

# Tri-Valley Down Payment Assistance Program Guidelines

The Tri-Valley Down Payment Assistance (DPA) Program is a regional program that provides secondary down payment and closing cost assistance to income eligible, first-time home buyers purchasing homes in the jurisdictions of Dublin, Livermore, Pleasanton, San Ramon and Danville (Jurisdictions). The Tri-Valley DPA Program Guidelines shall be used to determine Applicant eligibility for assistance. These guidelines are subject to final interpretation by the Program Administrator.

## LOAN SUMMARY

Loan Amount: Up to \$15,000

Interest Rate: 2.5%\* Simple interest rate accrues annually  
\*Interest rate to be reviewed and established annually based on current lending conditions.

	<b>Low Income Households (80% AMI)</b>	<b>Moderate Income (120% AMI)</b>
<u>Term:</u>	20 years	15 years
<u>Payments:</u>	Deferred Principal and Interest payments years 1-5;  Accrued interest able to be forgiven in year six.  Amortized monthly payments over years 6 – 20.	Deferred Principal and Interest payments Years 1-5.  Accrued interest able to be forgiven in year six.  Amortized monthly payments over years 6-15.

Down Payment Required: 3% of purchase price of applicant's own funds, on deposit in applicant's account at a financial institution for a minimum of three (3) months.

Household Income Limits: 120% of the Area Median Income

## DEFINITIONS

**Area Median Income** shall mean the Median Income adjusted by actual household size as published annually by State Department of Housing and Community Development

("HCD") for the Counties of Alameda and Contra Costa, which Median Income levels shall be adjusted concurrently with their publication by HCD.

**Backend Ratio** shall mean monthly housing expenses (principal, interest, taxes, insurance, HOA dues, plus other monthly secured and unsecured debt (auto, credit cards, etc.) divided by the family's gross monthly income.

**City** shall mean City of Livermore as lender.

**Eligible Household** shall mean a household that meets the eligibility criteria set forth in these Guidelines.

**First Time Homebuyer** shall mean a purchaser who has not previously owned a home, condominium or mobile home, whether as sole owner, tenant-in-common, joint tenant or in other form of ownership within the past three (3) years. The Program Administrator at its discretion may consider displaced persons (dissolution of marriage, legal separation).

**Gross Household Income** shall mean all income, from whatever source derived, of all adult household members (18 years of age and older) but does not include income from dependents up to age 24 that are full time students whether or not such income is exempt from Federal Income Tax.

Income shall include the following:

- a. Gross amount of wages and salaries before any payroll deductions, including over-time pay, compensation for services, commissions, fees, tips and bonuses;
- b. The net income of operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
- c. Interest, dividends and royalties;
- d. Partnership distributions;
- e. Income from an interest in an estate or trust;
- f. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pension, disability, or death benefits and other similar types of periodic receipts;
- g. Payments in lieu of earnings, such as unemployment and disability compensation, workers compensation and severance pay;
- h. Public Assistance including but not limited to TANF, SSI, disability income;
- i. Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- j. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the household or spouse.
- k. Asset income based on the cash value of assets as determined through the asset

income test methodology.

**HUD** shall mean the United States Department of Housing and Urban Development.

**Household** shall mean all members who are currently living together and will occupy the home.

**Loan** shall mean a loan or any other form of financial assistance provided by the City to assist a First Time Homebuyer to purchase a home.

**Program** shall mean the Tri-Valley Down Payment Assistance Program.

**Program Administrator** shall mean City of Livermore Housing and Human Services Manager or its designee.

**Seasoned Funds** shall mean monies that have been held in an account with a financial institution in the applicant's name for a minimum of three (3) months.

**Simple Interest Rate** shall mean the simple interest accrued on the outstanding principal balance of the Loan, to be set annually by the City.

## **APPLICANT QUALIFICATIONS**

### ***First Time Homebuyer***

Applicant(s) must be a First Time Homebuyer as defined above.

### ***Income Limits***

Gross Household Income must not exceed 120% of the Area Median Income as defined above.

### ***Asset Limits***

Applicants may have no more than one hundred thousand dollars (\$100,000) of total assets, excluding pensions and federally approved pre-tax savings accounts. Assets shall be subject to an asset income test in which ten percent (10%) of assets over \$30,000 shall be added to the gross amount of annual income.

### ***Income Determination***

Gross Household Income shall be determined based on a 12-month projection of income from the date of Application. Applicants must provide sufficient documentation of income for use in determining the Applicant's income level. Final determination of an Applicant's income and program eligibility shall be made by the Program Administrator.

Initial income qualification will be verified for accuracy based on two or more of the following sources:

- a. Two (2) pay stubs for the most recent pay periods;
- b. Income tax return for the three most recent tax years;
- c. Three (3) most recent month's bank statements;
- d. Credit report\*;
- e. Verification form from current employers; and/or
- f. Income (or unemployment) verification from the Social Security Administration and/or the California Department of Social Services if the household receives assistance from either of such agencies, or State EDD; or, another form of independent verification.
- g. Final income verification and loan approval will be based on income and credit information received by the Applicant's first lender.

\* Equal Credit Opportunity Act. Under the Equal Credit Opportunity Act (ECOA), Lenders normally are prohibited from requesting disclosure of certain information from an applicant. Under Section 202.5(b0 and 202.89a)(1) and (d) of the ECOA regulations, income information such as child support and alimony, and other information such as marital status, residence status, etc., can be requested in order to allow the lender to determine whether an applicant meets the income and other eligibility requirements of federal and state law relating to the loan.

### ***Credit***

Applicants must have a minimum FICO score of 660, have no open delinquent or collection accounts, and may not have filed bankruptcy within the last three (3) years.

### ***Homebuyer Education Requirement***

Applicants must successfully complete a Program approved first-time homebuyer education course and provide a Certificate of Completion upon submittal of their Tri-Valley DPA Program Application.

## **HOME QUALIFICATIONS & INSPECTIONS**

### ***Eligible Properties***

Eligible properties are limited to existing single-family residences within the jurisdictional limits of the cities of Dublin, Livermore, Pleasanton, San Ramon and Town of Danville. Homes purchased in other cities and areas outside the participating jurisdictions, including unincorporated areas within and surrounding the participating jurisdictions, do not qualify for the program.

Eligible Single-Family Residences include: condominiums, townhouses, and single units

including those that are part of a couplet or duet. Multi-unit structures (Duplexes, triplexes etc.) where more than one unit is being purchased are not eligible.

### ***Inspection and Appraisal Requirements***

*Residential Appraisal:* A residential appraisal report by a licensed real estate appraiser must be obtained through the first lender or by the Applicant prior to funding to verify the market value of the property.

*Termite and Roof Inspections:* Termite and roof clearances must be obtained prior to the close of escrow.

*Home Inspection Report:* Homes must meet a code and habitability standards review and be deemed acceptable to the Program. A home inspection report conducted by a licensed home inspector must be submitted to the Program Administrator for review prior to final loan approval. If code, building permit, or habitability deficiencies are found, the Program Administrator may condition final loan approval upon remediation and clearance of those deficiencies. Contact program staff for details.

## **REQUIRED DOWNPAYMENT & MATCH**

### ***Required Down-payment***

Applicant must provide funds in an amount equal to a minimum of 3% of the purchase price for use as a down payment (not including closing costs). Seasoned Funds (see definitions) must be deposited into escrow and verification of these deposited funds must be provided to the Program Administrator prior to execution of loan documents.

### ***Gifted Funds***

Applicant may be gifted funds towards the purchase, evidenced by a “gift letter” which must be submitted with the Tri-Valley Down Payment Assistance Program Application. Gifted assistance is subject to the total secondary assistance limit.

### ***Secondary Assistance Limit***

The total of Applicant’s down-payment, gifted funds, and all assistance from secondary financing sources (including Tri-Valley DPA funds) may not exceed 22% of the purchase price plus escrow closing costs. If the Applicant is purchasing a Below Market Rate unit, then the amount of any silent, non-payable “Inclusionary” assistance provided through the participating cities Below Market purchase program will not be considered as secondary financing to be included in the cap on total assistance. At the discretion of the Program Administrator, this limit may be adjusted based on affordability for lower income households.

## **OTHER REQUIREMENTS**

### ***Owner Occupancy***

Recipients of Tri-Valley DPA assistance shall use the home purchased under this program as their primary residence and must live in the unit at least 10 months out of the year. Borrowers shall certify owner occupancy annually as requested by the Program Administrator.

## **ALLOWABLE USES OF LOAN FUNDS**

Tri-Valley DPA funds may be used only to purchase a house and to pay for any non-recurring closing costs (not to exceed 2% of the purchase price) associated with purchasing the home. Applicant shall not use loan funds to finance repairs, room additions, or to purchase any non-real property. No cash out at Close of Escrow is allowed.

### ***Loan Documents***

The City of Livermore is the lender of Tri-Valley DPA Program funds. Applicants shall execute a promissory note for the amount of the City loan secured by a deed of trust to the property with the City of Livermore as beneficiary. Failure by the Applicant to adhere to the program and payment requirements to the City may result in default and forfeiture of ownership by the Applicant.

The City of Livermore will facilitate the execution of the loan documents.

The City of Livermore will require an ALTA Title Insurance policy in the amount of the Tri-Valley DPA loan.

There is a one-time loan set up fee and tax service fee due at the close of escrow payable to the loan servicing agency designated by the Program to service accounts and collect loan payments. Amortized loans require a monthly service fee. Fee information is available upon request.

## **FIRST MORTGAGE QUALIFICATIONS**

The first mortgage obtained for the purchase of the residence must be of a fixed interest rate over the life of the loan with no negative amortization, balloon payments, or adjustable rate features.

**Combined Loan-to-Value (CLTV) Limits**

Combined loan-to-value limits shall be calculated based on the lesser of the following: (1) appraised value; or (2) purchase price. Appraised value must be confirmed prior to the City’s submittal of documents to escrow through an appraisal report prepared by a licensed real estate appraiser. The appraisal must have been completed within six months prior to the close of escrow.

*CLTV Limits will be based on Tri-Valley DPA Loan and Secondary Assistance:*

Maximum CLTV	Secondary Loan Sources and Uses
97%	Tri-Valley DPA Loan for Down Payment only
99%	Tri-Valley DPA Loan for Down Payment and 2% Closing Cost Assistance
102%	Tri-Valley DPA Loan for Down Payment and 2% Closing Cost Assistance, <b>and</b> WISH or State CHDAP Loan assistance.

**Debt-to-Income Ratio**

Applicant’s Backend Ratio may not exceed 40% of the Applicant’s total gross income. At the sole discretion of the Program Administrator this ratio may be adjusted up to a maximum 43% if the Applicant’s down payment exceeds the minimum requirement and credit score is 720 or greater.

**SUBORDINATION TERMS**

Tri-Valley DPA will be subordinate only to the approved first mortgage, CalHFA , WISH and City-funded secondary mortgage assistance loans.

The Tri-Valley DPA may be subordinated to a refinanced loan as long as the loan amount to be refinanced does not exceed the current outstanding balance of the first mortgage plus reasonable closing costs (2%).

The new first mortgage must adhere to the First Mortgage Guidelines.

## APPLICATION PROCESS

1. Applicants must submit a complete application to the Tri-Valley Housing Opportunity Center at 141 N. Livermore Avenue, Livermore, CA 94550 at least four weeks prior to their scheduled close of escrow.
2. **Program Eligibility Letter:** Upon determination of eligibility for the Program, Applicant shall receive a Program Eligibility letter from the Program Administrator stating eligibility. ***This letter determines initial loan eligibility only. Funding will not be reserved until the Applicant has submitted all of the documents listed on the Application and Loan Disbursement Checklist under “Eligibility and Reservation of Funds for 60 Days.”***

Since funding is limited and is available on a first come first served basis, a Program Eligibility letter is not a guarantee that funds will be available to the Applicant when requested.

In cases of multiple applications, priority shall be given to applicants who currently live and/or work in the participating jurisdictions.

3. **Conditional Approval Letter:** To receive a reservation of funds for 60 days (“Conditional Approval Letter”), Applicant must submit the necessary documents outlined on the Application and Loan Disbursement Checklist under “Eligibility” and “Reservation of Funds for 60 Days.”

Applicants may request an additional 30-day extension, however extension requests shall be deemed lower priority than new applicants and approval shall be on a case-by-case basis based on funding availability. Approval shall be granted at the sole discretion of the Program Administrator. In any case, extensions shall not be granted for an Application for longer than 6 months, after which the Applicant must reapply for funds.

4. **Final Approval Letter:** First lender documents shall be reviewed to verify eligibility for final approval and disbursement of funds to escrow, at which time a “Final Approval Letter” shall be issued to the lender. All documents and conditions outlined on the Application and Loan Disbursement Checklist must be provided and/or met prior to disbursement of funds from the Program Administrator.

**Fulfilling the above requirements is the sole responsibility of the applicant. Failure to fully satisfy the above Program requirements as determined by the Program Administrator may result in a denial of loan approval.**