

County of Santa Clara
Down Payment Assistance Programs
HOME (SCC40K)
Program Manual and Guidelines

INTRODUCTION

The County of Santa Clara is offering a \$40,000 Downpayment Assistance Program (SCC40K). This program is from a grant of HOME funds. This program is funded by the Federal Housing and Urban Development Department (HUD).

The Downpayment Program is a revolving loan fund; loan principal and the accrued interest will be returned to the County and placed in a separate reuse account. All Down Payment Assistance Program Income funds will be used exclusively for new loans for eligible first-time homebuyers. The Program will operate as an over the counter program and shall be used on a first-come, first-serve basis.

PROGRAM DESCRIPTION

The **SCC40K** is a 30 year loan, deferred at **2%** interest for 4 years, and **0%** interest beginning in year 5-30. The maximum loan amount is **\$40,000**. The maximum interest on this loan will not exceed 8% of the loan amount. The repayment of the principle and the interest is considered the recapture of the HOME funds. (*E.g. \$40,000*8%= \$3,200 total interest.*)

All Down Payment Assistance Program Income funds will be used exclusively for new loans for eligible first-time homebuyers. The Program will operate as an over the counter program and shall be used on a first-come, first-serve basis.

The SCC40K Loan may be used for any or either of the following three uses:

- 1) Down Payment Assistance
- 2) Closing Cost Assistance, and/or
- 3) Interest Rate Buy Down.

The Borrower may not use the SCC49K Loan as cash out.

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ELIGIBILITY REQUIREMENTS

- **Primary Residence.** The property must be the principal residence of the purchaser.
- **First-time Homebuyer.** A first-time homebuyer is someone who has not had an ownership interest in their primary residence within the past three years from the date of application to the HOME program.
- **Maximum Household Income.**
 - ✓ Total borrower household income cannot exceed 80% of Area Median Income (AMI). Household Income is defined as the gross annual projected household income to be received during the coming 12-month period. Borrower Annualized Household Income (monthly gross income multiplied by 12) must also meet the current income limits as defined below by HUD.

HUD PROGRAM INCOME LIMITS

Santa Clara County Jurisdictions
Effective Date January 2006 -Median Family Income: \$105,500*

| | | |
|-----------|---|----------|
| 1 person | = | \$59,400 |
| 2 persons | = | \$67,900 |
| 3 persons | = | \$76,400 |
| 4 persons | = | \$84,900 |
| 5 persons | = | \$91,650 |
| 6 persons | = | \$98,450 |

- *In 2006 the median family income dropped from \$105,500 to \$97,100 for Santa Clara County, however, the income limits will remain fixed at the 2004 of (\$105,500) rates until further notice.*

- **Maximum Purchase Price Limits:**

Resale Units/Properties: \$700,000*
New Construction: \$700,000

**The maximum purchase price limits are set at no greater than 95% of the Median Purchase Price/Value Limit of single family properties located in the County of Santa Clara. The analysis of countywide real estate sales data submitted to HUD in July 31, 2006, by the City of Santa Clara and the County of Santa Clara conforms to HOME requirements, as set forth under 24 CFR 92.254. The median for Santa Clara County's HOME program is \$736,250. Therefore 95% of the median yields a maximum purchase price/value limit of \$700,000.*

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ELIGIBLE PROPERTY TYPES

- ✓ Eligible properties include any property that will serve as the purchaser's primary residence, including:
 - ✓ A single-family unit (one unit);
 - ✓ A two-to-four unit property as long as one unit will be the principal residence of the purchaser;
 - ✓ A condominium unit;

- **(SCC40K) HOME:** The property purchased Using HOME assistance must be located in a participating City of the County including:

**Campbell,
Cupertino,
Los Altos,
Los Altos Hills,
Los Gatos,
Monte Sereno,
Morgan Hill,
Saratoga, and
the unincorporated areas of the County**

UNDERWRITING GUIDELINES

- ✓ The Property **must be owner-occupied** for the term of the County Homebuyer Loan.
- ✓ Borrowers must have written confirmation that they have **completed homebuyer education workshop** prior to being approved for the down payment program. (County has a list of pre-purchase homebuyer education providers.)
- ✓ Ownership must be conveyed to an eligible homebuyer **within 6 months of signing the purchase agreement or sales contract.**
- ✓ If at the end of the 6 month period, the applicants have NOT taken ownership interest in the property intended to be purchased with HOME (e.g. Recorded Deed of Trust), than the applicant's income eligibility requirements will be reviewed.
- ✓ If they applicants income does not qualify at the 6-month review period than they will be denied HOME assistance.

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After closing, the SCC40K participants shall provide annual proof of owner occupancy as determined by Program Staff. A letter will be sent out annually requesting proof of ownership.

CODE COMPLIANCE

- ✓ **New Construction:** Prior to the close of escrow, a certification by the developer that the unit(s) meet/comply with the **Energy Model Codes**, and/or State Codes for new construction must be submitted to the County before funds will be released.
- ✓ **Existing/Resale Property:** Prior to the close of escrow, documentation/Home inspection report that the property meets Section 8 Housing Quality Standards (HQS) must be submitted to the County. A County representative must assist in the HQS inspection.

UNDERWRITING LOAN TERMS

- ✓ The maximum loan amount is \$40,000 for HOME funds, funds permitting.
- ✓ The loan is deferred and will accrue interest at a rate of 2% simple interest for 4 years, and 0% interest beginning in year 5-30.
- ✓ The total interest accrued will not exceed 8% of the County Loan Amount.
(see the Promissory Note for additional details)
- ✓ The Loan is structured as a balloon payment loan, with a maximum term equal to that of the first (primary) loan with a maturity date equal to the maturity date of the first (primary) loan.
- ✓ The SCC40K loan can be placed in a junior lien position to other amortized loans.
- ✓ The County loan can be combined with an interest only or adjustable rate first mortgage loan. The first mortgage loan cannot include provisions for graduated payments, a balloon payment loan that does not include an option to extend, and/or a potential for negative amortization loan.
- ✓ In the case of cash out refinance, the SCC40K will become due and must be repaid to the County. Borrower(s) may incur fees considered standard in the mortgage industry including, but not limited to, loan processing, demand or subordination, notary, or document preparation fees by the County in connection with a request for a loan payoff.

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Subordination requests for rate reduction loans must be pre-approved by County Program staff.

- ✓ County staff does not require that the borrower have a minimum amount of down payment funds or credit score other than those required by the primary lender.
- ✓ County staff requires maximum 40% Front-end Debt to Income ratio and maximum 45% Back-end Debt to Income ratio.
- ✓ Co-signers are acceptable in the SCC40K Program, provided they are not listed on the borrower(s) note or Deed of Trust and they submit a letter stating that the property being purchased will not be their primary residence.
- ✓ Primary Mortgage Insurance is required for any equal to or greater than an 80% Loan To Value Ratio (LTV) as required by the primary lender.
- ✓ Mobile Homes are **ineligible** in the SCC40K Program.
- ✓ The maximum **contract sales price of the home cannot exceed \$700,000** for both newly constructed (never previously occupied) and existing (previously occupied) units.
- ✓ **The "HOME Agreement by and Between The County of Santa Clara and the Applicant"** must be signed up front and submitted with the Down Payment Assistance Loan Application.
- ✓ SCC40K Loan Applicants must be first-time homebuyers and not had an ownership interest in a principal residence within the last three years.
- ✓ Loans must be funded and recorded in conjunction with the recording of the first loan. County loans will not be funded through a separate escrow transaction.
- ✓ Following Lender Approval, the SCC40K Program can be layered with other local down payment and Below Market Rate Programs offered in the participating jurisdictions. Please contact County program staff with specific questions.
- ✓ The SCC40K Loan Program may only be used in conjunction with one of the County's approved funding lenders. Loan agents may request a list of approved lenders from County program staff.
- ✓ The borrower cannot incur additional costs for the processing of the County loan application by the first mortgage lender, or any subsequent lenders and extra costs cannot be added by the broker and/or lender associated with the County Homebuyer Loan to the borrower.

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ELIGIBLE USES OF THE County SCC40K LOAN

Santa Clara County's \$40,000 Downpayment loan may be used for:

1. Downpayment Funds
2. Closing Costs, and/or an
3. Interest Rate Buydown or, in a combination of the three.

COUNTY LOAN REVIEW

The County SCC40K Loans is subject to review and approval by the **County Housing Loan Committee**. The County Housing Loan Committee will meet As needed. The process will take at least three weeks for approval and funding **so plan your escrow accordingly**. Staff will notify the loan agent of the status of the application after the County Housing Loan Committee has made a determination.

COUNTY CONTACT INFORMATION

Santa Clara County
Office of Affordable Housing
2310 No. First Street, #100
San Jose, CA 95131

Tracy Cunningham
Management Analyst
Homeownership Programs
(408) 441-4323
(408) 441-4332 (fax)
email: tracy.cunningham@ceo.sccgov.org

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