

CITY OF SAN DIEGO SHARED APPRECIATION LOAN PROGRAM GUIDELINES

BUYERS EARNING 80% OR LESS OF AREA MEDIAN INCOME

Program Overview:

The Shared Appreciation Loan Program is a homeownership program designed to make funds available to low-income households to help with the purchase of a home within the City of San Diego. This program provides financing in the form of second trust deed loans that are subordinate to the primary first position loan. The deferred loans will be funded using the Federal HOME Program.

Eligible Borrowers:

1. Households whose income is 80 percent or less than the San Diego County area median income (AMI), as adjusted for household size. Gross income will be calculated based on the program guidelines stated below. To establish program eligibility, income of all household members 18 years and older must be taken into account. The borrower is required to provide all pertinent information requested by the first trust deed holder on behalf the San Diego Housing Commission.
2. Borrowers must be first time homebuyers or those who have not owned or held an interest in a primary residence in the last three years, except the following individual or individuals may not be excluded from consideration as a first time homebuyer under this definition:
 - A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by a spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive 12-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without compensation to care for his or her home and family; or
 - A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried and has one or more minor children for whom the individual has custody or joint custody (buyer must have child a minimum 51% of the time if joint custody).

MAXIMUM INCOME LIMITS

<u>Family Size</u>	<u>(80% AMI)</u>
One	\$46,250
Two	\$52,900
Three	\$59,500
Four	\$66,100
Five	\$71,400
Six	\$76,700
Seven	\$81,950
Eight	\$87,250

Eligible Properties:

Single family homes, townhomes and condominiums located within the City of San Diego. The maximum purchase price is **\$451,250** for a single family home, townhome or a condominium. The price paid for the property must be substantiated by a qualified appraiser.

Housing Quality Standards (HQS) Inspection:

An HQS inspection is required and if the property was built prior to 1978, an assessment for lead-based paint is also required. The HQS inspection must be completed by an approved company from the Housing Commission's list of qualified inspectors. Please be aware that the HQS inspection and assessment for lead-based paint are not a complete home inspection. It is strongly recommended that the buyers obtain a full property inspection from a licensed residential property inspector. All items failing inspection must be repaired or replaced and re-inspected prior to the close of escrow.

Down Payment:

All borrowers must have a minimum down payment of three percent. The borrower's money must be from their personal funds or a gift from an immediate family member. Any seller contributions or subsidies the buyer receives are in addition to the borrower's required down payment of three percent.

Loan Amount:

The maximum loan amount is 17 percent of the purchase price.

Loan Terms:

1. Shared appreciation loans have a term of 30 years. No monthly payments of principal or interest are required. When the buyer sells the property, or it is no longer owner-occupied, or the shared appreciation loan is paid in full; in addition to payment of the principal balance, the buyer must pay an amount equal to the net share of appreciation in value of the property. The Housing Commission will receive a share of the appreciation equal to the share represented by the Agency's investment in the original purchase. As an example, if the Housing Commission's loan amount equals 17 percent of the original purchase price, the share of net appreciation is 17 percent. The net appreciation is defined as the difference between the sales price and the sum of the following deductions:
 - Original amount of first trust deed loan
 - Original amount of Housing Commission loan
 - All closing costs paid by borrower when the property is sold; i.e. escrow, title, broker's fee, real estate commissions etc.
 - Borrower's down payment
 - Cost of improvements/sweat equity approved by the Housing Commission

If the owner remains in the property for a full 30 years and has complied with all the terms and conditions of the loan, the shared appreciation provision will be forgiven. After 30 years only the unpaid principal balance will need to be repaid.

1. The principal and a share of the appreciation, if applicable, will be due in full upon the earlier of:
 - 30 years from the date of the Promissory Note; or
 - Upon sale, transfer, lease, or encumbrances of all or any interest in the property without the Housing Commission's prior written consent, except as permitted in Number 5 as stated below; or
 - Upon Borrower's failure to occupy the property as Borrower's principal place of residence.
2. The Deed of Trust contains an acceleration clause, which will call the entire loan due and payable upon certain events, including the following:
 - In the event of a default under the Promissory Note(s) or the Deed(s) of Trust;
 - Discovery of willful misrepresentation or fraud in connection with any aspect of the First Time Homebuyer or HOME Programs;
 - In the event the Borrower ceases to occupy the property as their principal place of residence; or
 - In the event of any sale, transfer, lease, or encumbrance of the property without the Housing Commission's prior written consent in violation of Number 5 as stated below.
3. The maximum allowable combined loans-to-value (CLTV); including any subordinate financing is 97 percent. Subordinate financing to the Housing Commission's deferred loans is allowed provided the loan is deferred with no payments required for 30 years. CHDAP or other similar deferred loans will be included in the overall CLTV, even if the funds are used for closing costs. Only grants will not be included in the CLTV calculation.
4. Co-borrowers or co-owners, other than owner occupants, are not permitted. This rule is included to prohibit investors from utilizing qualified persons to purchase a property for their own investment purposes and financial gain.
5. Loan Assumption – generally, deferred loans are not assumable and must be paid in full except under the following limited circumstances:
 - The transfer of the property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant;
 - A transfer of the property where the spouse becomes an owner of the property;
 - A transfer of the property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - A transfer to an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property.
6. Refinance/Subordination Agreements – shared appreciation loan can be subordinated to the refinancing of the existing first trust deed loan in order to lower the interest rate or reduce the loan term.

Asset/Reserve Limitation:

The Shared Appreciation Loan Program has an asset/reserve limitation of \$10,000 for one person and \$500 for each additional household member. Liquid assets of all family members, including children, must be considered. If a portion of the assets will be used towards the purchase and have or will be placed in escrow, they will not be considered. If a household member has access to their retirement account, it must be considered. In the case where retirement account cannot be accessed, the employer must verify this in writing.

Income Qualifying For Eligibility Only:

The combined income of all members of the household 18 and over who are currently living together as a family and will be living in the property must be included in the determination of income. The household's income must be projected as an annual income. It should be assumed that today's circumstances would continue for the next 12 months, unless there is verifiable evidence to the contrary. Income on assets is considered when determining if a household is 80% or less of AMI. All households must be income-qualified no more than 90-days prior to the closing date.

Income Calculations for Underwriting:

Program guidelines require that the combined income of all persons on title must be included in the determination of income. The household's income must be projected as an annual income. It should be assumed that today's circumstances would continue for the next 12 months, unless there is verifiable evidence to the contrary.

Debt-to-Income Ratio:

Borrowers monthly housing debt, including property taxes, property insurance, and if applicable mortgage insurance and homeowner's association dues, cannot be less than 30 percent of the household's gross income. The ratio of monthly housing costs, plus all other household monthly debt (including credit cards, automobile payments, etc.), can not exceed 45 percent of the borrowers gross income. If the debt ratio exceeds 45 percent, it must be presented to the Loan Committee for consideration.

First Trust Deed Loan:

The loan must be a 30-year, fixed interest rate loan. The Shared Appreciation Loan Program guidelines do not allow a temporary buy-down of the interest rate. First trust deed lenders are required to collect and manage an impound account for payment of taxes, assessments and property insurance for the term of the first mortgage.

Homebuyer Education Class:

All applicants, whether on title or not, are required to attend an 8-hour homebuyer education class given by a HUD approved agency (see website for list of HUD approved agencies).

Applicant Eligibility	Standards
Co-Signers	Co-signers who do not have ownership interest in the property are prohibited.
Documentation	<ul style="list-style-type: none"> • If married: spouse must sign SDHC forms, disclosures and promissory note; regardless of vesting. • If unmarried: need copy of final divorce decree and judgment from the court. • Death certificate for deceased spouse. • Non-US Citizen: copy of permanent alien registration card (green card) • Copy of driver's license or other photo ID
Income	Standards
Alimony and Child Support	Copy of divorce decree and/or child support agreement, with six months proof of payment.
Disability Income	Copy of award letter from payer.
Social Security Income	Copy of award letter from payer.
Retirement or Pension Income	Copy of award letter or W-2 from payer.
Workers Compensation Benefits	Copy of award letter from payer.
Unemployment Compensation	Copy of award letter from payer.
Financial Aide (student loans, etc.)	Copy of award letter from payer.
Interest or Dividend Income	Two years 1040s, copies of current statements verifying buyer's assets.
Tax Returns	Three years tax returns, signed in blue ink.
Salaried Borrowers	Most recent pay stubs covering minimum of one month's income. If there are multiple employers, all pay stubs showing year-to-date earnings. Verification of Employment form is required from employers in the last two year.
Part-Time Employment	Recent pay stub, Verification of Employment from employer and letter stating likelihood of continuation.
Bonus and Overtime Income	Must be documented on pay stub and Verification of Employment. Will be used if there is a two-year history and likelihood of continuation.
Self-Employed	Signed current profit and loss statement.
Commission Only	Must be verified by employer and documented on tax returns.
Assets	Standards
Checking and Savings Accounts	Three months most recent bank statements.
Stocks and Bonds	Must be verified by brokerage firm or similar company and statement of account.
Saving Bonds	Copy of bond.
401K or Retirement Accounts	Copy of account statement and letter from employer verifying that borrower does <u>not</u> have access to the funds, if applicable.
Liabilities	Standards
Alimony/Child Support	Include as debt if over six months remaining. Need copy of divorce decree.
Installment Loans	Include as debt if over six months remaining.
Revolving Accounts	Use payment stated on credit report or application, whichever is higher. If payment is not stated, use the higher of \$10 or 5% of the outstanding balance owing.
Student Loan	If loan is deferred for one year or more, do not include as a monthly obligation. If less than a year deferment or borrower making payments, include as a debt.
Credit History	Standards
Credit Reports	Must be a "three repository merged" credit report. Any items not belonging to borrower must be removed from

	the report. Credit report can not be dated more than 60 days from underwriting.
Collections	All unpaid collections must be paid prior to submitting loan package. Need letter of explanation from borrower.
Derogatory Credit	Letter of explanation is required for all derogatory credit. No accounts can be past due at the time of loan application.
Bankruptcy	General rule is that a minimum of two years has elapsed since the bankruptcy was discharged with no derogatory rating since the discharge. A copy of the bankruptcy filing, the discharge and letter of explanation required.
Judgments, Garnishments and Involuntary Liens	No outstanding judgments, garnishments or involuntary liens are allowed.
Inquires	Any inquires within the last 90-days must be explained.
No or Limited Credit History	Alternative credit history is required. Utility payment records (at least three months most recent statements), rental payments (past 12 months) or other personal loans (past 12 months). Need three forms of credit history.

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