



City of San José Department of Housing Homeownership Program at Village Square UPDATED 6/21/10

The Program

The Homebuyer Program at Village Square will offer a deferred repayment equity-share/shared appreciation loan for 19 townhomes. Funds from a private lender, other programs, and the household are used to finance the remainder of the purchase price. **The prices and downpayment assistance amounts shown below are estimates, and are therefore subject to change at any time without notice.**

<i>Plan #</i>	<i>Equity-share Loan</i>	<i>Sales price</i>
#4 (3 bdrm)	\$ 71,780	\$ 482,880

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 Household Qualifying Income</i>
1	\$ 86,950
2	\$ 99,350
3	\$ 111,800
4	\$ 124,200
5	\$ 134,150

- 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. If an applicant wishes to utilize two or more City loan programs, the households must demonstrate a 35% minimum housing payment ratio when calculating debt-to-income ratios. In addition, each applicant must meet the underwriting criteria and guidelines of each separate program.
- The total amount financed cannot exceed 102% of the sales price. The funds can only be used for downpayment assistance. The use of funds for closing costs, buydown, or prepaids are not eligible (max CLTV 100%). PMI financing is an ineligible activity above 100% (max CLTV 100%).
- 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.
- Normally, the buyer, other household member(s), and any other co-borrower(s) must have a minimum 620 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 HUD certified homebuyer education program is required prior to funding. You must obtain your homebuyer education from one of these organizations: Neighborhood Housing Services Silicon Valley (NHSSV)-408.279.2600, Project Sentinal-408.720.9888, or Consumer Credit Counseling Service (CCCS)-800.540.2227. Applicants will be required to submit a certificate of completion as a part of their loan application package. Classes offered through the applicants individual lenders are not eligible.
- 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. Certain exceptions can apply to this policy, see the City’s underwriting guidelines for details.
- 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 cannot exceed \$3,385 for a three bedroom unit.

Financial Terms

Interest Rates of City loan(s):

- A) Equity Share – There is no set interest rate (see example below). Although, the equity-share payment will not exceed 8% simple interest.

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

Amount Required for Down Payment/Closing Costs— While the transaction may be 100% financed, the City does require a minimum buyer contribution of 1% of the sales price, from his/her own funds, to close the transaction. However, the builder may require an additional earnest money deposit.

Loan Repayment Term-- The City loan is due and payable in 45 years or upon transfer of title to the home.

*Equity Share/Resale Restriction—*The City’s “equity share” 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 they earn 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 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 market, repay 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 (\$71,780 City loan):

Possible resale price	\$ 582,880
Original sales price	<u>482,880</u>
Accrued equity	\$ 100,000
Less reasonable capital improvements approved by the City	\$ 2,000
Less reselling costs	<u>34,973</u>
Equity subject to sharing (\$100,000 – 36,973)	<u>63,027</u>
City equity-share percentage (\$71,780/\$482,880) 14.87%	
Equity-share due to the City (14.87% x \$63,027)	9,372
Original Purchase Price	\$ 482,880
City Loan	71,780
Original First Loan Amount	411,100

Property Resale example:

Possible Resale price	\$ 582,880
Repayment of first loan	\$ 411,100
Repayment of City loan	\$ 71,780
Payment of equity-share	\$ 9,372
Reselling costs	<u>\$ 34,973</u>
Amount due to homeowner	\$ 55,655

For more information about the homes, and the selling process, please contact Diana Coykendall at the Village Square sales office at (408) 288-5586 or visit www.summerhillhomes.com.

For more information regarding the City's loan terms, restrictions, and underwriting guidelines please visit the City's website at www.sjhousing.org/program/homebuyer.html and/or contact Korey Richardson at (408) 975-4468, (Korey.Richardson@sanjoseca.gov).

Applicant Name and Signature

date

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date

