



California Dream First-Time Homebuyer Program

Program Description

The El Cajon Redevelopment Agency *California Dream* First-Time Homebuyer Program provides down payment and closing cost assistance to first-time homebuyers. The program can help with the purchase of a new or existing home within the Agency Project Area by financing the gap necessary to make housing affordable to low- and moderate-income households.

Eligibility Criteria

Income Limit: Your annual gross income cannot exceed 120% of the Area Median Income ("AMI"), adjusted monthly, as follows:

Household Size	Extremely-Low Income	Very-Low Income	Low-Income	Moderate Income
1 person	\$ 17,350	\$ 28,900	\$ 46,250	\$ 62,950
2 persons	\$ 19,850	\$ 33,050	\$ 52,900	\$ 71,900
3 persons	\$ 22,300	\$ 37,150	\$ 59,500	\$ 80,900
4 persons	\$ 24,800	\$ 41,300	\$ 66,100	\$ 89,900
5 persons	\$ 26,800	\$ 44,600	\$ 71,400	\$ 97,100
6 persons	\$ 28,750	\$ 47,900	\$ 76,700	\$ 104,300
7 persons	\$ 30,750	\$ 51,200	\$ 81,950	\$ 111,500
8 persons	\$ 32,750	\$ 54,500	\$ 87,250	\$ 118,650

Effective April 27, 2009 and subject to periodic updates

- Owner Occupancy:** The home must be your principal residence.
- Assets:** You must be able to contribute a minimum of one percent (1%) of the purchase price of your own money for liquid reserve assets. Gift funds allowed from immediate family member, church, employer or non-profit agency are allowed to pay additional closing costs, with documentation and cannot be used to meet the 1% borrower reserve requirement.
- Credit:** Must meet City established guidelines.
- Prior Ownership:** You must not have owned a home within the last three years; Cannot own any real property now.
- Affordable Housing Cost (AHC):** The maximum family Housing Ratio (Affordable Housing Cost) cannot be less than 28% of the gross monthly income, nor can it exceed the following maximum monthly payment, adjusted for family size***:

Bedroom Size	Very-Low Income	Low-Income	Moderate Income
Zero-BR	\$ 656	\$ 918	\$ 1,683
1-BR	\$ 749	\$ 1,048	\$ 1,922
2-BR	\$ 843	\$ 1,180	\$ 2,162
3-BR	\$ 936	\$ 1,311	\$ 2,403
4-Br	\$ 1,011	\$ 1,416	\$ 2,596
5-BR	\$ 1,086	\$ 1,521	\$ 2,788

Calculated pursuant to HSC 50052.5(b) and effective April 27, 2009

Loan Terms

- Agency Payments:** Repayment is deferred until the borrower sells, refinances, transfers, or converts the home to a rental property.
- Interest Rate:** No interest – instead, the Agency shares the equity. The principal does not decrease.
- Equity Share:** During the period of affordability (e.g., the first forty-five [45] years of the FTHB loan), the property can only be transferred to an income eligible family to avoid equity share. Contact the Agency for more details.
- Annual Requirements:** Applicants must income-qualify on an annual basis and payments may be required if the family income exceeds 120% of the then current AMI.

- Maximum Loan:**
 - Moderate-Income households** (80.01% to 120% AMI): up to 30% of the purchase price or appraised value, whichever is less, for down payment;
 - Low-Income households** (50.01% to 80% AMI): up to 40% of the purchase price or appraised value, whichever is less, for down payment;
 - Very-Low Income households** (below 50% AMI): up to 50% of the purchase price or appraised value, whichever is less, for down payment;
 - Plus up to \$5,000 for closing costs and pre-paid items (if requested);
 - Agency funds cannot be used to pay debts.
- Agency Loan Use:** The Agency loan may be used for down payment, closing costs, on fully amortizing fixed rate loans, as specified above.
- 1st Mortgage Loan Requirements:** Adjustable rate loans, Balloon, temporary buy-downs, negatively amortizing, or prepayment penalty loans are not allowed.
- 1st Mortgage Fees:** Maximum fees to the Buyer of 1.25% origination, discount points for below par pricing only and \$350 processing are acceptable. No other Broker or Admin type fees allowed. Other 3rd party fees that are reasonable and customary are allowable; No Agency fees.
- Ratios:** Housing ratio 28% minimum, 35% maximum, 42% debt-to-income.
- CLTV:** Maximum CLTV 103%
- Impounds:** Required on the 1st mortgage.

Property Guidelines

- Appraised Value:** No maximum appraised value
- Property Type:** Homes may be single-family, condominiums, town-homes, or manufactured homes that meet FNMA conventional guidelines and are considered real property.
- Occupancy Status:** The property must be vacant or owner occupied upon execution of the purchase offer.
- Property Condition:** The home must be free from any health and safety defects and lead-based paint hazards.
- Property Location:** The property must be located in the City of El Cajon; County properties with an El Cajon mailing address are not eligible.

How to Apply

- Request a Participating Lender List and an Approved Homebuyer Education Provider list from the website at www.ci.el-cajon.ca.us or by calling (619) 441-1710.
- Attend an approved Homebuyer Education class.
- Select a lender. The lender will pre-qualify you for a 1st mortgage and submit a package to the City for pre-approval.
- Find a home to purchase that meets the Program and pre-approval requirements.
- The lender will submit a request for funds and City loan application and related materials. Funds are limited and are available on a first-come, first-serve basis.

For more information on Housing Programs, check out the City website at www.ci.el-cajon.ca.us or contact the Department of Redevelopment and Housing at (619) 441-1710. Terms are subject to change without notice.

The El Cajon Redevelopment Agency is committed to providing equal housing opportunity for all people regardless of race, color, gender, religion, national origin, familial status or disability.

If you believe you have been a victim of discrimination, contact the U.S. Department of Housing and Urban Development's Fair Housing Hotline. (800) 669-9777.

♦ See page (2) for a program Equity Share example

*120% AMI: denotes income not to exceed 120% of the Area Median Income. See income limits above.

**28% minimum required for Moderate-Income levels; recommended for Low and Very-Low.

***The Maximum family Housing Ratio (Affordable Housing Cost) must be reduced to include an allowance for utilities, property maintenance and repairs. See page 3 for adjustments.



California Dream First-Time Homebuyer Program Shared Equity Example¹

NOTE: The maximum equity to be shared by the Agency shall not exceed the amount equal to the percentage of the value of the residence financed by the Agency or Agency Investment. That is, if the Agency Funds equal twenty percent (20%) of the **Original Purchase Price** of the residence, a maximum of twenty percent (20%) of the **Net Appreciation** may be charged by the Agency.

The following **example** assumes the following: (a) **Current Sales Price** or **Current Appraised Value** (as may be the case of a refinance), in the example, of \$355,000, (b) **Original Purchase Price (OPP)** of \$250,000 (c) initial **Gross Appreciation** of \$105,000 (the Current Sales Price of \$355,000 minus the Original Purchase Price of \$250,000), (d) \$11,481.25 in **Borrower's Cash Contribution**², (e) initial **Net Appreciation** of \$93,518.75, and an equity share schedule based on the percentage of Agency investment of \$62,500 + \$5,000 (27% of OPP) on an Initial Purchase Price of \$250,000. **The table is for the purpose of illustration only and will apply to any form of default of the Agency administered Programs. Actual sales price and net sales price will vary. The principal amount of the loans remains due and is in addition to any equity-share that may be owed to the Agency.**

# Months After Date of Agreement	Current Sales Price or Current Appraised Value (a)	Original Purchase Price (b)	Gross Appreciation (c)	Borrower's Cash Contribution (d)	Net Appreciation (e) (c-d)	Borrower's Equity Share of Net Appreciation (f) (73% of [e])	Agency Equity Share of Net Appreciation (g) (27% of [e])	Principal Amount Due to Agency (h)	Total Amount Due to Agency (g+h)
0-540	\$355,000	\$250,000	\$105,000	\$11,481.25	\$93,518.75	\$68,268.69	\$25,250.06	\$67,500	\$92,750.06
541 and thereafter	\$390,000	\$250,000	\$140,000	\$39,000.00	\$101,000.00	\$101,000.00	\$0	\$67,500	\$67,500.00

In this **example**, the finance charge/equity-share varies between \$0³ and \$25,250.06 through year forty-five (45). Your amount will differ, depending upon gross sales price, net sales price, the amount of equity, the number of months after the date of agreement that the sale, transfer, rental or refinance occurs, etc. The amount of the Borrower and Agency share in the equity of the Property shall remain constant throughout the term of the Agency loan. In the event that no Equity exists at the time of transfer or sale, the Agency funds will still be due and payable.

Provided that Borrower is not in default under the terms of the Note, the Note interest/equity share shall be forgiven in its entirety and interest in the equity of the Property shall be relinquished by the Agency forty-five (45) years from the date of recordation of the Deed of Trust, as provided in the loan documents.

"Agency Funds" or "Agency Investment" is defined as funds received from the El Cajon Redevelopment Agency. Agency Investment may include: Agency cash investment, the difference between the price of land provided by the Agency and the Fair Market Value of the land, the amount of fees waived by the Agency, and the value of in-kind contributions made on or behalf of the Agency.

"Borrower's Cash Contribution" is defined as the sum of costs actually paid by the Borrower plus any gift funds approved by the City (less any refund) for the original purchase of the security property which may include, but are not limited to: downpayment, installment payments of mortgage principal on the First Trust Deed, escrow fees, transfer taxes, recording fees, brokerage commissions, other similar costs of the acquisition, Documented Capital Improvements, plus not less than the Legal Rate of Interest on those cash payments. Borrower's Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.

"Current Sales Price" is defined as the price obtained for the property in the open market (fair market value) and shall include any thing of value given for consideration (e.g., cash, personal property, real property, etc.)

"Current Appraised Value" is defined as the value of the property (fair market value) obtained from an independent appraiser licensed by the State of California. The Agency reserves the right to obtain an independent appraisal.

"Documented Capital Improvements" is defined by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the Agency for review. Please contact the City of El Cajon Building Division to ensure that any Documented Capital Improvement meets current code and permits are obtained when required.

"Effective Period" or "Period of Affordability" is defined as the period commencing on the date of this Agreement and ending on the earlier of the repayment of the loan from the Agency or forty-five (45) years after recordation of the Deed of Trust.

"Equity Share Period" is defined as the forty-five (45) year period after recordation of the Deed of Trust in which the Agency shall share Net Appreciation if the property is sold, rented, refinanced, conveyed, or transferred (except as provided in the Note), without the express written consent of the Agency.

"Gross Appreciation" is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value.

"Homeowner Investment" is defined as the Borrower's Cash Contribution.

"Legal Rate of Interest" means interest calculated on the Borrower's Cash Contribution based on the Federal Funds Rate at the time of sale, rental, refinance, transfer, conveyance, etc. of the Property. The Federal Funds Rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The Agency will credit the Legal Rate of Interest to the homeowner as follows: Borrower's Cash Contribution (X) the Legal Rate of Interest (X) the number of years owned (prorated to the nearest full month).

"Net Appreciation" is calculated by subtracting the Borrower's Cash Contribution from the Gross Appreciation amount.

"Original Purchase Price" is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs included in the purchase price and as listed on the Final HUD-1 Settlement Statement.

¹ Upon request of an assisted household, the Agency may elect to forgive all or a portion of the Equity-Share upon sale, if the assisted property is sold to another moderate-income household who utilizes Agency funds to purchase the property. Agency review and approval will be required.

² The example is based on the following Borrower's Cash Contribution(s): \$1,000 down payment; \$2,000 closing costs paid at purchase; \$3,000 first mortgage principal reduction payments; \$5,000 in Documented Capital Improvements; and the Legal Rate of Interest of 1.25% on the sum of these amounts for 3.5 years of ownership

³ Equity-share would equal \$0 in the event the property is sold to another qualified family who applies for Agency FTHB assistance and the Agency elects to forgive the entire equity-share portion due to the Agency.

EL CAJON REDEVELOPMENT AGENCY

AFFORDABLE HOUSING COST CALCULATIONS (before deduction of utilities¹)

2009 INCOME STANDARDS

SAN DIEGO COUNTY

	Zero-BR	1-BR	2-BR	3-BR	4-BR	5-BR
Maximum Household Size	1	2	3	4	5	6
Extremely Low Income Limit	\$ 17,350	\$ 19,850	\$ 22,300	\$ 24,800	\$ 26,800	\$ 28,750
Maximum Affordable Hsg Cost	\$ 393	\$ 449	\$ 506	\$ 562	\$ 607	\$ 652
Very-Low Income	\$ 28,900	\$ 33,050	\$ 37,150	\$ 41,300	\$ 44,600	\$ 47,900
Maximum Affordable Hsg Cost	\$ 656	\$ 749	\$ 843	\$ 936	\$ 1,011	\$ 1,086
Low Income	\$ 46,250	\$ 52,900	\$ 59,500	\$ 66,100	\$ 71,400	\$ 76,700
Maximum Affordable Hsg Cost	\$ 918	\$ 1,048	\$ 1,180	\$ 1,311	\$ 1,416	\$ 1,521
Moderate Income	\$ 62,950	\$ 71,900	\$ 80,900	\$ 89,900	\$ 97,100	\$ 104,300
Maximum Affordable Hsg Cost	\$ 1,683	\$ 1,922	\$ 2,162	\$ 2,403	\$ 2,596	\$ 2,788

¹ **Maximum Affordable Housing Cost includes the total of monthly payments for all of the following:**

- a. Principal and interest on a mortgage loan including any rehabilitation loan, and any loan insurance fees associated therewith.
- b. Property taxes and assessments.
- c. Fire and casualty insurance covering replacement value of property improvements.
- d. Property maintenance and repairs as follows: \$30 for a Single-Family Residence and \$20 for a Condominium.
- e. A reasonable allowance for utilities not included in the above costs (that a tenant will incur or must provide), including garbage collection, sewer, water, electricity, gas, and other heating, cooking, and refrigeration fuels. Utilities does not include telephone service. Such an allowance shall take into consideration the cost of an adequate level of service. The average Utility Allowance shall be as follows: \$149 for a Single-Family Residence and \$60 for a Condominium (amended 09/30/08).
- f. Homeowner association fees.
- g. Space rent, if the housing unit is situated on rented land.

