



City of San José Department of Housing WelcomeHOME Loan Assistance Program

The Program

The Welcome Home Loan Assistance Program offers a loan up to **\$25,000** for down payment assistance at **3%** simple interest for low income first-time homebuyers.

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	\$ 59,400
2	67,900
3	76,400
4	84,900
5	91,650

- Teachers who are eligible for the San José Teacher Homebuyer Program and faculty and staff members who are eligible for the SJSU Faculty and Staff Homebuyer Program may receive additional down payment assistance from the City.
- 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.
- There is a minimum housing cost ratio of 28% of income. Buyers combining two or more City assistance programs must have a minimum housing cost ratio of 35%. In addition, each applicant must meet the underwriting criteria and statutory guidelines of each separate program.
- Normally, 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 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% (the minimum housing ratio is 28%), 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.”
- The total amount financed cannot exceed 102% of the sales price. The City 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%).
- All homes must be “owner occupied” for the life of the loan 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 at the close of escrow.

- A minimum household size of two persons is eligible to purchase a three-bedroom home and a three person household is eligible to purchase a four bedroom home.
- A property inspection by a City Housing Inspector may be required and the home must meet Housing Quality Standards as defined by the Housing Department and comply with the City’s local, state and federal building codes. In addition, the Department may conduct a lead based paint test for properties built prior to 1978. If the home contains chipping lead based paint or does not meet the local building code, the property will not be eligible.
- Borrowers can purchase single-family homes, town homes, and condominiums with a maximum purchase not greater than 95% of the Area Median sales price, currently set at \$712,000. In addition, the property must be located within the municipal boundaries of San José.
- The seller of the home must occupy the property as a primary residence or the home must be vacant. Properties, being occupied by tenants, at the time the property is listed for sale on the market, are not eligible. The Housing Department will require the seller to sign an occupancy affidavit.
- Household members are people who occupy the residence full-time. All household members will be asked to provide income documentation.
- Borrowers may be represented by any lender of their choosing. However, the City has compiled a List of Lenders who have actively participated in previous City-down payment programs. The list can be viewed at: <http://www.sjhousing.org/program/HB/LenderList.pdf>
- The program is approved through CalHFA utilizing the name CalHOME.
- Comply with the Affordable Housing Cost Limit:

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 \$2,708 for a one-bedroom units, \$3,048 for a two-bedroom units, \$3,385 for three-bedroom units, and \$3,654 for four-bedroom units.

Financial Terms

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

Amount Required for Down Payment/Closing Costs--The City does not require a down payment by the buyer(s).

Loan Repayment Term(s)-- The City loan is due and payable in 30 years or upon transfer of title, or when the borrower fails to occupy the home as a primary residence.

Interest Rates of City loan – The interest rate is 3% simple interest, no prepayment penalty.

DownPayment Assistance—The funds can only be used for downpayment assistance. The use of funds for closing costs, buydown, or prepaids are not eligible.

Amortization Schedule for the \$25,000 loan:

Year	interest	Balance	Year	Interest	Balance
1	\$750	\$25,750	16	\$750	37,000
2	750	26,500	17	750	37,750
3	750	27,250	18	750	38,500
4	750	28,000	19	750	39,250
5	750	28,750	20	750	40,000
6	750	29,500	21	750	40,750
7	750	30,250	22	750	41,500

8	750	31,000	23	750	42,250
9	750	31,750	24	750	43,000
10	750	32,500	25	750	43,750
11	750	33,250	26	750	44,500
12	750	34,000	27	750	45,250
13	750	34,750	28	750	46,000
14	750	35,500	29	750	46,750
15	750	36,250	30	750	47,500

If you continue to own your home at the end of the thirty years, you will receive a balloon payment notice from the City of San José in the amount of \$47,500 (\$25,000 loan original balance plus \$22,500 interest).

Application Process

- Determine that you are eligible for the City down payment program by reviewing this form. This form has provided a summary of the City's underwriting guidelines. The complete underwriting guidelines can be viewed at: www.sjhousing.org/program/homebuyer.html. Any questions regarding your eligibility should be directed to Korey Richardson at (408) 975.4468 or (Korey.Richardson@sanjoseca.gov). Lenders are encouraged to contact program staff on behalf of their clients prior to signing a purchase contract.
- Contact a lender to become pre-approved for a home loan. Your lender will ask you to sign the City application (www.sjhousing.org/program/HB/LoanApp.pdf) and this program summary. Your lender will forward these items to the City of San Jose at a later date. Lenders are also required to complete and submit the Asset/Income Worksheet to the City:
<http://www.sjhousing.org/program/HB/CalHOMEWorksheet.pdf>
- 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, Association of Community Organizations for Reform Now (ACORN)-408.297.3053, 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 and online are not eligible.**
- Work with a real estate agent of your choice to assist you in the search of your new home.
- Sign final loan documents at the title company.
- Move in and enjoy your home!

signature

date

signature

date