



## **Down Payment Assistance Program Guidelines**

*REVISED  
May 2016*

***The program provides financial assistance to low and moderate income homebuyers in the form of a 3.5% partially deferred loan.***

*(Please retain for your records)*

1. The program is restricted to the purchase of single-family residences which includes condominiums, mobile homes, town homes, and single units 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. Homes purchased must be located in the City of Pleasanton. The homebuyer is responsible for obtaining a first mortgage with a CalHFA-approved lender at a fixed interest rate with no negative amortization, balloon payment or adjustable rate features.
2. The program is available to 1) first-time homebuyers and 2) buyers who have owned a home with resale restrictions through the Pleasanton Homeownership Assistance Program (PHAP). In the event of a competing interest for funding, a priority will be given to first-time homebuyers who have never owned a home in the past. First-time homebuyer is defined as a household where no member of the household has held an interest in residential property for three years prior to application.
3. Borrower must meet the income eligibility limits set by the program in order to qualify for City assistance. Maximum loan amounts are determined by household size and income and by the source of loan funds. Households earning less than 80% of the Area Median Income (AMI) shall be eligible for up to \$60,000 in down payment assistance if matching funds are available to supplement City funds (\$20,000 if loans are funded 100% from City funds). A household earning between 80% and 120% of AMI shall also be eligible for up to \$60,000 in down payment assistance if matching funds are available to supplement City funds (\$20,000 if loans are funded 100% from City funds). Maximum income limits are adjusted for household size. Loan amounts are further limited to a maximum of 20% of the total purchase price.

Borrower must provide sufficient documentation of income to the City for use in determining the borrower's income level. Final determination of an applicant's income level and program eligibility shall be the sole discretion of the City. Total Household Income means the total income of all residents of the household. Household members include individuals who will be living in the home including the head of household, spouse, children, or others listed, as dependents on federal tax forms, extended family members, and other adults who are also purchasing the property.

Annual household income includes the income of all household members over the age of 18 years who will be residing in the home. Annual household income includes all income for the current calendar year to date (at the time of application submittal) plus the household's anticipated annual household income for the remainder of the current calendar year. In the event a household, and/or a household member, recently experienced a significant increase in monthly income, generally defined as an increase of 20%, annual household income will be determined by projecting the new monthly income for a period of twelve months. Income shall include the following:

- a) The **gross amount, before any payroll deductions**, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
  - b) The net income from 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 and dividends;
  - d) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
  - e) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
  - f) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
    - (1) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
    - (2) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities;
  - g) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
  - h) 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 family or spouse;
4. The homebuyer shall use the home as its primary residence (residing for at least 10 months out of the year) and the home may not be rented to a second party.

5. Borrower's total debt to income ratio may not exceed 40% of the borrower's total income. At the discretion of the City's Housing Division, this minimum standard may be adjusted if extenuating circumstances exist (e.g., buyer has minimal debt, FICO score in excess of the minimum, down payment exceeding the 3% minimum, etc.).
6. Borrower may use a cosigner when qualifying for the first mortgage. The cosigner's total household income shall not be included as part of the household's total income when determining the borrower's income eligibility except in cases where the DPA program is used in conjunction with specific below-market priced homes that are sold through the Pleasanton Homeownership Assistance Program (PHAP).
7. Total down payment assistance from all sources shall not exceed 20% of the purchase price of the home. Eligible closing costs, including points, shall not exceed 2% of the purchase price. Borrower must contribute a minimum 3% down payment. The City DPA loan may be layered and subordinated to CalHFA down payment assistance.
8. In the event of a competing interest for funding, a priority will be given to persons who live and or work in the City of Pleasanton (see #19). The homebuyer will be required to enter into a Promissory Note and Deed of Trust with the City.
9. The homes are required to pass typical home inspections including termite and roof clearances.
10. Buyer must obtain a written property inspection report from a qualified home inspection company prior to the close of escrow. This report must cover all major systems in the house including but not limited to electrical, plumbing, foundations, drainage systems, paint, and all built-in appliances. Buyer must show evidence that City permits have been issued for all work where permits are required.
11. Buyer must purchase a one-year home warranty covering all major systems in the home including built-in appliances, air conditioners, and water heating systems.
12. For loans that are funded through two funding sources (e.g., CalHFA HELP and City funds), assistance provided through the DPA program shall be in the form of two separate loans of equal amount, one of which runs for the first ten years (using CalHFA HELP funds or other matching funds) and another which runs for the second ten years (using City funds). For loans that are funded solely with City funds, assistance shall be in the form of a single loan with a twenty year term. Payments are generally amortized over the entire loan term. However, the City may consider, on a case-by-case basis, deferring payments for up to the first three (3) years if deemed necessary to improve the borrower's initial qualifying ratio. In this case, payments shall be amortized over the remaining period so that the loan is completely repaid within the aggregate term.
13. Borrower shall enter into a loan agreement with the City of Pleasanton covering the total amount of funds loaned by the City via a Promissory Note secured by a Deed of Trust for each loan. Failure by borrower to make timely loan payments to the City may result in the default of

the City's loan(s) and initiation by the City of default remedies under the promissory note and deed of trust. Loan funds may be used only to purchase a house and to pay for any nonrecurring closing costs associated with purchasing the home. Buyer shall not use loan funds to finance repairs, room additions or to purchase any non-real property. Cash-out transactions are not eligible.

14. Borrower must have a minimum FICO score of 660 and have sufficient creditworthiness to qualify for a first mortgage with terms described herein. First mortgages must be fixed rate loans with no negative amortization, balloon payments or adjustable rate features and must be approved by the City.

15. Execution of the City's second mortgage documents shall be performed at close of escrow.

16. Fulfilling the above requirements is the sole responsibility of the homebuyer. Failure to fully satisfy the above Program requirements as determined by the City's Housing Division, may result in a delay in funding or in loan denial.

17. Borrower must submit a complete application package to the City's program administrator at least three weeks prior to the scheduled close of escrow. Upon determination of eligibility for the Program, by the City's program administrator, borrower shall receive a pre-approval letter stating Program Eligibility. This letter shall indicate the maximum amount of loan funds for which the buyer has been pre-approved. This letter only serves as a determination of loan eligibility. Since funding is limited and is available on a "first-come, first-served" basis, a pre-approval letter is not a guarantee that funds will be available to the borrower when requested. The specific steps for disbursement of loan funds following pre-approval are attached to these guidelines.

18. Homebuyer must successfully complete a City-approved homebuyer training program within 12 months prior to the close of escrow and have a current certificate.

19. Priority shall be given to persons who live and/or work in the City of Pleasanton consistent with the City's adopted preference system for affordable housing projects.

20. Applicant must be a U.S. Citizen or legally permitted permanent resident.

## **LOAN DISBURSEMENT GUIDELINES**

### **Conditional Approval and Reservation of funds for 60 days:**

Items to be sent to the City of Pleasanton's program administrator:

- ❑ A complete Application including all required certifications
- ❑ Copy of the executed purchase agreement
- ❑ Copy of loan qualification letter for first mortgage
- ❑ Evidence of borrower's 3% down payment and gift letter (if appropriate)
- ❑ Copy of Homebuyer training certificate

### **Final Approval and Disbursal of Funds into Escrow:**

- ❑ Title Company name, address, contact person, phone number, and escrow number
- ❑ Wire instructions to transfer funds to escrow account (instruction must be on Title Company letterhead, signed by the escrow officer handling transaction)
- ❑ Forms 1008 and 1003 from First Lender, draft copies of Promissory Note and Deed of Trust
- ❑ Evidence of buyer's down payment deposited in escrow
- ❑ Appraisal
- ❑ Termite clearance
- ❑ Roof clearance
- ❑ Copy of Property Inspection report
- ❑ Evidence of Hazard Insurance naming City of Pleasanton, its successors and assigns as Loss Payee
- ❑ Proof of Home Warranty

### **Completion of File After Escrow Closes:**

- ❑ Final HUD-1 Closing Statement
- ❑ Title insurance naming City as a beneficiary