



## City of Rancho Cucamonga Neighborhood Stabilization Program Down Payment Assistance Program



### PROGRAM GUIDELINES

The Down Payment Assistance Program (DPA) provides financial assistance in the form of a forgivable silent second loan to low and moderate-income households interested in purchasing a vacant home that has been rehabilitated under the City of Rancho Cucamonga Acquisition, Rehabilitation & Resale (ARR) Program as part of the federal Neighborhood Stabilization Program.

DPA funds provide a down payment assistance loan of the difference between the post rehab sales price of the NSP rehabilitated property (Actual Sales Price) and the San Bernardino County median sales price of the home at the time of purchase. The difference is applied towards the borrower's purchase of an eligible property within the City of Rancho Cucamonga. The DPA funds are loaned to the borrower in the form of a forgivable 30 year deferred silent second loan with no interest rate that is secured by a Deed of Trust. While the loan has no interest rate, there is an equity share that will be either 15% if triggered before year 15 or 10% if triggered after year 15 but before year 30. There is a 15 year affordability period in which the home must be resold to another low to moderate income borrower if sold.

A borrower is not eligible to obtain assistance from the City of Rancho Cucamonga if the borrower has adequate resources to provide for the down payment. While the down payment assistance is helpful, the home buyer must still meet the stringent requirements of a mortgage lender in order to qualify for a first mortgage. Homebuyers are required to attend an eight hour HUD approved homebuyer education course before receiving the financial assistance.

### ***PROGRAM CHARACTERISTICS***

#### ***Borrower Eligibility Requirements***

- A. ***Eligible Purchasers:*** Borrower shall be at least eighteen years of age and a First-Time Homebuyer, not having owned a home within the last three years.
1. ***Occupancy Requirement:*** Borrower must occupy the property as a principal place of residence for the term of the loan or until the residence is sold.
  2. ***Underwriting Criteria:*** Borrower shall have sufficient income and creditworthiness to qualify for primary financing, as defined by lender. Co-Borrowers/Co-Signers other than owner occupants is not permitted.
  3. ***Credit Requirements:*** Borrower shall have a recommended FICO score of at least 620. The borrower shall be current on all payments, not have any existing outstanding unpaid judgments, involuntary liens or bankruptcies not dismissed.
  4. ***Down Payment Requirement:*** Borrower is required to come in with a 3% down payment of the affordable sales price, 1% of which must be Borrower's own funds (all closing costs are to be paid by the Buyer which may be paid from the borrower's 1%). The Combined Loan To Value (CLTV) shall not exceed 102% of the fair market value per the

appraisal. This will include the first mortgage loan amount, city second and any other lien on the property.

5. Home Buyer Education: Borrower will be required to complete a live 8 hour homebuyer's education course on homeownership. The course shall be HUD certified non-profit agency and approved by the City of Rancho Cucamonga. Classes through Neighborhood Partnership Housing Services (NPHS) are HUD certified and approved by the City of Rancho Cucamonga. Please see [www.nphsinc.org](http://www.nphsinc.org) for class schedules.
6. Multiple offers: The city will conduct a lottery if multiple borrowers are pre-approved for the same property within the application period.

**B. *Eligible Income***: Borrower's gross annual household income may not exceed 120% of the area median income adjusted by household size, as determined by the U.S. Department of Housing and Urban Development. This income criteria varies periodically as HUD provides updates. The City of Rancho Cucamonga will utilize the latest income guidelines as made available by HUD.

1. Affordable Housing Costs: The applicant shall comply with housing affordable guidelines to qualify for the loan. Housing costs is defined as principal, interest, mortgage insurance, fire/hazard insurance, property taxes, and HOA fees. The applicant's front-end ratio shall not exceed **35%** and the back-end ratio shall not exceed 45% from the monthly household income.
2. Gross household income: Household income includes all income from all members over the age of 18 who share the same residence or share in ownership of the residence. Gross income will be the full amount before any payroll deductions. Overtime, bonuses and commissions are to be counted. Interest, dividends, Social Security payments, income from annuities, pensions and any other net income from other sources may be counted toward the household's gross income. All regular pay, special pay, and allowances of a member of the Armed Forces will be included as gross income. Gross income may include any other income reported for federal tax purposes.
3. Self-Employed: For self-employed individuals, adjusted gross income will be the net income from the operation of the profession, as calculated by averaging the net income for the past three years and year to date profit and loss from a qualified institution such as a CPA, financial consulting firm, etc.
4. Payments in lieu of earnings: Unemployment, worker's compensation, severance pay, alimony, child support and welfare assistance will be included in the computation of gross income.

**C. *Eligible Properties***: Homes eligible for DPA must be a home under the City of Rancho Cucamonga ARR Program and located in the City of Rancho Cucamonga and comply with state Health and Safety Code Section 17920.3.

1. Maximum Purchase Price: The maximum purchase price for a home to be eligible for the program is based on Section 203 (B) of the National Housing Act. This amount will be known as the Actual Sales Price of the home.
2. Maximum Affordable Sales Price: The maximum affordable sales price of the home will be determined based off of the San Bernardino County median sales price for homes at the time the City of Rancho Cucamonga ARR property is placed for sale. The difference between the Actual Sales Price after rehab has been completed and the affordable sales price will be recorded as a silent second lien against the home in favor of the City of Rancho Cucamonga.
3. Age of house: The age of the house is required to be a minimum of 5 years beginning on the date in which the original Certificate of Occupancy was issued. Those homes less than 5 five years may be eligible if a minimum of \$15,000 of rehabilitation work is completed as part of the sale of the home.
4. Type of housing unit: The types of unit eligible for the program are single-family residential units, condominiums, and townhomes. The home must be part of the City of Rancho Cucamonga ARR rehabilitated home program.

**D. *Assets***: In order to qualify for a loan through the program, the Borrower must not be able to purchase a home with current assets, yet still must have sufficient income and credit with which to qualify for a loan. No cash offers will be accepted.

Allowable assets: Includes bank accounts and other accounts available to borrower to purchase a home and 3 months of PITI income allowed for monthly housing costs. If the borrower's assets exceed the amount necessary to close escrow, the amount of the Agency second loan will be reduced accordingly.

**E. *First Trust Deed***: The borrower must qualify for a mortgage with a lender who is HUD certified and has been approved by the Agency. The first loan must be a fixed rate note at terms that are minimum risk to the borrower. In the event that the City Administrator, or their designee, believe that the terms of the first loan will likely be defaulted by the borrower at a future date, then the City of Rancho Cucamonga may reject the first loan.

### ***Second Loan Provisions***

**A. *Second Loan Amount***: The amount of the second loan will be determined based on the difference between the Actual Sales Price after rehabilitation of the NSP rehabilitated property and the San Bernardino County median sales price of the home at the time of purchase. The DPA loan amount will be a silent loan that has deferred payments for a period of 30 years with a no interest rate and an equity share. The loan will become due sooner in the event the borrower no longer owner occupies the property as their primary residence. In the event the borrower will receive additional loan assistance from a separate entity, the City loan must be placed in second lien position only. The loan is forgiven after 30 years of owner occupancy.

**B. *Affordability Covenant***: An affordability covenant is required to be recorded against the property for a period of 15 years. The affordability covenant restricts the sell of the property only to buyers not to exceed 120% of the area medium income.

**C. *City of Rancho Cucamonga Repayment***:

1. Deferred Payment: No monthly payments are required to be made on the loan and no interest is accruing on the loan.
2. Equity Share: There will be no interest on the City DPA loan, however there will be a defined equity share percentage in the event the borrower is to no longer owner occupy the property during the 30 year loan period. In the event the borrower no longer owner occupies the property during the first 15 years of the loan period, the borrower shall pay a 15% equity share in addition to the repayment of the principle balance. In the event the borrower no longer owner occupies the property between years 16 and 30 of the loan period, the borrower shall pay a 10% equity share in addition to the repayment of the principle balance.
3. Property Sold: If the borrower sells the home, the City of Rancho Cucamonga's DPA loan must be repaid in full along with a defined equity share amount.
4. Principal Place of Residence: If the borrower ceases to use the home as a principal place of residence, the City of Rancho Cucamonga's DPA loan must be repaid.

Repayment of the City of Rancho Cucamonga's DPA loan shall be accelerated if the property is no longer the principal residence or upon discovery of willful misrepresentation or fraud in connection with the program.

**E. *Close of Escrow***: Upon close of escrow, a Deed of Trust will be recorded against the borrower's home. The Deed of Trust will require repayment of the City of Rancho Cucamonga DPA loan if the home ceases to be the borrower's primary place of residence or if the home is sold.

### ***Program Availability***

The Down Payment Assistance Program is available subject to funding availability and program details are subject to change without prior notice.

### ***Loan Process***

The City Administrator shall establish guidelines on processing loans for this program.