



NEIGHBORBORHOOD STABILIZATION PROGRAM GUIDELINES
120% OR LESS OF AREA MEDIAN INCOME

Program Overview:

The Neighborhood Stabilization Program (NSP) is a homeownership program designed to make funds available to moderate-income households to help with the purchase and rehabilitation of foreclosed/bank owned properties located in Council District 3, 4, 7 and 8. This program provides financing to acquire the property, pay closing costs and rehabilitate the property, if needed.

Eligible Borrowers:

1. Households whose income is 120% or below the San Diego County area median income (AMI), as adjusted for household size. Gross income will be calculated based on the program guidelines stated below. To establish program eligibility, income of all household members 18 years and older must be taken into account. The borrower is required to provide all pertinent information requested by the first trust deed holder.
2. Borrowers must be first time homebuyers or those who have not owned or held an interest in a primary residence in the last three years, except the following individual or individuals may not be excluded from consideration as a first time homebuyer under this definition:
 - A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by a spouse. A displaced homemaker is an adult who has not, within the preceding 2 years, worked on a full-time basis as a member of the labor force for a consecutive 12-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; or
 - 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 and has one or more minor children for whom the individual has custody or joint custody (buyer must have child a minimum 51% of the time if joint custody).

MAXIMUM INCOME LIMITS

<u>Family Size</u>	<u>(120% AMI)</u>
One	\$ 62,950
Two	\$ 71,900
Three	\$ 80,900
Four	\$ 89,900
Five	\$ 97,100
Six	\$104,300
Seven	\$111,500
Eight	\$118,650

Eligible Properties:

Single family homes and condominiums that have been through a foreclosure action and are bank owned. The property must be located in the City of San Diego within Council Districts 3, 4, 7 or 8 (see Attachment - for location maps). The maximum purchase price is \$300,000. The price paid for the property must be discounted 1% from the appraised value.

Housing Quality Standards (HQS Inspection):

An HQS inspection is required if the property does not need substantial rehabilitation. If it was built prior to 1978, an assessment for lead-based paint is also required. The HQS inspection must be completed by an approved company from the Housing Commission's list of qualified inspectors. Please be aware that the HQS inspection and assessment for lead-based paint are not a complete home inspection. It is strongly recommended that the buyers obtain a full property inspection from a licensed residential property inspector. All items failing inspection must be repaired or replaced and re-inspected prior to the close of escrow.

If the property requires substantial rehabilitation, additional program requirements will apply. The Housing Commission does have funding available to pay the cost for repairs up to \$50,000. See details below under Housing Rehabilitation Loans.

Down Payment:

All borrowers must have sufficient funds available for a minimum down payment of 3%. The borrower's money must be from their personal funds or a gift from an immediate family member. Any subsidies the buyer receives are in addition to the borrower's required down payment of 3%.

Closing Cost Assistance Grant:

The maximum grant amount is 3% of the purchase price and can only be used to pay actual closing costs charged to the buyer which are not being paid by seller contributions or other subsidies. The grant is forgivable after 6 years. If the property is sold, refinanced or no longer owner occupied within the first 6 years; the grant becomes recoverable and must be repaid, plus 5% interest.

Loan Amount for Acquisition:

The maximum loan amount is 17% of the purchase price.

Loan Terms:

NSP loans have a 0% interest rate for a term of 30 years. No monthly payments of principal or interest are required.

1. The principal balance will be due in full upon the earlier of:

- 30 years from the date of the Promissory Note; or
- Upon sale, transfer, lease, or encumbrances of all or any interest in the property without the Housing Commission's prior written consent, except as permitted in Number 4 as stated below; or

- Upon borrower's failure to occupy the property as borrower's principal place of residence.
2. The Deed of Trust contains an acceleration clause, which will call the entire loan due and payable, plus default interest upon certain events, including the following:
 - If the borrower no longer occupies the property
 - Discovery of willful misrepresentation or fraud in connection with any aspect of the Neighborhood Stabilization Program
 - Renting of the property
 - Uncured default by borrower on the first trust deed note, or deed of trust, or any other senior or junior loan or encumbrance on the property
 3. Co-borrowers or co-owners, other than owner occupants, are not permitted. This rule is included to prohibit investors from utilizing qualified persons to purchase a property for their own investment purposes and financial gain.
 4. Loan Assumption – generally, the NSP loans are not assumable. The loan must be paid in full upon the sale or transfer of the property. However, under certain terms and conditions, the deferred payment loan may be assumed with the prior written consent of the Housing Commission.
 5. Refinance/Subordination Agreements –NSP loan, closing cost assistance grant and rehabilitation loan can be subordinated to the refinancing of the existing first trust deed loan in order to lower the interest rate or reduce the loan term with no cash out to the borrower.

Housing Rehabilitation Loans:

If rehabilitation is required for the property to meet HQS, code compliance or to comply with lead-based paint requirements, buyer must apply for the funds at the time of acquisition. The property will be inspected by a Housing Commission Construction Specialist to identify the needed repairs and a detailed work write-up completed. Rehabilitation can include energy efficiency or energy conservations items. After rehabilitation, the property must meet the Housing Commission's curb appeal standards. The work needed to meet those standards can be included and completed with the use of the rehabilitation loan funds. Also, if the property is not habitable or relocation is required, the cost of the relocation will be funded through the rehabilitation loan.

The Rehabilitation NSP loan amount is \$30,000. If the property is considered distress, in need of major rehabilitation, the loan amount can go up to \$50,000. Rehabilitation will be funded first using Redevelopment Area Program funds, if available. NSP funds will be used as an alternative source or to supplement the Redevelopment funds. Rehabilitation loans of \$10,000 or less will be forgiven after 5 years, if the improvements have been maintained. Rehabilitation loans of \$30,000 or less will be forgiven after 10 years, if the improvements have been maintained. Rehabilitation loans in excess of \$30,000 will be forgiven after 15 years, if the improvements have been maintained. If the property is sold, refinanced, not owner occupied or the improvements have not been maintained prior to the end of the term; the loan funds must be repaid plus 3% interest.

Properties requiring lead based-paint remediation can receive a grant to cover the costs to complete the lead work if a child under six years of age is in residence.

Asset/Reserve Limitation:

The Neighborhood Stabilization Program has an asset/reserve limitation of \$10,000 for one person and \$500 for each additional household member. Liquid assets of all family members, including children, must be considered. If a portion of the assets will be used towards the purchase and have or will be placed in escrow, they will not be considered. If a household member has access to their retirement account, it must be considered. In the case where retirement account cannot be accessed, the employer must verify this in writing.

Income Qualifying For Eligibility Only:

The combined income of all members of the household 18 and over who are currently living together as a family and will be living in the property must be included in the determination of income. The household's income must be projected as an annual income. It should be assumed that today's circumstances would continue for the next 12 months, unless there is verifiable evidence to the contrary. Income on assets is considered when determining if a household is 120% or less of AMI. All households must be income-qualified no more than 90-days prior to the closing date.

Income Calculations for Debt Service:

Program guidelines require that the combined income of all persons on title must be included in the determination of income. The household's income must be projected as an annual income. It should be assumed that today's circumstances would continue for the next 12 months, unless there is verifiable evidence to the contrary.

Debt-to-Income Ratio:

Borrower's monthly housing debt, including mortgage payments, property taxes, property insurance, and if applicable mortgage insurance and homeowner's association dues, cannot be less than 30% of the household's gross income.

The ratio of monthly housing costs, plus all other household monthly debt (including credit cards, automobile payments, etc.), can not exceed 45% of the borrowers gross income. If the debt ratio exceeds 45%, it must be presented to the Loan Committee for consideration.

First Trust Deed Loan:

The loan must be a 30-year, fixed interest rate loan, 203K loans are acceptable. NSP guidelines do not allow a temporary buy-down of the interest rate. First trust deed lenders are required to collect and manage an impound account for payment of taxes, assessments and property insurance for the term of the first mortgage.

Homebuyer Education Class:

All applicants, whether on title or not, are required to attend an 8-hour homebuyer education class given by a HUD approved agency. (See website for list of HUD approved agencies)

Applicant Eligibility	Standards
Co-Signers	Co-signers who do not have ownership interest in the property are prohibited.
Documentation	<ul style="list-style-type: none"> • If married: spouse must sign all SDHC forms and promissory note, regardless of vesting. • If unmarried: need copy of final divorce decree and judgment from the court. • Death certificate for deceased spouse. • Non-US Citizen: copy of permanent alien registration card (green card). • Copy of driver's license or other photo ID.
Income	Standards
Alimony and Child Support	<ul style="list-style-type: none"> • Copy of divorce decree with six months proof of payment.
Disability Income	Copy of award letter from payer.
Social Security Income	Copy of award letter from payer.
Retirement or Pension Income	Copy of award letter or W-2 from payer.
Workers Compensation Benefits	Copy of award letter from payer.
Unemployment Compensation	Copy of award letter from payer.
Financial Aide (student loans, etc.)	Copy of award letter from payer.
Interest or Dividend Income	Two years 1040s, copies of current statements verifying buyer's assets.
Tax Returns	Three years tax returns, signed in blue ink.
Salaried Borrowers	Most recent pay stub. If there are multiple employers, all pay stubs showing year-to-date earnings. Verification of Employment form is required from all employers.
Part-Time Employment	Recent pay stub, Verification of Employment from employer and letter stating likelihood of continuation.
Bonus and Overtime Income	Must be documented on pay stub and Verification of Employment. Will be used if there is a two-year history and likelihood of continuation.
Self-Employed	Signed current profit and loss statement.
Commission Only	Must be verified by employer and documented on tax returns.
Assets	Standards
Checking and Savings Accounts	Three months most recent bank statements.
Stocks and Bonds	Must be verified by brokerage firm or similar company and statement of account.
Saving Bonds	Copy of bond.
401K or Retirement Accounts	Copy of account statement and letter from employer verifying that borrower does <u>not</u> have access to the funds, if applicable.

Liabilities	Standards
Alimony/Child Support	Include as debt if over six months remaining. Need copy of divorce decree.
401K Loan	Include as debt.
Installment Loans	Include as debt if over six months remaining.
Revolving Accounts	Use payment stated on credit report or application, whichever is higher. If payment is not stated, use the higher of \$10 or 5% of the outstanding balance owing.
Student Loan	If loan is deferred for one year or more, do not include as a monthly obligation. If less than a year deferment or borrower making payments, include as a debt.
Credit History	Standards
Credit Reports	Must be a “three repository merged” credit report. Any items not belonging to borrower must be removed from the report. Credit report can not be date more than 60-days from underwriting.
Collections	All unpaid collections must be paid. Need letter of explanation from borrower.
Derogatory Credit	Letter of explanation is required for all derogatory credit. No accounts can be past due at the time of loan application.
Bankruptcy	General rule is that a minimum of two years has elapsed since the bankruptcy was discharged with no derogatory rating since the discharge. A copy of the bankruptcy filing, the discharge and letter of explanation required.
Judgments, Garnishments and Involuntary Liens	No outstanding judgments, garnishments or involuntary liens are allowed.
Inquires	Any inquires within the last six months must be explained.
No or Limited Credit History	Alternative credit history is required. Utility payment records (at least three months most recent statements), rental payments (past 12 months) or other personal loans (past 12 months). Need three forms of credit history.

ELIGIBLE PROGRAM AREAS

Please note some zip codes overlap Council District boundaries. Only properties located in the specific Council Districts listed below can be purchased under the Neighborhood Stabilization Program.

Council District 3

Includes the following Communities: Balboa Park, City Heights, Golden Hill, Hillcrest, Kensington, Normal Heights, North Park, South Park, Talmadge and University Heights

Zip Codes are: 92102, 92103, 92104, 92105, 92115, and 92116

Council District 4

Includes the following Communities: Alta Vista, Broadway Heights, Chollas View, Emerald Hills, Encanto, Jamacha, Lincoln Park, Lomita Village, Mt. Hope, Mt. View, North Bay Terrace, portion of Oak Park, O'Farrell, Paradise Hills, Ridgeview, Skyline Hills, South Bay Terrace, Valencia Park and Webster

Zip Codes are: 92102, 92105, 92113, 92114 and 92139

Council District 7

Includes the following Communities: Allied Gardens, Chollas Creek, Colima del Sol, Del Cerro, El Cerrito Heights, Fox Canyon, Grantville, Islenair, Miramar MCAS, Mission Gorge, Murphy Canyon, Redwood Village, Rolando, San Carlos, SDSU College Area, Tierrasanta and portions of Oak Park

Zip Codes are: 92105, 92115, 92119, 92120, 92124, 92142 and 92145

Council District 8

Includes the following Communities: Barrio Logan, Otay Mesa, Otay Mesa/Nestor, Egger Highlands, Golden Hill, San Ysidro, Grant Hill, Logan Heights, Memorial, Nestor, Sherman Heights, Southcrest, Stockton and Tijuana River Valley.

Zip Codes are: 92102, 92113, 92154 and 92173