



City of San José Department of Housing

New Construction Homebuyer Program Disclosure

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The Program

The New Construction Homebuyer Program offers downpayment assistance to homebuyers purchasing units in new construction developments within San Jose’s municipal boundaries such as **Almaden Walk, Altura, Autumnvale, Crimson, Grandview Terrace, Hampton Park, Jackson Park, Messina Gardens, Plant 51, The Grove at Encanto, Montecito Vista, Villa Fontana, Villa Valencia , Villas at Lundy, Vista on San Carlos and Willow Glen Place-The Terraces**. The City’s downpayment assistance program offers a 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>
1	\$50,000	contact sales office
2	\$60,000	contact sales office
3	\$60,000	contact sales office
4	\$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

- 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 (excluding BEGIN and Inclusionary loans). There is a minimum housing cost ratio of 28% of income when applying for one City program. Buyers combining two or more City assistance programs must have a minimum housing cost ratio of 35% 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 when utilizing CHDAP or SFF. The 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 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 borrower, other household member(s), 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, and \$3,048 for a two-bedroom units (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 down payment, by the buyer(s), of \$1,000. However, the builder may require an additional 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). NOTE: The equity share payment is capped at 8% simple interest.

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.

