



City of Lompoc
Homebuyer Assistance Program
Down Payment Loans and Closing Cost Grants
Program Guidelines

Council Approved by Resolution No. 6177(18)

May 1, 2018

City of Lompoc

100 Civic Center Plaza

Lompoc, CA 93436

Step 1

- Complete a Homebuyer Education Training Course - online course information provided by City of Lompoc, upon completion receive your certificate of completion.

Step 2

- Obtain Pre-Approval for a First Mortgage Loan - apply for first mortgage loan from a City-approved lender to obtain your pre-approval letter. The lender will assist you with completion of the City HAP loan application.

Step 3

- Complete Income Certification for City HAP - You must have your income certified by City of Lompoc to verify that you are an eligible household. This is separate from qualifying for the first mortgage. Your first mortgage lender will collect appropriate documentation for City staff to complete the income certification.

Step 4

- Submit Down Payment Loan Application - Your first mortgage lender will submit your City HAP loan application package to the City for processing.

Step 5

- Locate Your New Home - Work with your Realtor or Broker to find the home you would like to purchase; execute a sales contract to buy the home, contingent on the City HAP loan.

Step 6

- HAP Loan Commitment - City program staff will review your complete loan application within 10 working days, if you qualify, the City will issue a loan commitment letter.

Step 7

- Escrow and Loan Closing - Loan documents will be prepared and forwarded to escrow for your signature; City staff will coordinate with the first mortgage lender and title company to fund and close your home purchase.



Homebuyer Assistance Program

Program Overview

The Lompoc Homebuyer Assistance Program is a program of the City of Lompoc, to expand homeownership opportunities in the community of Lompoc. The program helps bridge the homeownership affordability gap for local residents by providing 30-year deferred payment loans up to \$65,000 per household to assist first-time lower-income homebuyers in purchasing a home in the City. Funds can be used for down payment costs for households who earn up to 120% of the Area Median Income (AMI), adjusted for household size. The loans have no current interest or principal payments, accrue 3% simple interest annually and are repaid upon sale, transfer or refinancing of the home or at the end of the loan term. Qualified applicants may also be eligible for a closing cost grant up to \$7,500. Funding for the program has been provided through the City of Lompoc.

The program removes financial barriers to the dream of homeownership by lowering home acquisition and carrying costs. The program enables qualified families to purchase a home that provides a stable residence that strengthens the family, the neighborhood and the community.

Homebuyer Eligibility Requirements

Homebuyers seeking a down payment assistance loan must meet the following minimum criteria:

First-Time Homebuyer

- Applicants must be first-time homebuyer and not have owned a principal residence within three (3) years from the date of program application, and may not own other residential property. Some exceptions are allowed, such as displaced homemakers and owners of mobile homes in mobile home rental parks.

Income Qualified Household

- Applicants must be at or below 120% Area Median Income and have the household income certified by the City of Lompoc.

Unit Occupancy

- Homebuyer must occupy the home as the primary residence for the duration of the loan.
- The home size must be sufficient for the household so that there is no overcrowding.

Other Requirements

- Applicants must attend and complete a Homebuyer Education Training class.
- Applicants must secure pre-approval of a 30-year fixed rate first mortgage loan from a participating lender and have satisfactory credit and job/income stability.
- Applicants must contribute at least 2.5% of the home purchase price.

Eligibility of Home

Homebuyers may apply for down payment assistance to purchase market-rate homes located within the City of Lompoc that meet the criteria outlined below. Affordable below market-rate homes with resale restrictions or homes that require substantial rehabilitation are ineligible for the program.

Location of Home:

- The home must be located within the City of Lompoc.

Type of Home:

- Eligible: Detached or attached single-family homes; units in Planned Unit Developments; townhomes; condominiums and mobile homes that are on a permanent foundation and have an individual deed to the property.
- Ineligible: Vacation homes, investment properties, multi-family buildings, second units, duplexes, life care facilities and cooperatively owned or other forms of ownership where the homebuyer does not have an individual deed to the property.

Habitability:

- Homes must be completed and ready for occupancy.
- Homes must meet building code standards, and health and safety code standards, including no peeling lead-based paint.
- The City recommends homebuyer purchase a professional home inspection report, but does not require it.

Household Income Targeting

Applicants for the City Homebuyer Assistance Program must have combined household incomes that do not exceed 120% of the Area Median Income, adjusted for household size.

Area Median Income is determined annually by the U.S. Department of Housing and Urban Development. Santa Barbara County current income limits as of March 22, 2018 are listed below:

Household Size	1	2	3	4	5	6
Maximum Income	\$64,750	\$74,000	\$83,250	\$92,500	\$99,900	\$107,300

To be eligible for a Homebuyer Assistance Program Down Payment Loan, the applicant’s total household income must be classified as lower-income and cannot exceed 120% of the Area Median Income (AMI) for Santa Barbara County households, adjusted for household size. The AMI is published annually by the U.S. Department of Housing and Urban Development and adopted by the California Department of Housing and Community Development.

The combined income of all household members 18 years old or older who will be living in the home must be included in calculating the applicant's total household income. To be considered a member of the household, individuals must be either:

- On the title and loan of the home;
- Claimed as a dependent on the tax returns of the household member who will appear on the title and City of Lompoc loan (a spouse is not a dependent; he or she must be on the title and loan of the property); or
- Any other household member 18 years of age or older earning an income.

Borrowers applying for a Homebuyer Assistance Program Down Payment Loan must have their income certified by City of Lompoc to verify that they meet the eligibility requirement of an income qualified household. To verify household income, applicants will need to submit an Income Certification Application and receive an Income Certification and Affidavit Form completed by the City of Lompoc. Generally, the applicant must provide the following information with the application to an Approved First Mortgage Lender who will then forward it to the City:

- Federal Income Tax Returns (signed) with W2s from the last three years as well as the two most recent paystubs for all household members over the age of 18 (within 60 days).
- Supporting documentation for all other income received including disability, alimony, child support, unemployment, social security, interest and dividend income, etc.
- Written verification of employment for all household members earning an income (within 60 days of application submission).
- An applicant who is self-employed will need to provide income tax returns for the last three years, both State and Federal, plus a profit and loss statement from an account for the last six months.
- An applicant who is both self-employed and works for an employer must provide documentation for both sources of income.
- Two most recent statements from all asset accounts, including checking and savings accounts, individual retirement accounts, investment and trust accounts, etc., for each household member who is at least 18 years old.

Down Payment Loans

Type of Loan

The down payment loans offered under this program are subordinate financing, secured by a second position on the home. The loans are deferred “soft seconds,” with no current interest or principal payments. Instead, the interest will accrue at 3% simple interest annually and is due, along with the loan principal, at the end of the loan term or upon sale, transfer or refinancing of the home. The loan will become due when the borrower sells or transfers the property, ceases to maintain the residence as his/her primary residence, converts the home to a rental property or refinances the first mortgage. Loans do not generally become due in the case of death or divorce when the beneficiary or remaining spouse uses the home for his/her primary residence.

Maximum Loan Limits and Assistance Levels

The maximum down payment loan amount under this program is \$65,000. The amount of the individual homebuyer loan will be based on the home purchase price, homebuyer income and need. The down payment loan may not be for more than the homebuyer needs to purchase the home with affordable monthly payments. The City of Lompoc may from time to time adjust the maximum loan amount, based on program experience.

The maximum portion of the City of Lompoc secondary loan that can be used toward the down payment is 18% of the home purchase price, up to a limit of \$65,000. Homebuyers may also choose to apply a portion of the loan proceeds towards other eligible nonrecurring and recurring closing costs and expenses incurred in qualifying for the down payment loan, as long as the homebuyer contributes a minimum of 2.5% of the home purchase price. The City in coordination with the First Mortgage Lender, will calculate the amount of the down payment loan needed to assist the buyer in purchasing an individual home.

Uses of the Loan

The primary purpose of the City of Lompoc secondary loan is to provide down payment assistance in purchasing the home. However, the homebuyer may also apply the loan proceeds to pay for nonrecurring closing costs, for an interest rate buy-down on the first mortgage loan and for certain other costs associated with acquisition of the home.

Closing Cost Grants

Homebuyers who purchase a home within the City of Lompoc with a down payment loan from the Homebuyer Assistance Program may be eligible for a closing cost grant of up to **\$7,500** per household to help pay for closing costs such as first mortgage loan origination and processing fees, title and escrow fees and mortgage insurance. The closing cost grant provides additional homebuyer financial assistance to help qualified families purchase a home. The City in its sole discretion will determine the amount of the closing cost grant available to eligible homebuyers.

Homebuyer Financing Requirements

Borrower Match: Homebuyers must qualify for a fully amortized **30-year fixed rate** first mortgage from a Homebuyer Assistance Program approved lender and provide a cash investment of at least 2.5% of the purchase price of the home.

Down Payment Source: Homebuyers may use gifts from relatives, friends and employers as a portion of their 2.5% cash requirement if satisfactory documentation is provided and the homebuyers have held these funds for at least 45 days in their own account. The City at its sole discretion may lower or waive the 45-day requirement if gift funds are provided from immediate relatives and clearly documented. However, in all cases, the homebuyers must contribute a minimum of 1% of the cash investment from their own resources rather than gifts. Contributions from home sellers or others or loans do not qualify as the homebuyers' own funds.

Homebuyer Education

Applicants seeking a Homebuyer Assistance Program Down Payment Loan must attend a Homebuyer Education Training course provided by City of Lompoc prior to applying for the City of Lompoc down payment loan or making an offer on a home. The homebuyer education training provides applicants the opportunity to learn about the responsibilities of homeownership and to ensure that the borrower understands the requirements of the down payment loan and implications of selling or refinancing their home. Loan applicants must submit proof (such as a certificate, letter or other documentation) with their loan application that documents they have successfully completed the Homebuyer Education Training course.

Owner Occupancy

Homebuyers who receive a Homebuyer Assistance Program Down Payment Loan must occupy their home as their principal residence until the down payment loan is repaid. The City of Lompoc may require the borrower to provide an annual written certification, under penalty of perjury, that Borrower is occupying the home as his or her principal place of residence.

Loan Financing Terms

Loan Payments: The down payment loans will be deferred and have no current monthly payments of either principal or interest until the Maturity Date or such earlier date as may be required under the conditions of the Promissory Note.

Term of the Loan: The term of the loan will be 30 years. In special circumstances, longer terms can be considered if the first mortgage is provided through a government program.

Interest Rate: The down payment loan carries 3% interest. However, there are no current interest payments; instead, the interest accrues annually. The interest is due, along with the loan principal amount, at the end of the loan term or upon sale, transfer or refinancing of the home.

Appraisal and Loan to Value Ratio: The down payment loan plus the First Mortgage may not exceed 100% of the appraised value of the home. However, in certain cases (such as when the home may have other approved deferred subordinate debt), the combined loan-to-value ratio may exceed 100%, provided the City of Lompoc down payment loan and senior debt do not exceed 100% of the home's appraised value.

The City will rely on a full appraisal commissioned by the First Mortgage Lender and the appraisal must support the home purchase price. If the purchase price exceeds the appraised value, the City at its sole discretion may approve exceptions up to 105% of the appraisal guideline, provided that the combined first mortgage and City loan do not exceed 100% of the appraised home value, the homebuyer contributes the additional cash and the carrying costs of the home are affordable to the homebuyer. The City of Lompoc reserves the right to approve or reject any proposed home financing where the combined homebuyer cash and loan to value ratio exceeds 100%.

Collateral: The down payment loan will be secured by a second trust deed on the property.

Loan Fees and Closing Costs: Applicants will not be charged a loan origination fee for the amount of the down payment loan but will pay for the actual cost of any document preparation fees, title fees and other loan closing costs. The cost of such fees may be included in the down payment loan amount. The homebuyer should expect to pay other fees and costs associated with the First Mortgage loan at or before the close of escrow, such as loan origination or processing fees, appraisal, credit reports, prepaid hazard insurance and property taxes, title and escrow fees. The First Mortgage lender will provide a Good Faith Estimate of the loan costs and the Title Company will provide a settlement statement of total transaction costs.

Repayment of the City Homebuyer Assistance Program Loan

Down payment loans will be repaid at the end of the 30-year loan term. Homebuyers may prepay all or a portion of the down payment loan at any time without incurring any prepayment penalties. Loan repayment may be accelerated and would be immediately due and payable under any of the following occurrences:

- Sale, transfer, reconveyance or alienation of the home;
- Failure to occupy the home as a principal residence;
- An Event of Default (either on the first mortgage or down payment loan); or
- Refinance of the First Mortgage Loan.

Loan Benefits

The terms and conditions of the down payment loans - 30 years with no payments and a minimum 2.5% cash contribution required from the borrower - make this a truly affordable loan product. The program enables lower-income families who have previously been shut out of the local housing market to buy a home.

Regulatory Requirements

A condition of the City of Lompoc program funding is to help provide long-term affordable homeownership opportunities for local residents. This will be accomplished through recording a secondary lien on the home. Homebuyers receiving a down payment loan under this program must agree to meet the loan conditions and homeowner requirements outlined in the Deed of Trust that will be recorded against their title to ensure that the home remains owner occupied and that the City of Lompoc receives its loan principal and accrued interest at the end of the loan term or upon sale, transfer or refinancing of the home.

First Mortgage Financing

Homebuyers must obtain a First Mortgage Loan only from a lender that has been specifically approved to participate in the City of Lompoc's Homebuyer Assistance Program. The First Mortgage Loan from an approved participating lender must meet the following standards:

- Term of at least 30 years;
- Fixed interest rate at market or below market rate (no subprime loans will be accepted);
- Fully amortized loan with monthly payments; no negative amortization or balloon payments;
- Establishment of an impound account for property taxes and insurance; and
- No prepayment penalty.

Payment Ratios: Homebuyers participating in the down payment program must pay at least 22% of their gross monthly income for all housing costs, including first mortgage principal and interest, property taxes, insurance and any Homeowner Association (HOA) fees. The City, at its sole discretion, and on a case-by-case basis may grant a waiver to lower the minimum upfront ratio to no less than 20%, based on the homebuyer need for additional affordability. Maximum payment ratios will be determined in coordination with the participating First Mortgage Lender but generally should not exceed 38% of income for all front-end housing costs (principal, interest, property taxes, insurance, HOA fees and other assessments) and 45% maximum for all back-end debt, which includes housing costs plus other long-term debt or monthly obligations.

The City's program management consultants will coordinate with community lending partners to establish mortgage and household debt ratios to ensure that the homebuyer monthly payments are affordable and the down payment loan is not used to purchase a home that exceeds the homebuyer's purchasing ability.

Community Lending Partners

The City will collaborate with Community Lending Partners to obtain pre-approval of the Homebuyer Assistance Program and where possible to arrange favorable terms and access to special first mortgage loan programs and benefits for homebuyers who use these participating lenders for their First Mortgage.

Community Lending Partners - City-Approved First Mortgage Lenders (as of August 21, 2018 in alphabetical order)

Acquire Mortgage
First Bank
Guild Mortgage
Leachman Home Loans
On Q Financial
Paul Blanco & Associates
Santa Fe Mortgage
Valley Financial