



# City of San José Department of Housing Downtown High-Rise Homebuyer Program UPDATED 06/17/09

## The Program

The Downtown High-Rise Homebuyer Program at **The 88, Axis, City Heights, and 360 Residences** offers a City downpayment assistance loan of up to \$60,000 for each qualified, income-eligible household. Funds from a private lender, other programs, and the household are used to finance the remainder of the purchase price.

<u># of bedrooms</u>	<u>Maximum City Loan</u>	<u>Estimated Sales Price</u>
Studios	\$50,000	contact sales office
1	\$50,000	contact sales office
2	\$60,000	contact sales office
3	\$60,000	contact sales office

## Borrower Eligibility

- The household income cannot be greater than the amount shown below. Household income is the income received from all household members, including adult children and non-applicant spouses.

<i>Household Size</i>	<i>Maximum Qualifying Income</i>
1	\$ 88,600
2	101,300
3	113,900
4	126,600
5	136,700

- Teachers and credentialed staff who are eligible for the Teacher & Credentialed Staff Homebuyer Program (THP) and faculty and staff members who are eligible for the SJSU Faculty & Staff Homebuyer Program (FSHP) may receive additional down payment assistance.
- City loan applicants may receive assistance from multiple City programs; however, the total amount of City-funded downpayment assistance may not exceed \$100,000 per unit. Each City assisted household must have a minimum 28% housing payment ratio. If an applicant wishes to utilize two or more City loan programs, the household must demonstrate a minimum 35% housing payment ratio when calculating debt-to-income ratios. In addition, each applicant must meet the underwriting criteria and guidelines of each separate program.
- Downpayment Assistance is available to homebuyers on a first-come first-serve basis until funds are exhausted. The sales staff and the City will monitor the availability of funds at each particular development.
- The borrower and any co-borrower(s) cannot have owned a home as a principal residence for the past three years. An exception is allowed for a "displaced homemaker" or a single parent who, while married, owned a home with his or her spouse.
- The total amount financed cannot exceed 102% of the sales price. City funds can only be used for downpayment assistance. The use of City funds for closing costs, buydowns, or prepaids are not eligible (max CLTV 100%). PMI financing is also an ineligible activity above 100% CLTV.

- The applicant and any other co-borrowers must have a minimum 600 credit score. Also, the maximum housing cost-to-income ratio is 43%, and the maximum total debt-to-income ratio is 48%. The first mortgage cannot contain a “negative amortizing” feature. In addition, the homebuyer’s income for the first loan must be “fully documented.”
- Completion of a homebuyer education program is required. Prospective homebuyers are encouraged to contact Neighborhood Housing Services Silicon Valley (NHSSV) at (408) 279.2600. Additional non-profit homebuyer education courses are offered through ACORN Housing (408.297.3053), or Project Sentinel (408.720.9888). You must provide a copy of your certificate of completion.
- All homes must be “owner occupied” for the life of the loans and “cash-out” refinances of your first mortgage are allowed only when the total combined liens are less than or equal to 90% of the fair market value at the time of proposed refinance. In addition, the City will subordinate its loan to “cash-out” refinancings no more than once every five years.
- Borrowers may not have greater than \$60,000 in liquid assets after the close of escrow.
- There is a minimum household size of two persons in order to purchase a three bedroom unit.

Your monthly housing costs cannot exceed an “Affordable Housing Cost” limit. Total monthly expenses for property taxes, insurance, homeowner association dues, loan principal and interest payments, utilities (other than phone) and maintenance and repair currently cannot exceed \$2,369 for studios, \$2,708 for a one-bedroom units, \$3,048 for a two-bedroom units, and \$3,385 (certain exceptions can apply, see Affordable Housing Cost Limit Worksheet for more details).

## Financial Terms

*Loan Security*--The loan is secured by a recorded deed of trust.

*Amount Required for Down Payment/Closing Costs*-- The City requires a minimum buyer contribution of \$1,000. In addition, any cash out of escrow is limited to no more than the buyer’s earnest money deposit.

*Loan Repayment Term(s)*-- The City loans are due and payable in 45 years or upon transfer of title to the home.

*Interest Rates of City loan* – There is no set interest rate (see example below).

*Equity Share/Resale Restriction*—The City’s loan is subject to a 45-year affordability restriction that is recorded against the home. If you resell your home prior to the end of this 45-year term, you must first notify the Housing Department. You have **two** choices at the time of resale:

- Resell to someone who has a household income that the City reviews and verifies that earns less than 120% of area median income (AMI). The resale price will be restricted because it is based upon the Affordable Housing Cost limit. The seller can allow the new buyer to assume the City loan and would not be required to pay the City an “equity share” on the increase in value. NOTE: The new buyer, and the new buyer’s lender, must be willing to accept the terms and conditions of the City’s affordability restriction.
- Resell the home at fair market value, repay the City loan **and** pay the City an equity share. The equity share is the City’s proportionate share of the difference between the original purchase price and the resale price (less City approved selling costs and improvements).

NOTE: Prepayment of the equity-share loan while you continue to own your home will not release you from the affordability restriction.

ADDITIONAL NOTE: In the event the resale price is less than your original purchase price, no equity-share payment will be due to the City. However, you will be required to repay the original City loan amount.

**Equity-share/Shared Appreciation example \$60,000**

Possible resale price	\$ 550,000
Original sales price	<u>450,000</u>
Accrued equity	\$ 100,000
Less reasonable capital improvements approved by the City	\$ 2,000
Less reselling costs	<u>40,000</u>
Equity subject to sharing (\$100,000 – 42,000)	58,000
City equity-share percentage (\$60,000/\$450,000) 13.33%	
Equity-share due to the City (13.33% x \$58,000)	7,731

Original Purchase Price	\$ 450,000
City Loan	60,000
Original First Loan Amount	390,000

**Property Resale example:**

Possible Resale price	\$ 550,000
Repayment of first loan	\$ 390,000
Repayment of City loan	\$ 60,000
Payment of equity-share	\$ 7,731
Reselling costs	<u>\$ 40,000</u>
Amount due to homeowner	\$ 52,269

For purchase information, please contact the sales office or visit the websites established for each of the developments.

For information regarding the City's terms, restrictions, and underwriting guidelines please visit the City's website at [www.sjhousing.org/program/homebuyer.html](http://www.sjhousing.org/program/homebuyer.html) or contact Korey Richardson at (408) 975.4468 or ([Korey.Richardson@sanjoseca.gov](mailto:Korey.Richardson@sanjoseca.gov)).

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