City of Sunnyvale

First-Time Home Buyer Program Guidelines

For the First-Time Home Buyer Loan Program
Funded by:
HOME Investment Partnerships Program
City of Sunnyvale Housing Mitigation Fund

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1 INTRODUCTION

The City of Sunnyvale, hereinafter referred to as the "City," has established the First-Time Home Buyer program described herein (the "Program") to provide assistance to individuals who currently live or work in Sunnyvale and are eligible first-time home buyers for the purchase of homes located within the Sunnyvale city limits, as described in Section 3.1.A. The Program provides this assistance in the form of deferred payment "silent" second mortgage loans, also known as "gap" financing. The Program loans may only be used toward payment of the purchase price and closing costs of a Program eligible home that will be occupied by the home owner as their primary residence. The Program will be administered by the City of Sunnyvale Housing Division (the "Division"), which is part of the Community Development Department.

If you are participating in the **Below Market Rate Home Owner Program**, additional requirements may apply, which differ from the requirements stated below. Administrative Guidelines for the BMR program are available by contacting the Housing Division at (408) 730-7456 and on our web site at www.sunnyvale.ca.gov/housing.

2 HOME BUYER ELIGIBILITY

2.1 HOUSEHOLD INCOME LIMITS

Applicants' household incomes may not exceed 120% of Santa Clara County's Area Median Income (AMI), adjusted for household size, as published by HCD, and shown in the **Appendix**. In order to qualify for a Program loan to be funded with HOME funds, the applicants' household income may not exceed the HUD "low" income limit for Santa Clara County, also shown in the Appendix. Applicants must certify and provide acceptable documentation that their gross household incomes do not exceed the Program income limits. The income limits in place at the time of application submittal will apply when determining applicant's eligibility.

2.2 DETERMINING HOUSEHOLD INCOME

The applicant's projected gross annual household income will be used to determine the applicant's income eligibility for the Program. The Division will use the HUD "Part 5" method, as set forth in 24 CFR Part 5.609 and described below, to determine and verify applicant's gross annual household income. The gross annual household income determined by the Division may or may not equal the household income calculated by the first mortgage lender when qualifying the household for the first mortgage.

The gross annual household income determined by the Division, not that calculated by the first mortgage lender, shall prevail in determining the applicant's eligibility for the program and for all Program loan underwriting purposes, including housing cost ratios. The first mortgage lender may use a different method than the Division to calculate the applicant's income or assets. All income sources of all adults in the applicant's household will be verified by the Division by reviewing and documenting tax returns,

copies of wage receipts (paycheck stubs), retirement and/or benefit checks, bank statements and third-party verification of employment, using forms sent to employers. All documentation shall be no more than 90 days old, from the date of submission and will be kept in the applicant file and held in strict confidence.

Household Income Definition:
The Program uses the definition of household income in 24 CFR Part 5.609 (also known as the "Part 5" or "Section 8" method) to determine applicants' income eligibility for the program: "the gross amount of income, [before tax or other deductions] of all adult household members [18 years of age or older] that is anticipated to be received during the coming 12-month period." Program staff follows HUD's current edition of "*Technical Guide for Determining Income and Allowances for the HOME Program*" which explains the Part 5 method of calculating household income. This method defines types of income and assets to be included or not included in the household's income calculation. Special consideration is given to income earned by minors, live-in aides, persons with disabilities, temporarily and permanently absent family members, and adult students living away from home.

There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual income under HUD's Part 5 definition of income.

Household Asset Definition:
An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. The income earned, such as interest on a savings account, is counted as annual income, not the asset value.

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including: penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

The "*Technical Guide*" describes the Part 5 method and provides the list of income and asset exclusions and is available online at HUD's website:
http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/1780.pdf.

2.3 FIRST TIME HOME BUYER STATUS

The Program uses the definition of a "first-time home buyer" in Title 25 California Code of Regulations §8201(l), shown below. Documentation of first-time home buyer status with tax returns and other documents (i.e., leases, etc.) must be submitted with the application in order to verify first time home buyer status.

Title 25 California Code of Regulations §8201(l):
"First-Time home buyer" means an individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase

of a home with subsidy assistance, except that the following individual or individuals may not be excluded from consideration as a first-time home buyer under this definition:

a) A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the 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 twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

b) 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 or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or

c) An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is:
   - Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
   - Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

As set forth in subsection c) above, applicants may own a manufactured or mobile home not on a permanent foundation and not affixed to real property also owned by the applicant; however they must sell the manufactured home prior to closing escrow on the Program-assisted home purchase and must utilize their net proceeds of the sale, to the extent possible, toward their down-payment on the new home purchase.

2.4 HOME BUYER EDUCATION

Buying a home can be one of the most confusing and complicated financial transactions of the prospective buyer's life. Home buyer education classes from a HUD-certified housing counselor can help prospective buyers avoid costly mistakes, and can often help the buyer avoid foreclosure or default by providing education about financing, loans, and budgeting prior to the purchase. Studies have shown that first-time home buyers who have attended HUD-certified home buyer education classes have a greater ability to handle problems that often occur with homeownership.

All Program applicants must attend a City- and Fannie Mae-approved home buyer education class from a HUD-certified housing counselor prior to receiving written approval for a Program loan. The home buyer education class will cover the following topics, at a minimum: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; the impact of refinancing, and loan servicing. The applicant must attend and receive a certificate of completion of a Fannie Mae-accredited first time home buyer course, usually consisting

of eight hours of instruction, and provide the Program staff with a copy of the certificate prior to close of escrow. The Program application package contains referrals to local providers of home buyer classes that meet Program requirements.

3 PROPERTY ELIGIBILITY

3.1 LOCATION AND CHARACTERISTICS

A. Homes must be located within the City of Sunnyvale city limits.

B. Homes must have been vacant or owner-occupied (by the seller's household only) for the entire three-month period prior to the date of the purchase offer, and must continue to be vacant or owner-occupied through close of escrow. Tenant-occupied homes are not eligible for purchase, unless the tenant is purchasing the home. See Section 3.3 below for additional details.

C. Homes may be new or resale single-family homes, town homes, or condominiums. Market-rate or Below-Market Rate (BMR) homes may be purchased, however there is generally a waiting list for the opportunity to buy a BMR home, and it may take several years to get to the top of the waiting list. Please contact the Division to inquire about the current procedure for application to the BMR waiting list. <u>If the home proposed for purchase is new (i.e., not previously sold to a home buyer), the foundation must have been poured prior to seller's receipt of the buyer's purchase offer.</u> Manufactured homes may be assisted if they are 1) not more than ten years old; and 2) located on a legal mobile home lot in a non-profit-owned or resident-owned park subject to a legally enforceable affordability covenant (or space rent limit) with a remaining term not shorter than the term of the first mortgage; or on a single-family lot which will also be purchased by the buyer of the manufactured home. All manufactured homes must be installed on a state-inspected permanent foundation system. Space rents and/or common interest dues will be included in buyers' housing costs for Program underwriting purposes.

D. All homes must be in compliance with State and local building, zoning, and health and safety codes and ordinances.

E. If the home is located within a 100-year flood zone, the buyer will be required to obtain and maintain a flood insurance policy, with an initial term not less than one year prepaid in escrow, and provide an endorsement naming the City of Sunnyvale as additional insured, prior to funding of the Program loan.

3.2. CONDITION OF THE HOME

Homes must meet all applicable state and city zoning, building, housing and health and safety codes prior to close of escrow in order to be eligible for Program assistance. Older homes that are legal non-conforming must meet the zoning codes that were in effect at the time they were constructed, as well as current applicable building and health and safety codes as required by the Building Division. If any subsequent construction or remodeling was done to the home by the seller or a prior owner, it must be in compliance with the codes in effect at the time the work was done, must have passed city building inspection, and there may not be any current code violations that may present a health and safety hazard (i.e., construction without permits, including garage conversions, additions,

encroachments, etc.). New homes are eligible for purchase once a Certificate of Occupancy has been issued by the City Building Division. Resale homes require inspection by the Division and by a certified Home Inspector, as set forth below.

A. Resale Homes: Inspection and Determining Need for Repairs:
Once the applicant has identified a potential home to purchase, and prior to a commitment of Program funds, the following steps must be taken for the home to be eligible for purchase under the Program:

i. The Division's Rehabilitation Specialist will inspect the home to identify any housing, building, and/or health and safety code deficiencies to be corrected in order for the home to be eligible for purchase. The Specialist will provide a recommended list of work items, if any, needed for the home to pass inspection. If the home requires substantial rehabilitation (more than $10,000 of repair work) to meet codes, or if the home has health and safety and/or building code violations (such as un-permitted additions or garage conversions), the home will be considered substandard and determined not to be eligible for Program assistance unless all of the violations are corrected by the seller and pass City Building inspection prior to applicant's submittal of a purchase offer.

ii. The prospective buyer must also hire a certified home inspector of their own choosing to inspect the home, and provide a copy of the inspection report to the Division staff. The home buyer and their real estate broker or agent may negotiate with the seller regarding repair costs. Homes requiring repairs and corrections estimated to cost in excess of $10,000 will not be eligible for Program assistance, unless the required repairs have been completed by the seller and the work has passed final building inspection by the City Building Division prior to Program loan approval. Smoke detectors must be installed by the seller if there are none in place.

iii. A current pest inspection must be performed by a licensed pest inspector of applicant's choosing, and any required treatments must be completed, and a clear inspection report provided to escrow. The Division will encourage each home buyer to secure a homeowner's warranty policy as part of the purchase of a resale home.

iv. Upon completion of all repair work required, if any, a final inspection will be conducted by the City prior to close of escrow. If the repair work is of a nature where a City building permit(s) is required, the seller or his/her contractor must obtain the permit(s) prior to starting repair work, and the work must pass City building inspection prior to release of contingencies in the purchase contract. Minor cosmetic repairs not requiring building permits, such as painting or carpet installation, may be inspected by the Rehabilitation Specialist. The Seller will certify, and the Division will verify, that all required construction work has been completed per code requirements, and is in compliance with local codes at the time of sale and prior to occupancy.

B. Post-purchase Rehabilitation Assistance:
Homes purchased with Program assistance will not be eligible for a City rehabilitation loan until five years after the date of purchase. Homes purchased with HOME-funded loans may not be assisted with additional HOME funds at any time after the Program-assisted purchase.

C. Home Size:
The home shall be not larger than necessary to meet the needs of the home buyer household, without overcrowding. Generally, this means not more than two persons per bedroom plus one, and not less than one person per bedroom. Exceptions to the maximum household size limit may be made by the Division upon request to accommodate a large household already living together in a home with an equal or fewer number of bedrooms, but two or more households not currently living together may not use this exception in order to purchase a home together.

D. Lead-Based Paint Hazards:
All homes built prior to 1978 must pass a lead-based paint hazard inspection in order to qualify for purchase with Program assistance. If the home was built prior to 1978, the Division will retain a certified lead-based paint inspector or risk assessor to test all painted, shellacked, or varnished surfaces to determine the presence or absence of lead. If the test results indicate that unstable lead is present and corrective work is needed, such as encapsulation with new paint, the work must be performed by contractors licensed to do lead-based paint hazard reduction and/or abatement, using work safe methods. If such work is performed, the testing firm will test again after the work is done and provide a clearance letter once the results indicate no hazards are present. The following steps must be taken regarding potential lead hazards:

i. Notification: Program application packages will include the most recent copy of the EPA pamphlet "Protect Your family From Lead in Your Home" (EPA 747-K-94-001). Applicants will be required to read the pamphlet and sign a certification that they have read it prior to receiving pre-approval for Program assistance. If a home is inspected for lead-based paint, the inspector must provide the applicant with the State Department of Health Services Form 8552. If lead-based paint mitigation work is performed, the Division will provide the applicant with the form entitled "Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction."
ii. Disclosure: Sellers of homes built prior to 1978 must provide prospective buyers with the HUD notice entitled "Seller's Lead-based Paint Disclosure" prior to accepting a purchase offer from the prospective buyer. Buyers shall not submit a purchase offer until they have received this disclosure from the seller or seller's agent.
iii. Inspections: The Inspector shall conduct a conduct a surface by surface testing of all painted, shellacked, or varnished surfaces to determine the presence or absence of lead in the home in order to identify lead hazards. All lead hazards must be

stabilized in accordance with CFR 35.1330 (a) and (b); and a clearance shall be made in accordance with CFR 35.1340.

iv. Mitigation: If stabilization is required, the Division must approve the contractor selected to perform the work in order to assure that only those certified to stabilize lead paint are allowed to perform the mitigation.

v. Confirmation of Property Eligibility: Once a pre-approved Program applicant has provided all the required documentation of a home's eligibility and all required inspections have been completed, the Division will: 1) confirm that the home is within the Sunnyvale city limits, 2) review each proposed home to ensure that it meets all eligibility criteria, and 3) place a completed Lead Compliance Document Checklist in the applicant's file.

3.3. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes are those that are currently owner-occupied or have been vacant for at least three months prior to the buyer's submittal of a written offer to purchase. A home is ineligible for Program assistance if its purchase would result in the displacement of a tenant (i.e., anyone other than the seller's household), whether or not the tenant is paying rent. The Program will **NOT** assist the purchase of any tenant-occupied homes or knowingly assist buyers who cause tenant displacement, therefore is not anticipated that the implementation of the Program will result in the displacement of any persons, households, or families. If a seller knowingly offers a tenant-occupied home for sale to a Program-assisted buyer but fails to disclose the tenancy to the Program, and any federal or state agency later determines that relocation benefits are owed the tenant, the seller will be held solely responsible for the costs of compliance with federal and/or state relocation law, as applicable. Such costs are typically significant and can often exceed the amount of the Program loan, therefore tenant-occupied homes are excluded from the Program. The following Federal laws apply to any tenant displacement that may occur in association with use of federal funds for property acquisition:

- **Uniform Relocation Assistance (URA) and Real Property Acquisition Policies Act of 1970** - The federal URA and Real Property Acquisition Policies, as amended by the URA Amendments of 1987, apply to projects or programs funded in whole or part with federal funds, including HUD funds such as HOME Program funds, which involve real property acquisition and cause the displacement of a person, regardless of income status. The implementing regulations in 49 CFR Part 24 provide further requirements that the lead agency must follow to provide adequate relocation assistance for displaced tenants.

- **Section 104(d) of the Housing and Community Development Act of 1974** - Section 104 (d) requires the City, as a condition of receiving HUD funds, to certify that it is following a residential anti-displacement plan and relocation assistance plan. Section 104(d) also requires relocation benefits to be provided to low-income persons who are physically or economically displaced as the result of a HOME-assisted project. The implementing regulations for Section 104(d) can be found in 24 CFR Part 570.

4 MAXIMUM PURCHASE PRICE

The maximum purchase price of homes purchased with HOME-funded Program loans shall not exceed HUD's HOME Program Purchase Price Limits for Santa Clara County as shown in the Appendix. HUD updates these limits annually. The current HOME price limits are significantly higher than what most applicants will be able to afford and finance even with Program assistance. The HOME price limits do not apply to applicants with incomes above the HOME Low income limit, as they are not eligible for HOME funds. In general, for all applicants, the primary factors used to determine the feasible price range will be the applicant's available down payment funds and pre-approved first mortgage amount, assuming the first mortgage meets the requirements specified below. The Program loan, if approved, would increase the feasible price range by approximately the Program loan amount, depending on buyer's share of closing costs.

5 FIRST MORTGAGE REQUIREMENTS

Prior to obtaining a Program loan commitment from the City, a home buyer must provide a loan approval letter for a first mortgage in the maximum amount the first mortgage lender is willing to loan the home buyer within the Program loan standards (i.e., rates, ratios, amortization schedule, and other minimum loan requirements).

5.1 UNDERWRITING STANDARDS

Fully documented first mortgages approved for funding by FHA, the VA, or CalHFA, or a large institutional lender that underwrites to CalHFA, Fannie Mae, or FHA standards, will be acceptable to establish the applicant's ability to make payments and dependability of income, in addition to the Program's underwriting standards explained below. Loans approved without full income documentation of the mortgagor(s), often referred to as "no doc" or "stated income" loans, may not used to purchase a home with a Program loan. In addition, the applicant must have a minimum credit score of 620, and may not have filed for bankruptcy or been foreclosed upon during the three years prior to date of application to the Program.

In order to qualify for Program assistance, the applicant's "front-end ratio" shall be not less than 35% and not more than 40%. The front-end ratio is the percentage of a borrower's gross monthly income (before income tax deductions) equal to the total of the following monthly housing costs: required first mortgage payment (principal and interest), property taxes, property insurance, and homeowner association dues and/or mobile home space rent, if any. Ratios will be calculated using the Division's determination of applicant's monthly income, not the Lender's.

The applicant's "back-end ratio" shall not exceed 50%. The back-end ratio is the percentage of a borrower's gross monthly income that would be required to cover the front-ratio costs (monthly housing costs), plus any other mandatory monthly debt payments, such as: car loans, personal loans and credit cards, alimony or child support ordered by a court, and/or student loans.

5.2 INTEREST RATE

The first mortgage must be fully amortized and have a fixed interest rate for the entire term that does not exceed the current market rate. No temporary interest rate buy-downs are permitted. Sub-prime rates, adjustable rates, interest-only options, and/or any type of negative amortization shall not be acceptable in the first mortgage.

5.3 LOAN TERM

The first mortgage shall be fully amortized over the term of the loan and have a term "all due and payable" in no fewer than 30 years. There shall be no balloon payment requirements or prepayment penalties included in the terms of the first mortgage.

5.4 IMPOUND ACCOUNT

All households will be required to have impound accounts for the payment of property taxes and property insurance as required by the Program.

6 THE PROGRAM LOAN

6.1 MAXIMUM AMOUNT OF PROGRAM ASSISTANCE

The amount of Program assistance to a home buyer toward purchase of a home shall not exceed the **lesser** of:

1. The home buyer's affordability gap; or
2. $50,000; or
3. The amount Program funds available at the time of the Program loan approval.

6.2 NON-RECURRING CLOSING COSTS

Non-recurring costs such as credit report, escrow, closing and recording fees, and title report and title insurance, title updates and/or related costs may be included in the Program loan.

6.3 DETERMINING THE AMOUNT OF THE PROGRAM LOAN

The actual amount of a buyer's Program loan shall be computed after the applicant has identified a home to purchase and has been pre-qualified for a first mortgage in an amount such that their front and back ratios would not exceed the limits specified in Section 5.1. The Program loan shall be made only in the amount needed to allow them to become homeowners ("the affordability gap") while keeping their housing costs affordable. The first mortgage lender will use their underwriting standards, such as front and back ratios, credit score, income, and so on to determine the first mortgage amount. The Division will verify that the first mortgage meets the requirements of Section 5 above, and the Program loan amount will be equal to the amount required to bridge the gap, if any, between the acquisition cost (purchase price plus closing costs) minus the down payment, the first mortgage, and any other funds available to the buyer (i.e., ChDAP or other downpayment assistance program such as that offered by the Housing Trust of Santa Clara County).

The following example illustrates how the Division will calculate whether or not the applicant is in need of a Program loan and, if so, the amount of the Program loan, and whether the first mortgage meets the front and back ratio limits of Section 5 above. The Division will use both minimum and maximum cost ratios in order to determine the principal amount of the Program loan for each applicant.

TYPICAL HOUSING COST & DEBT RATIOS For a Household of Four Earning 80% of AMI , Gross Monthly Income of $7,075			
MONTHLY HOUSING COSTS (a.k.a. "Front-End Ratio")		**TOTAL MONTHLY DEBT** (a.k.a. "Back-End Ratio")	
Principal & Interest Payment - *On a $350,000 loan at 5.5% for 30 years*	$1,987	Housing Costs	$2,687
Homeowner Assoc. Dues	$250	Other Monthly Debts	$600
Property Taxes	$350	*(credit cards, car loans, student loans, alimony, child support)*	
Homeowner's Insurance *(Fire, Flood if needed)*	$100	**Total Monthly Debt**	**$3,287**
Total Housing Costs	**$2,687**	**Back Ratio** (= $3,287/$7,075000)	**46%**
Front Ratio (= $2,687/$7,075)	**38%**	Maximum Back Ratio for Program Assistance: *(no minimum)*	50%
Acceptable Front Ratio range to qualify for Program Assistance:	30% -40%		

For most buyers, 35% of monthly income is generally used as a minimum front ratio to determine applicant's need for a Program loan. If the front ratio is less, the buyer will generally be determined not to qualify for a Program loan, unless they have failed to be approved for a first mortgage sufficient to buy the home without a Program loan, due to perceived risk, very low income, or related factors used by the first mortgage underwriter. For lower income buyers, particularly those with incomes of less than 70% AMI, a minimum front ratio of 30% can be used, and a maximum of 35% is preferred, although buyers with current housing costs in excess of 35% of monthly income and a clean payment history for at least 12 months, may be approved with ratios up to 40%.

Calculation of Principal Amount of Program Loan (a.k.a. "Gap Financing")	
Contract Sale Price of Home	$400,000
Plus Estimated Closing Costs (3% of Sale Price)	$10,500
Total Cost of Home	**$410,500**
Funds Available to Buyer	
First Mortgage Loan (in amount for which buyer is pre-qualified by first lender, with front-end and back-end ratios within allowable Program ranges)	$350,000
Buyer's down payment funds (at least 3% of Sale Price)	$10,500
Other Purchase Assistance available to buyer (HTSCC, ChDAP, etc.)	$6,500
Total Funds Available to Buyer	**$367,000**
Program Loan Assistance Needed (affordability gap or gap financing) (Equals "Total Cost of Home" minus "Total Funds Available to Buyer")	$43,500
Loan to Value Ratio (LTV) of Program Loan	11%

6.4 RATE AND TERMS FOR PROGRAM LOANS

All Program assistance to individual households shall be made in the form of a deferred payment second mortgage loan, commonly known as a "silent second" loan. Loans made for purchase of Below Market Rate units will be charged 3% simple interest, with payment of principal and interest fully deferred until the Maturity Date. Loans on market-rate units will be charged shared appreciation in lieu of interest.

All payments of interest, principal or shared appreciation are deferred until the maturity date of the loan, which occurs when the first of the following events occurs, as defined more fully in the Program loan documents: when the first loan becomes due, when the home is sold or transferred in full or part, (including refinances), upon default under the First-Time Home Buyer loan or any other loan against the home, or upon the borrower's failure to occupy the home as their primary residence.

The Program loan Deed of Trust shall be in second lien position following the first mortgage, unless another public agency is providing deferred financing and must be in second position, in which case the Program loan may be in third lien position. Loans junior to the Program loan, such as ChDAP or HTSCC junior loans must be pre-approved in writing by the Division prior to closing. Adjustable rate loans may not be used in conjunction with the Program loan.

The Program loan's term shall be for a term equal to the term of the first mortgage loan, which shall not be less than thirty years. All Program loan payments shall be deferred until the Maturity Date, so that the buyers will be able to use their available monthly

income to qualify for the maximum possible amount in a First mortgage. Loan principal under the Program loan shall not be forgiven.

6.5 LOAN-TO-VALUE RATIO

The total loan-to-value ratio (LTV) for all indebtedness on the property (First mortgage plus Program loan and any other deferred junior loans) shall not exceed ninety-seven percent of the sales price, plus a maximum of up to 5 percent of the sales price to cover actual closing costs. Most transactions will be structured similarly to the example below:

First mortgage:	80% LTV
Program Loan:	17% LTV
Total Financing:	**97% TLTV**
Buyer's Down Payment:	3% of purchase price
Total Funding:	**100% of purchase price**

Closing Costs: up to 5% of purchase price (paid by buyer and/or Program Loan).

If the Program loan is to cover any portion of the closing costs, the Program loan may exceed 17% LTV. The Program loan may be less than 17% LTV, depending on the home's purchase price (if 17% LTV equals more than $50,000 in loan funds). If the buyer is able to put down more than 3% as a down payment, the Program loan and/or First mortgage may be reduced in the amount of the additional down payment, depending on buyer's ability to make monthly payments on the First mortgage.

6.6 SUBORDINATE FINANCING

With today's high costs, in order for a low-income household to obtain a home, several funding sources might be required. Subordinate loans may be used to cover mortgage subsidy costs that exceed the Program maximum loan amount. All financing on the property, including primary and subordinate financing may not exceed 97% of the value of the property. All subordinate liens must have the payments deferred and the term must be for at least as long as the term of the Program loan.

7 THE APPLICATION PROCESS

The City processes applications for Program assistance on a first-come, first-served basis, based on the date and time of receipt of completed applications by the Division. If and when more completed applications are received and deemed eligible than can be funded with available Program funds, the Division will create a waiting list of applicants who will be contacted when additional funding becomes available. Each applicant must complete an application form which requires sufficient information concerning income, employment, household size, and credit history to establish preliminary eligibility for Program participation. Applications are deemed complete only if all information is completed, the application is signed and dated, and a first mortgage lender's pre-qualification letter is attached to the application, with a copy of the listing of the home proposed for purchase. Incomplete applications will be returned to the applicant and will not be date/time stamped until complete.

Once a completed application is received by the Division, (or when the applicant's name comes to the top of the waiting list), their Program eligibility will be verified by the Division. If their eligibility is confirmed, the applicant will be invited to a meeting for an overview of the Program requirements. At the meeting, the application is reviewed and the potential home buyer is given a "Preliminary Eligibility Letter" for the Program along with the following forms and materials:

• Program Brochure	• Home Buyer Education Options
• Home Buyer Instructions	• Buyer's Disclosure
• *E.P.A. booklet:* "Protect Your Family from Lead in Your Home"	• Program Certifications
• Seller's Lead-Based Paint Disclosures	• Lead-Based Paint Contract Contingency Language

Each applicant must attend an approved home buyer counseling class provided by a qualified local HUD-certified housing counselor designated by the Division. Applicants must complete the class and receive a certificate of completion prior to close of escrow. Classes are offered at various times throughout the year.

8 HOME SELECTION AND PROGRAM DISCLOSURES

8.1. SELECTION OF HOME FOR PURCHASE:

The applicant is responsible for selecting the home they wish to purchase. The selected home must meet the Property Standards (see Section 3.0) of the Program in order for the purchase to qualify for Program assistance. Prior to making an offer to purchase an eligible home, the home buyer shall provide the seller with a "Buyer's Disclosure" containing the following provisions:

1. Home buyer has no power of eminent domain and, therefore, will not acquire the home if negotiations fail to result in an amicable agreement; and
2. Home buyer's offer is an estimate of the fair market value of the home, to be finally determined by a state-licensed appraiser;
3. The home must be inspected by an inspector approved by the Division to verify its compliance with state and local housing, building, and health and safety codes.
4. All homes built prior to January 1, 1978 will require a lead paint disclosure to be signed by both the home buyer and seller and must be tested for lead hazards.
5. Since the purchase will be voluntary, the seller will **not** be eligible for relocation payments or other relocation assistance from any party;
6. The seller understands that the home must be either: currently owner-occupied, newly constructed (and vacant), or vacant for three months prior to the date of home buyer's purchase offer.
7. If the seller is not provided with a statement of the above six provisions prior to seller's written acceptance of the purchase offer, the seller may withdraw from the purchase and sale agreement after this information is provided.

8.2. HOME BUYER FUNDS

Prior to receiving written approval of the Program loan, applicants must document that they have the funds necessary for down payment and closing costs in the amounts required by the first mortgage lender and the City. The Program's minimum down payment requirement of 3% will apply even if the first mortgage lender has a lower down payment requirement. Home buyer's own funds shall be used toward the costs below in the following order:

1. Minimum down payment required: Three percent (3%) of the purchase price.
2. Customary buyer's closing costs, which may include any or all of the following: appraisal fee; cost of credit report; loan origination fee; discount points; recording fees; HOA fees; other customary buyers' closing costs; home buyer's customary portion of the escrow fees (50%); title insurance; and the establishment of impound accounts for property taxes and insurance.
3. After 1) and 2), above, are satisfied, any balance of home buyer funds may be applied toward the purchase price, to reduce the principal amount of the Program loan needed.

If the buyer does not have sufficient funds to cover closing costs, the City may make the Program loan in an amount sufficient to cover the balance of buyer's allowable closing costs, within the Program loan limits described below.

The buyer may retain a portion of their own personal savings in an amount not to exceed 20% of gross annual income for use as an emergency fund (in other words, they may opt not to invest this amount in the home purchase). This retention is unrelated to the calculation of income from assets for the purpose of determining income eligibility for the Program.

The principal amount of the Program loan, if approved, shall be sufficient to reduce the applicant's monthly housing costs to an amount within the range for "front-end ratios" allowed by the Program (30% to 40% of applicant's gross monthly household income), as explained in Section 1.3.A, above, after applicant's down payment, approved first mortgage loan amount, and other available home buyer assistance programs have been applied toward the purchase price and/or closing costs. In no case shall the Program loan amount exceed the Program loan limits, as described in Section F, below, and in the Appendix. The Division will determine the Program loan amount following receipt of a complete application, including first mortgage approval, signed purchase contract, and all required forms.

The Program loan amount may not exceed the **lesser** of:

a. The buyer's "affordability gap"; or
b. $50,000; or
c. The amount of funding available for the Program at the time the buyer's application is approved.

8.3. PROGRAM DISCLOSURES TO SELLER

When the prospective home buyer has selected an eligible home to purchase, the City will give the home buyer the required Program disclosure forms for distribution to the seller and to buyer's loan officer and real estate agent. The home buyer must read and sign all Program disclosure forms in order to complete an application for assistance. Any and all property disclosures must be reviewed and signed by the home buyer and seller.

Prospective buyers must provide the seller with the Buyer's Disclosure prior to submitting a written offer to purchase to the seller. This notice will be included in the purchase and sale agreement, and must be signed by all owners on title to the home. The disclosure must contain the items listed in section 8.1.

9 PROGRAM LOAN UNDERWRITING AND APPROVAL

9.1. LOAN PROCESSING

Once the buyer has received a preliminary eligibility letter from the Program, and received loan approval on a first mortgage, the City will provide the home buyer or their loan officer with the Program loan application packet with all the necessary application forms, disclosures, loan documents, and other required information. The buyer will be responsible for providing the disclosures to the seller, submitting their purchase offer, obtaining seller's signature on the purchase offer, completing their application and ensuring that their first mortgage lender has also provided all forms and signatures required for the buyer's application to be complete. In most cases buyer's real estate agent and/or loan officer will assist in completing the forms and working with the seller. Once the buyer has obtained seller's signature on the disclosure forms and purchase contract, and they and their lender have completed the rest of the application, they must submit the complete application to the Division, with the escrow number and contact information for their escrow officer. City loan documents will be provided to escrow and signed by the buyer in escrow prior to deposit of City funds, once the first mortgage lender is ready to fund the First mortgage.

The buyer and first mortgage lender must submit the complete packet and include the following:

1. Accepted purchase contract with buyer's disclosure;
2. Mortgage application with good faith estimates and first mortgage disclosures, including the 1003 and 1008 forms;
3. Full mortgage credit report and rent verification;
4. Copy of the appraisal;
5. Current third party income verifications and verifications of assets;
6. Home ownership education certificate;
7. Property inspection form, and lead-based paint disclosures and test results, if applicable.

Staff will work with local lenders to ensure qualified participants receive only the amount of Program assistance necessary to make the purchase possible, and that other available funding sources (HTSCC, ChDAP) will be used for the purchase to the extent possible.

9.2. CONSISTENCY OF DOCUMENTS

The buyer's application forms, first mortgage approval, purchase contract, disclosure forms and third party verifications must all provide consistent information and may not contain any material inconsistencies (i.e., inconsistent addresses or employment information for household members). Third party verifications of all eligibility documentation will be retained in the file. The purchase contact will provide the final purchase price and describe any costs to be paid by the seller, such as repair items, title policy, and customary share of the closing costs. The appraisal, inspection, termite and title reports will provide information to substantiate the information in the sales contract and guide the home condition inspection. The Program loan application will provide current debt and housing cost information and will be documented by the credit report and income/asset verifications. The first mortgage lender's approval letter and HUD-1 estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. The first mortgage lender's underwriting documents will provide basic information about the applicant's ability to pay and substantiate the affordability provided by the Program loan.

9.3. REVIEW OF FINAL DOCUMENTS

Upon receipt of the complete application, the Division will verify the applicant's income (using most recent HUD Part 5 guidance), and home buyer certification (review of credit report and income taxes). Documentation of affordability will then be verified and Program loan amount determined.

9.4. APPROVAL OF PROGRAM LOAN

Once the Program loan approval forms have been completed, the Division staff will submit the application to the Housing Officer for approval. The Housing Officer may, at his/her discretion, forward the package to the Community Development Director for approval, if any aspect of the requested assistance is not clearly acceptable or unacceptable. The Housing Officer or Community Development Director will review the request and may approve it with or without conditions. Upon approval, a target date for escrow closing will be set (60 days from Program Loan approval) and Program funds will be reserved for the home buyer and deposited into escrow when the first mortgage lender is ready to fund, and all other conditions of closing have been met.

10 CLOSING ESCROW

The home buyer(s) will sign all required Program loan documents in escrow, including the promissory note, loan agreement, deed of trust, statutory lending notices (Truth In Lending (TIL), etc.), request for notice of default (referring to the First mortgage), and all other Program documents, with notarization where required. Upon closing, the escrow officer must record the Program Deed(s) of Trust immediately following the first mortgage deed of trust in the Santa Clara County Official Records, followed by the

request(s) for copy of Notice of Default. The Division will provide the buyer, lender and escrow officer with detailed closing instructions in a letter to escrow.

10.1 LOAN FUNDING

When the requirements of the first mortgage lender and the City have been met, and the first mortgage lender is ready to fund the loan (generally 24 hours prior to close), the Program loan funds will be deposited into escrow, with any additional required closing instructions.

10.2 ESCROW PROCEDURES

The escrow/title company shall follow the escrow instructions provided by the Division and shall issue California Land Title Association (CLTA) and American Land Title Association (ALTA) policies after closing. The Division instructions to the escrow/title company will set forth what exceptions may show on the policy; the amount of insurance on the policy (all liens should be covered) and the loss payee (each lender should be listed as a loss payee and receive an original ALTA).

10.3 LOAN CLOSING

At the time of escrow closing, the City shall be named as an additional loss payee on the home buyer's fire, flood, if required, and homeowner's insurance policies for the length of the loan term, and in an amount sufficient to cover all encumbrances or full replacement cost of the home.

11 POST-PURCHASE: ANNUAL COMPLIANCE MONITORING

City will monitor Program borrowers annually in writing to ensure adherence to Program loan requirements, including, but not limited to, the following:

a. Owner-occupancy as a primary residence
b. Property tax payment
c. Hazard insurance coverage
d. Good standing on first mortgage
e. Property maintenance standards

Borrowers will be required to provide written evidence of their compliance with these requirements, as explained in detail in the City monitoring letters.

12 PAYMENT OF THE PROGRAM LOAN

12.1 PAYMENTS ARE VOLUNTARY PRIOR TO MATURITY DATE

Borrowers may begin making voluntary payments at any time prior to the maturity date of the Program loan. There is no prepayment penalty on the Program loan. Early payments will be attributed first to any interest then due, then to principal. Early payment of shared appreciation loans must be accompanied by a property appraisal to determine current property value.

12.2 LOAN SERVICING POLICIES AND PROCEDURES

The Program's Loan Servicing Policies and Procedures (the Policies) are available on the Division's web page or upon request from the Division. The Policies can accommodate a crisis that may restrict the borrower's ability to pay the loan when due, it should in no way be misunderstood: the loan must be repaid. All legal means to ensure the repayment of a delinquent loan will be pursued by the City, as outlined in the Policies.

12.3 LOAN PAYMENTS

a) Program loan payments will be made payable to: City of Sunnyvale
b) And mailed or delivered to:

City of Sunnyvale Housing Division
Attn: Housing Officer
PO Box 3707 / 456 W. Olive Avenue
Sunnyvale, CA 94088-3707

c) The City will receive and account for all loan payments, and will provide annual statements to borrowers, and pay-off demands to escrow upon request of borrower or heir.

12.4 DUE UPON SALE OR TRANSFER

When a borrower sells the home, transfers title in full or part (including refinancing and/or leasing), or fails to occupy the home as their primary residence, the principal balance of the Program loan shall become immediately due and payable, as specified more fully in the Program loan agreement, note and deed of trust. The loan will be declared in default if the borrower fails to maintain the required hazard insurance, fails to pay property taxes or association dues/special assessments on time, transfers or refinances the home without prior written authorization from the City, or defaults under any other loan recorded against their title. Defaults not corrected within the notice periods specified in the deed of trust will trigger the Maturity Date of the loan.

13 ADMINISTRATIVE REQUIREMENTS

13.1 PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation be excluded, denied benefits or subjected to discrimination under the Program. The City will ensure that all persons, including those qualified individuals with handicaps, have access to the Program.

A. The Fair Housing Lender logo will be placed on all outreach materials. Fair housing marketing efforts will be based upon the latest HUD guidance to verify that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Program outreach materials, in English and any other language that is the

primary language of a significant portion of the area residents, will be distributed in public facilities city-wide and to housing-related agencies. The Division will offer home buyer workshops to explain the Program to prospective home buyers and refer them to additional home buyer education classes and workshops in the area.

B. The Division will include local real estate agents and first mortgage lenders in Program outreach efforts, so that they may inform their clients about the availability of the Program.

C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The City will take appropriate steps to ensure effective communication with disabled applicants, residents and members of the public.

13.2 CONFLICT OF INTEREST REQUIREMENTS

The following conflict of interest provisions apply to the Program, due to the use of federal HOME funds to provide the Program:

In accordance with Title 24, Section 570.611 of the Code of Federal Regulations, no member of the City Council nor any other official, appointee, employee or agent of the City, nor any other person who exercises policy or decision-making responsibilities (including members of the Housing and Human Services Commission and officers, employees, and agents of the Commission, Program contractors and similar agencies) in connection with the planning and implementation of the Program, shall directly or indirectly be eligible for receiving any benefits from this Program, whether in the form of a Program loan, or a commission of any kind earned from Program-assisted transactions, nor shall their immediate family members, employees, or business partners. This ineligibility shall continue for one year after an individual's relationship with the City ends. Exceptions to this policy can be made only after public disclosure and formal approval by the governing body of the locality.

Exception to the above conflict of interest provision:
Program loans funded <u>only</u> with City Housing Mitigation funds may be provided to regular City employees who do not exercise policy or decision-making responsibilities over the Program. This exception shall include all regular city employees except for: employees of the Housing Division, all Department Directors, and the City Manager. City officials, appointees, agents, contractors and other persons involved in making policy or decisions related to the Program are not eligible for this exception.

13.3 NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the City's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with State funds on the basis of his or her religion or religious affiliation, age, race, color,

creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, national origin, or ancestry, or other arbitrary cause.

13.4 EXCEPTIONS AND SPECIAL CIRCUMSTANCES

The City may make amendments to these Participation Guidelines from time to time. Any changes shall be made in accordance with applicable HUD and HOME Program regulations, and approved by the City Council, except for purely administrative changes, including annual updates of income, price, and subsidy limits, which may be made by Program staff upon release of new limits by HUD and HCD, and/or correction of clerical errors.

13.5 PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES

1. The City or its agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the City's recommended course of action and any written or verbal information supplied by the applicant.
2. The City shall make a determination of the exception based on the recommendation of the Housing Officer. The request can be presented to the Community Development Director or their designee for a decision.

13.6 DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal the denial. Complaints concerning the Program should be made in writing to the Housing Officer first. If unresolved in this manner, a formal appeal must be made in writing on a form provided by the Division and filed with the Community Development Director. If needed, the Division will schedule a meeting between the applicant, the Housing Officer, and the Community Development Director. A written response to the applicant will be made within thirty (30) working days.

14 PROGRAM DEFINITIONS

As used in these Guidelines and all First Time Home Buyer Program documents, unless the context requires otherwise, the following words and terms have the meanings set forth below:

ANNUAL HOUSEHOLD INCOME

The gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period, in accordance with the HUD Part 5 method.

APPLICANT

Any person who submits a complete application for the City's First Time Home Buyer Program.

BELOW MARKET RATE UNIT

A new or existing home legally restricted to be affordable to low and/or moderate income households upon sale and resale by the City of Sunnyvale Below Market Rate Housing

Ordinance (Chapter 19.66 of the Sunnyvale Municipal Code) or by other legal agreement (affordability covenant) in favor of the City of Sunnyvale.

BORROWER
Any individual who receives a Program loan from the City of Sunnyvale.

ELIGIBLE HOME BUYER
An individual or individuals or an individual and his or her spouse who meets the income eligibility requirements and do not currently hold title to any real property.

EXCEPTION
Any case to which a standard policy or procedure, as stated in the guidelines, does not apply, or when an applicant is treated differently from others of the same class.

FIRST MORTGAGE LOAN
A loan from a lender for which a Deed of Trust is recorded senior to the First-Time Home Buyer Program loan and which is used in conjunction with the First-Time Home Buyer Program loan to finance the purchase of a home.

FIRST TIME HOME BUYER
(Section 8201 (k) of Title 25 of the California Code of Regulations)
"First-Time Home Buyer" means an individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with subsidy assistance, except that the following individual or individuals may not be excluded from consideration as a first-time home buyer under this definition:

1. A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the 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 twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
2. 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 or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; and
3. An individual or individuals who own or owned, as a principal residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is:
   a) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
   b) Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure

FIRST TIME HOME BUYER PROGRAM
A program established by the City of Sunnyvale, pursuant to the rules and regulations included in these First Time Home Buyer Program Guidelines.

FIRST TIME HOME BUYER LOAN
A second mortgage loan made through and meeting all the requirements of the First Time Home Buyer Program, for which a Deed of Trust is recorded subordinate to the First Loan, to be used in conjunction with the first mortgage to finance the purchase of a home.

HOME BUYER – see FIRST TIME HOME BUYER

HOUSEHOLD
One or more persons currently living together as a household unit with common financial resources and living space, and who will occupy the home proposed for purchase as their primary residence.

HUD
United States Department of Housing and Urban Development

INCOME
Income of a First-Time Home Buyer applicant(s) is determined using the definition of gross annual household income in 24 Code of Federal Regulations Part 5, also known as the "Section 8 method." The brief definition is: the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. Part 5 includes a list of income inclusions and exclusions, as well as asset inclusions and exclusions, to be factored into the calculation of gross annual income. Program staff will follow the most current edition of Technical Guide for Determining Income and Allowances for the HOME Program (currently the Third Edition, January 2005), published by HUD, when determining applicants' income eligibility for the First-Time Home Buyer Program. This publication is available for review at City Hall.

INTEREST RATE
A sum expressed as a percentage of money borrowed to be paid over a given period.

LOAN COMMITMENT
A conditional commitment of loan funds issued by the City of Sunnyvale pursuant to the rules and regulations included in these First Time Home Buyer Program Guidelines. Commitment may be revoked prior to closing due to changes in Applicant's eligibility status, first mortgage loan, property to be purchased, misrepresentation of any information in application, Applicant's failure to complete loan documents, or any other change to the proposed transaction.

MARKET-RATE HOME

A new or existing home that is NOT price-restricted under Sunnyvale's Below Market Rate Housing Ordinance (Chapter 19.66 of the Sunnyvale Municipal Code), or subject to any other resale restriction in favor of the City of Sunnyvale or a non-profit housing developer.

MATURITY DATE

The earliest of the following events to occur:

1. The first sale or transfer of the Program-assisted home, including any sale, assignment, or transfer, voluntary or involuntary, of any interest in the Property, whether a fee simple interest, a joint tenancy interest, a life estate, a leasehold interest, creation of a trust, or an interest evidenced by a land contract, except for a transfer by gift, devise, or inheritance to an existing spouse, surviving joint tenant, or a spouse as part of a dissolution proceeding, or in connection with marriage;
2. Default under the Note, the Deed of Trust, or the Covenants, or other recorded documents of record pertaining to the Property; or
3. An unauthorized and/or cash-out refinance of the first mortgage; or
4. The date the first mortgage becomes due and payable; or
5. The date the borrower moves from the home and it ceases to be borrower's principal residence; or
6. 30 years from the date the First Time Home Buyer Loan is recorded against the property.

OWNERSHIP INTEREST

Ownership by any means, whether outright or partial, including property subject to a mortgage or other security instrument. The term includes a fee simple estate ownership interest, joint ownership interest by joint tenancy, tenancy in common, or tenancy by the entirety, an ownership interest in trust, a life estate interest, and purchase by land sales contract. Ownership does not include a remainder interest, a lease with or without an option to purchase, or any interest acquired on the execution of the purchase contract.

LENDER

A residential lending institution that provides money temporarily on condition that the amount borrowed be returned, usually with interest. Also, a particular lender selected by the Applicant who is willing to review the First Time Home Buyer Program materials, including these Guidelines, Program forms, and brochures, who demonstrates an understanding of the Program requirements after receipt of Program materials and clarification by Program staff as needed, and who demonstrates willingness and capacity to follow the Program procedures for First-Time Home Buyer application submittal.

PRINCIPAL RESIDENCE

A principal residence is the primary place where the applicant resides full-time at least ten months of each year, maintains basic utility services and receives U.S. mail delivery, as evidenced by a homeowner's property tax exemption, if the home is owner-occupied, or a lease in the applicant's name, if rented.

PROGRAM STAFF
The employees and/or contractors of the City of Sunnyvale Housing Division assigned to administer and manage the First Time Home Buyer Program.

PURCHASE PRICE LIMIT
The maximum allowable price of a home purchased with Program assistance. This figure is based on HUD's HOME Program purchase price limits, updated periodically by HUD. The current purchase price limit is shown in the Appendix.

RELATED PERSON
A "related person," as that term is defined under Internal Revenue Code and applicable regulations: siblings, spouses, ancestors and lineal descendants or any other Related Persons.

SHARED APPRECIATION
The amount charged in lieu of interest on the principal amount of the First-Time Home Buyer loan. When the First-Time Home Buyer loan is due or paid off, the City receives a percentage of the appreciation, if any, of the purchased property, during the time period from purchase until repayment in full of the Deferred Second. This percentage is calculated as set forth below.

1. Determine initial share of First-Time Home Buyer Loan (also known as Loan to Value Ratio or LTV): First-Time Home Buyer Loan / Purchase Price: = Initial First-Time Home Buyer share (LTV) $30,000 / $300,000 = 10%
2. Determine the home's total price appreciation during the period of the borrower's ownership by subtracting the original purchase price (and the value of any capital improvements made by the borrower) from the resale price (or appraised value, in case of refinance or partial transfer): Resale Price – (Purchase Price + Value of Improvements) = Total Appreciation $400,000 – ($300,000 + $0) = $100,000
3. Multiply Total Appreciation by First-Time Home Buyer share to determine Shared Appreciation due: Total Appreciation x First-Time Home Buyer share = Shared Appreciation due $100,000 x 10% = $10,000

In this example, the shared appreciation due is $10,000, in addition to the repayment of the original principal of $30,000, for a total payment of $40,000 due on the First-Time Home Buyer loan.

SINGLE PARENT
An individual who is unmarried or legally separated from a spouse/partner and, has one or more minor children for whom the individual has custody or joint custody, or is pregnant.

SUNNYVALE EMPLOYEE

A person who is currently employed at a primary place of work (job site, etc.) located within the Sunnyvale City Limits, and working on at least a half-time basis (i.e., at least an average or 20 hours per week or 1000 hours per year including paid leave) at the time of First Time Home Buyer application, and evidence indicates continuation of such employment for the next 6 months.

SUNNYVALE RESIDENT

A household who resides and has resided within the Sunnyvale City Limits on a continuous basis, for a minimum of six months and who demonstrates their intent to remain a resident of the City of Sunnyvale.

APPENDIX

I. MAXIMUM PURCHASE PRICE

The maximum purchase price for HOME-funded loans is $481,650. This figure is based on HUD's Value Limits spreadsheet which contains current limits for each county in the United States. HUD will periodically update these limits. Most Program applicants will not be able to purchase homes priced this high, due to the Program's affordability standards, implemented through use of the maximum front and back ratios on the first mortgage.

II. MAXIMUM PROGRAM LOAN AMOUNT

The Program loan shall not exceed the **lesser** of:

a) The home buyer's affordability gap; or
b) $50,000; or
c) The amount of Program funding available to the City at the time the buyer's application is approved.

III. MAXIMUM HOUSEHOLD INCOME LIMITS:

A. For all Program Applicants:

Gross annual household income may not exceed 120% of Area Median Income for Santa Clara County:

Number of Persons in Household							
1	2	3	4	5	6	7	8
$88,600	$101,300	$113,900	$126,600	$136,700	$146,900	$157,000	$167,100

** These limits are updated annually by HCD and are available online at:*
http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html

B. For Program Applicants applying for HOME-funded loans:

Gross annual household income may not exceed the HOME "Low Income Limits for San Jose-Sunnyvale Santa Clara HUD FMR Area":

Number of Persons in Household							
1	2	3	4	5	6	7	8
$59,400	$67,900	$76,400	$84,900	$91,650	$98,450	$105,250	$112,050

These income limits are updated annually by HUD and are available online at:
http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/2009/ca.pdf