranteed more than \$93 billion of mortgage capital. FHA allows only owner-occupants to be eligible for FHA-insured mortgages. Borrowers must also meet the following eligibility criteria:

- Their mortgage must have originated on or before Jan. 1, 2008;
- Their mortgage debt-to-income must be at least 31 percent;
- They cannot afford their current loan;
- They did not intentionally miss mortgage payments; and
- They do not own second homes.

### Features of FHA-insured loans under the new program include:

- 30-year, fixed-rate mortgage;
- Maximum 90 percent loan-to-value ratio;
- No prepayment penalties;
- \$550,400 maximum mortgage amount, and will include charges for FHA insurance premiums;
- Extinguishment of any subordinate liens;
- New home appraisals from FHA-approved appraisers; and
- Upon obtaining the FHA refinance, the borrower must share with the FHA at least 50 percent of any equity realized through a subsequent sale or refinance.

HUD, U.S. Treasury, FDIC, and the Federal Reserve will form the Congressionally mandated Board of Directors and work together to establish additional program standards.

FHA will insure up to \$300 billion in new loans. Borrowers will pay an up-front premium of 3 percent of the original mortgage amount and an annual premium of 1.5 percent of the outstanding mortgage amount. Any additional costs incurred by FHA will be reimbursed by Fannie Mae and Freddie Mac.

### Voluntary Lender Participation

FHA will continue to offer lenders an alternative to foreclosing on borrowers. Similar to *FHASecure's* recent expansion, lenders will be encouraged to write down the outstanding mortgage principal balances to 90 percent of the new value of the property. In many cases, reductions in principal will cost lenders less than the losses associated with foreclosure; however, lender participation is voluntary.

### Program Timeline

The program will last Oct. 1, 2008, through Sept. 30, 2011. Since Sept. 2007, *FHASecure* has helped more than 290,000 families obtain safer, more affordable mortgages. *FHASecure* is on pace to help 500,000 families by the end of the year.

# California Programs

## **CALIFORNIA HOUSING FINANCE AGENCY (CalHFA)**

**Phone:** 877.9.CalHFA

**Web site:** [www.calhfa.ca.gov](http://www.calhfa.ca.gov)

**E-mail:** [homeownership@calhfa.ca.gov](mailto:homeownership@calhfa.ca.gov)

CalHFA sells tax-exempt mortgage bonds to secure financing for low-market interest rate loans and down payment-assistance programs. A few down payment-assistance programs administered by CalHFA are state-funded. CalHFA does not lend money directly to consumers. It uses approved private lenders to qualify consumers and make all mortgage loans. The rates consumers pay could vary depending on program criteria. To find out if your clients are eligible to receive CalHFA financing, they must first work with a CalHFA-approved lender. To find contact information for lenders in your area, search CalHFA's Approved Lenders Database: <https://wp11.calhfa.ca.gov/ApprovedLenders>.

### **First Mortgage Loan Programs**

#### **35-Year *interest-only Plus*<sup>SM</sup>**

This conventional mortgage loan offers up to 100 percent financing and allows borrowers to pay only the interest for the first five years of a 35-year term. After that, borrowers pay principal and interest at the same low, fixed interest rate for the remaining 30 years. The *interest-only Plus* loan may also be combined with CalHFA junior loan programs (except CHAP), for down payment and closing cost assistance, to make owning a first home more affordable.

#### **40-Year Fixed Mortgage**

This conventional mortgage loan offers up to 100 percent financing with a 40-year term and a low-market, fixed interest rate.

#### **30-Year Fixed Mortgage**

This conventional mortgage loan offers up to 100 percent financing with a 30-year term and a low-market, fixed interest rate.

#### **30-Year Fixed Government Insured/Guaranteed Mortgage**

This program is for mortgage loans that are insured or guaranteed by FHA, VA, or USDA, and features a 30-year term with a low-market, fixed interest rate.

### **Down Payment-Assistance Loan Programs**

#### **Affordable Housing Partnership Program (AHPP)**

A joint effort by CalHFA and more than 300 localities (cities, counties, redevelopment agencies, housing authorities, and nonprofit entities) whereby a deferred-payment subordinate loan from a locality is utilized by the first-time home buyer to assist them with down payment and/or closing costs. The partnership provides low-income borrowers with sufficient gap financing for affordable home loan payments.

#### **CalHFA Housing Assistance Program (CHAP)**

Offers a deferred-payment junior loan of an amount up to the lesser of 3 percent of the purchase price or appraised value to be used for a down payment. CHAP is available only when combined with an FHA-insured CalHFA 30-Year Fixed Mortgage.

#### **California Homebuyer's Downpayment Assistance Program (CHDAP)**

Offers a deferred-payment junior loan of an amount up to the lesser of 3 percent of the purchase price or appraised value to be used for a down payment or closing costs. This junior loan may be combined with a CalHFA or non-CalHFA first mortgage loan offered by a CalHFA-approved lender. This junior loan cannot be combined with ECTP.

#### **Extra Credit Teacher Home Purchase Program (ECTP)**

A low-market interest rate CalHFA first loan, combined with a forgivable interest CalHFA junior loan, assists eligible teachers, administrators, staff members, and classified employees who serve in California's high-priority schools

in purchasing their first home. The ECTP provides a deferred-payment junior loan for down payment assistance, from \$7,500 to \$15,000, depending on the location of the property, or 3 percent of the purchase price, whichever is greater. This junior loan is available only when combined with a CalHFA first mortgage loan. If the first mortgage loan is CalHFA's 30-Year Fixed Mortgage, the interest rate on the first mortgage will be at a special reduced rate. Interest on the junior loan is deferred and may be reduced to zero if the borrower meets continued eligibility requirements. The ECTP cannot be combined with the CHDAP. The ECTP reduced interest rate is not available on the CalHFA *interest-only* PLUS<sup>SM</sup> or the 40-Year Fixed Mortgage loan programs.

#### **High Cost Area Home Purchase Assistance Program (HiCAP)**

Through HiCAP, CalHFA helps make homeownership a possibility for first-time home buyers in some of California's higher-cost counties. The HiCAP provides a deferred-payment second loan of \$7,500 to be used for down payment assistance and is available only when combined with a CalHFA first mortgage loan program.

#### **CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS (CalVet)**

**Phone:** 800.952.5626

**Web site:** [www.cdva.ca.gov/CalVetLoans](http://www.cdva.ca.gov/CalVetLoans)

#### **CalVet Home Loan Purchase Program**

The State of California, using the CalVet Home Loan, provides below-market interest rates in an attempt to offer qualified veterans and active-duty personnel the best home-purchasing power available. The CalVet loan program exists as a way of showing appreciation to both active military personnel and military veterans wanting to purchase property and live in California. Applicants for the CalVet Home Loan Program will enjoy a competitive, below-market interest rate on loans up to \$521,250 with little or no money down.

#### **NATIONAL HOMEBUYERS FUND**

**Phone:** 866.643.4968

**Web site:** <http://www.nhfloan.org>

National Homebuyers Fund, Inc. (NHF) is a non-profit public benefit corporation, formed in 2002 through sponsorship from California Rural Home Mortgage Finance Authority (CRHMFA) Homebuyers Fund (CHF), a California joint exercise of powers agency of Regional Council of Rural Counties, since 1993. The mission of both organizations, NHF and CHF, is to provide a consistent source of financing to help potential home buyers with the purchase of a home. These homeownership programs are focused primarily on a large but underserved segment of the home buyer population – those without the financial resources to afford the down payment and closing costs associated with a home purchase. NHF offers two types of mortgage-assistance programs:

#### **The FirstHouse Program for first-time home buyers features:**

- Below-market interest rates
- Fixed-rate loans with terms up to 40 years
- Fixed-rate loans with an initial interest-only period
- Down payment and closing cost assistance, up to 105 percent financing
- Little-to-no home buyer contribution required
- Optional grant available for down payment and closing costs

#### **The Access Program is open to first-time or previous home buyers. It features:**

- Financing up to 105 percent of the sales price to cover the mortgage loan, down payment, and closing costs
- No first-time home buyer requirement
- Competitive interest rates to keep payments low
- Variety of loan terms to fit clients' needs
- No recapture tax assessed if home is later sold
- Little-to-no borrower contribution required

## Local Programs - Northern California

### CONCORD

Phone: 925.671.3341

Web site: [www.cityofconcord.org/living/housing](http://www.cityofconcord.org/living/housing)

#### First Time Homebuyer Program

Eligibility: Low and moderate income

Type: Deferred, shared appreciation loan

Maximum loan: \$15,000 (100 percent to 120 percent of AMI) to \$25,000 (cannot exceed 100 percent of AMI) or 20 percent of purchase price

Loan term: 45 years or due upon sale of the property

Interest: 0 percent

### FRESNO

Phone: 559.621.8300

Web site: [www.fresno.gov](http://www.fresno.gov)

#### CalHome Mortgage Assistance Program

Eligibility: Low income

Type: Deferred, forgivable loan\*

Maximum loan: \$75,000

Loan term: 30 years or due upon sale of the property, change of use, or change of ownership

Interest: 0 percent

\*\$4,000 of the loan can be forgiven after 10 years.

### OAKLAND

Phone: 510.238.3015

Web site: [www.oaklandnet.com/government/hcd](http://www.oaklandnet.com/government/hcd)

#### First Time Homebuyers Mortgage Assistance Program

Eligibility: Low income

Type: Deferred loan

Maximum loan: \$75,000

Loan term: 30 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership

Interest: 3 percent simple

### SAN FRANCISCO

Phone: 415.701.5500

Web site: [www.sfgov.org/site/moh](http://www.sfgov.org/site/moh)

#### City Second Loan Program & Downpayment Assistance Loan Program (DALP)

Eligibility: Low and moderate income

Type: Deferred, shared appreciation loan

Maximum loan: \$150,000 or 30 percent of the purchase price, whichever is less

Loan term: 40 years

Interest: 0 percent

### SAN JOSE

Phone: 408.535.3860

Web site: [www.sjhousing.org](http://www.sjhousing.org)

E-mail: [housing@sanjoseca.gov](mailto:housing@sanjoseca.gov)

#### Equity-Share Homebuyer Program

Eligibility: Low and moderate income

Type: Deferred, shared appreciation loan

Loan term: 30 years

Interest: 0 percent

At the time of resale, an assisted home buyer has two options:

- A. Sell the unit at a restricted sales price to an income-eligible home buyer, provided that the new home buyer will assume the city loan and existing restrictions; or
- B. Sell the unit for full market value and repay the city loan principal in addition to a portion of the accrued equity from the sales proceeds.

### VISALIA

Phone: 559.732.4194

Web site: [www.ci.visalia.ca.us](http://www.ci.visalia.ca.us)

#### First Time Homebuyers Program

Eligibility: Low income

Type: Deferred loan

Maximum loan: \$60,000

Loan term: 30 years

Interest: 2 percent simple

- NOTE:
- Payments can be deferred for the first five years
  - Income recertification every five years thereafter
  - Minimum \$75 payment required if FHA underwriting debt ratios are met, up to maximum required payment

# Local Programs - Southern California

## **SOUTHERN CALIFORNIA HOME FINANCING AUTHORITY (SCHFA)**

Phone (Los Angeles County): 323.890.7249

Phone (Orange County): 714.834.3014

Web site: [www.lacdc.org](http://www.lacdc.org)

### **Single Family Mortgage Revenue Bond Program**

SCHFA is a joint powers authority between Los Angeles and Orange counties that issues tax-exempt mortgage revenue bonds for low- and moderate-income first-time home buyers. The program offers below-market interest, 30-year fixed-rate (6.395 percent), 40-year fixed-rate (6.625 percent), and 40-year fixed-rate loans with 10 years of interest-only payments (6.75 percent). The program is administered by the County of Los Angeles Community Development Commission and the Public Finance Division of the County of Orange. Eligible areas are all unincorporated areas and incorporated cities within Los Angeles and Orange counties, except the City of Los Angeles. The home buyer will receive a gift of 4 percent of the loan amount to be applied toward the down payment, non-recurring closing costs, and/or prepaid items.

## **LOS ANGELES**

Phone: 866.557.7368

Web site: [www.lacity.org/LAHD](http://www.lacity.org/LAHD)

### **Mortgage Revenue Bond Program (In Partnership with CalHFA)**

**Eligibility:** Low and moderate income

**Type:** Loan

**Loan term:** 30 years

**Interest:** 6.25 percent (low-income); 6.625 percent (moderate-income)

### **CalHome Program**

**Eligibility:** Low income

**Type:** Deferred loan

**Maximum loan:** \$90,000

**Loan term:** 30 years or due upon sale of the property, change of ownership, or first mortgage repayment.

**Interest:** 0 percent

### **Moderate Income Purchase Assistance Program**

**Eligibility:** Moderate income

**Type:** Deferred, shared appreciation loan

**Maximum loan:** \$75,000 (depending on the buyer's income bracket)

**Loan term:** 30 years or due upon sale of the property, change of ownership, or first mortgage repayment.

**Interest:** 0 percent

## **SAN DIEGO**

Phone: 619.578.7490

Web site: [www.sdhc.net](http://www.sdhc.net)

### **CalHome Mortgage Assistance Program/ Shared Appreciation Program**

**Eligibility:** Low income

**Type:** Deferred, shared appreciation loan

**Maximum loan:** 25 percent of the purchase price or \$70,187, whichever is less

**Loan term:** 30 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership, whichever occurs first.

**Interest:** 0 percent

### **Down Payment/Closing Cost Assistance Grant**

**Eligibility:** Moderate income (81 to 100 percent of AMI)

**Type:** Recoverable grant

**Maximum loan:** \$10,000 or 4 percent of the purchase price, whichever is less

**Loan term:** Within first six years, due when property is sold or refinanced. After six years, the grant is forgiven.

**Interest:** 5 percent (if property is sold or refinanced within the first six years).

## Additional Local Programs

### **Mortgage Credit Certificate (MCC) Program**

The Mortgage Credit Certificate (MCC) Program allows an eligible home buyer to claim an annual federal income tax credit. This annual credit results in a dollar-for-dollar reduction that is applied on the home buyer's federal income tax return. The MCC credit is either 15 percent or 20 percent (depending on property location) and is applied to a portion of the total mortgage interest paid every year for the duration of the first mortgage loan. An MCC increases a borrower's disposable income by reducing their federal income tax obligation. This tax savings provides a borrower with more available income to qualify for a home loan and meet mortgage payment requirements. An MCC will reduce the amount of a borrower's federal income taxes otherwise due not to exceed the amount of federal taxes owed for the year after other credits and deductions have been taken. However, the unused tax credits can be carried forward three years, until used. If your client refinances, your client is eligible to apply for a Reissued Mortgage Credit Certificate.

*Example:* If a buyer has a 30-year mortgage of \$130,000 with a 6.25 percent fixed interest rate, the interest rate amount would be approximately \$8,082 during the first year. With a 20-percent credit, \$1,616 of the payment would be given back to the buyer, providing more purchasing capabilities by allowing a lower annual household income to qualify for the mortgage.

- This tax credit is in addition to the standard mortgage interest deduction for which all U.S. homeowners are eligible. The remaining 80 percent or 85 percent of the mortgage interest is taken as a deduction from your client's gross income in the usual manner.
- The program can be used with any 30- or 40-year fixed-rate or qualifying adjustable-rate mortgage. The MCC cannot be used in conjunction with bond-backed loans such as California Housing Finance Agency (CalHFA) or CalVet bond loans. In addition, the MCC cannot be combined with the Mortgage Revenue Bond (MRB) Program.
- If a residence is sold within nine years of purchase, it may be subject to a recapture tax. At the time of the close of escrow, the lender will provide a copy of the Recapture Notice and Computation Worksheet.
- Your client may wish to adjust his or her federal income tax withholding (W-4) in order to receive the MCC benefit on a monthly basis. Advise your client to talk to the payroll department at his or her place of employment. By reducing the monthly withholding, more disposable (after-tax) income will be available with which to make mortgage payments.

### **Reissued Mortgage Credit Certificate (RMCC) Program**

MCC holders can refinance their mortgage loans without voiding their current MCCs by applying for a Reissued MCC (RMCC) from a participating lender. IRS regulations allow existing recipients of MCCs to refinance their original mortgage loans on their principal residence and obtain a new MCC with a tax credit rate the same as that of their original MCC. RMCCs are not available to persons who did not previously hold an MCC certificate. An RMCC entirely replaces the existing MCC, and the MCC holder cannot retain the existing MCC with respect to any portion of the outstanding balance of the certified indebtedness amount specified on the existing MCC. RMCC applicants are not required to re-qualify for a RMCC on the basis of household income or the property's appraised value.

The following counties currently offer the MCC program: Alameda, Contra Costa, Fresno, Los Angeles, Orange, Riverside, Sacramento, Santa Clara, San Diego, and San Francisco.

### **Mortgage Revenue Bond (MRB) Program**

MRBs are tax-exempt bonds that state and local governments issue through housing finance agencies to help fund low-interest rate mortgages. Eligible borrowers are first-time home buyers with low-to-moderate incomes below 115 percent of median family income. MRB loans are offered at a 30-year below-market interest rate. Check with your local housing agency for price limits and interest rates, as they vary within each area.

# Home Mortgage Qualifying Worksheet

How to use this worksheet: Estimate the purchase price of the home your client would like to buy and the down payment your client can afford. Complete each entry based upon this assumption and your client's personal financial situation. If your client's Monthly Housing Cost (F) is not more than the Allowable Monthly Housing Cost (B), and your client's Total Monthly Cost (I) is not more than the Allowable Monthly Debt (G), your client may be qualified for this mortgage.

## Monthly Gross Income

Borrower's annual income \$ \_\_\_\_\_  
 Co-borrower's annual income + \_\_\_\_\_  
 Total gross annual income \$ \_\_\_\_\_  
 Divide total gross annual income by 12 / \_\_\_\_\_ 12  
**Total monthly gross income (A) \$ \_\_\_\_\_**

## Allowable Monthly Housing Cost

Total monthly gross income (A) \$ \_\_\_\_\_  
 Multiply by 28% x \_\_\_\_\_ .28  
 Allowable monthly housing cost (B) \$ \_\_\_\_\_

## Mortgage Amount

Home purchase price (C) \$ \_\_\_\_\_  
 Subtract down payment - \_\_\_\_\_  
 Mortgage loan amount (D) \$ \_\_\_\_\_

## Monthly Taxes and Insurance

Home purchase price (C) \$ \_\_\_\_\_  
 Multiply by .0015 (local requirements vary) x \_\_\_\_\_ .0015  
 Estimated monthly taxes and insurance (E) \$ \_\_\_\_\_

## Monthly Housing Cost

Monthly payment (P & I) on 30-year loan  
 (use the chart in this guide based on [D]) \$ \_\_\_\_\_  
 Estimated monthly taxes and insurance (E) + \_\_\_\_\_  
 Condo or homeowner's fee (if applicable) + \_\_\_\_\_  
**Total monthly housing cost (F) \$ \_\_\_\_\_**

## Allowable Monthly Debt

Total monthly gross income (A) \$ \_\_\_\_\_  
 Multiply by 36% x \_\_\_\_\_ 0.36  
**Allowable total monthly debt (G) \$ \_\_\_\_\_**

## Other Monthly Debt Payments

Car payment \$ \_\_\_\_\_  
 Credit card payments + \_\_\_\_\_  
 Student loan + \_\_\_\_\_  
 Other + \_\_\_\_\_  
 Total other monthly debt payments (H) \$ \_\_\_\_\_

## Total Monthly Cost

Total monthly housing cost (F) \$ \_\_\_\_\_  
 Total other monthly debt (H) + \_\_\_\_\_  
**Total monthly cost (I) \$ \_\_\_\_\_**

## Monthly Mortgage Payment (Principal and Interest)

Loan Amount/Interest Rates	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
\$150,000	\$805	\$852	\$899	\$948	\$998	\$1,049	\$1,101	\$1,153	\$1,207	\$1,261	\$1,316
\$200,000	\$1,074	\$1,136	\$1,199	\$1,264	\$1,331	\$1,398	\$1,468	\$1,538	\$1,609	\$1,682	\$1,755
\$250,000	\$1,342	\$1,419	\$1,499	\$1,580	\$1,663	\$1,748	\$1,834	\$1,922	\$2,012	\$2,102	\$2,194
\$300,000	\$1,610	\$1,703	\$1,799	\$1,896	\$1,996	\$2,098	\$2,201	\$2,307	\$2,414	\$2,523	\$2,633
\$350,000	\$1,879	\$1,987	\$2,098	\$2,212	\$2,329	\$2,447	\$2,568	\$2,691	\$2,816	\$2,943	\$3,072
\$400,000	\$2,147	\$2,271	\$2,398	\$2,528	\$2,661	\$2,797	\$2,935	\$3,076	\$3,218	\$3,363	\$3,510
\$450,000	\$2,416	\$2,555	\$2,698	\$2,844	\$2,994	\$3,146	\$3,302	\$3,460	\$3,621	\$3,784	\$3,949
\$500,000	\$2,684	\$2,839	\$2,998	\$3,160	\$3,327	\$3,496	\$3,669	\$3,845	\$4,023	\$4,204	\$4,388
\$550,000	\$2,953	\$3,123	\$3,298	\$3,476	\$3,659	\$3,846	\$4,036	\$4,229	\$4,425	\$4,625	\$4,827
\$600,000	\$3,221	\$3,407	\$3,597	\$3,792	\$3,992	\$4,195	\$4,403	\$4,613	\$4,828	\$5,045	\$5,265
\$650,000	\$3,489	\$3,691	\$3,897	\$4,108	\$4,324	\$4,545	\$4,769	\$4,998	\$5,230	\$5,466	\$5,704

Note: Assume 30-Year Fixed-Rate Mortgage



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