

CITY OF SAN DIEGO AFFORDABLE FOR-SALE PROGRAM GUIDELINES

PROGRAM OVERVIEW:

The San Diego Housing Commission's (SDHC) Affordable For-Sale Housing Program is a homeownership program designed to assist low- and moderate-income households purchase a home at an affordable price. The price the buyer pays for the home is below the fair market value of the property. The difference between the fair market value of the property at time of original purchase and the actual price paid by the original buyer is structured as a secondary loan documented in a Promissory Note executed by the homeowner and payable to SDHC at the end of the affordability period. During the affordability period of 45 or 55 years, the home can only be sold to an eligible buyer at a price that is affordable; this price will be less than the fair market value of the home.

To learn more about the Affordable For-Sale properties, visit our website at www.sdhc.org (select "Housing Opportunities" from the menu at the top, then "Affordable For-Sale Housing").

ELIGIBLE BUYER(S):

Income Limit: Households whose gross annual income is below the income restriction for the property, which varies by property. Income limits range from 60 to 120 percent of area median income. The income limit is based on 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 will be taken into account.

Household Size: Applicants must meet the following occupancy standards:

- 1 bedroom unit: 1 – 2 people
- 2 bedroom unit: 2 – 4 people
- 3 bedroom unit: 4+ people

For the purpose of determining household size, any person claimed as a household member must have lived with the borrower for a minimum of one year prior to the purchase and must provide evidence they will live in the subject property.

Co-borrowers or co-signers who will not occupy the property as their primary residence, are not permitted. A non-borrowing spouse is considered a co-borrower even if they will not be on the loan for the first mortgage. Student dependents who live in another city / county at or near their college will not be counted as a household member.

The borrower(s) is required to provide all pertinent documentation requested by the San Diego Housing Commission.

First Time Homebuyer: Applicants and all household members over the age of 18 must be a first time homebuyer. First time homebuyer means a person who has not owned a home during the three-year period prior to purchase of a property under the Affordable For-Sale program. This timeframe includes those 36 months previous to the date the mortgage is executed. The following individual or individuals also qualify 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 two 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 compensation 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 (under age 18) for whom the individual has custody or joint custody (borrower must have custody a minimum 51% of the time if joint custody).

Current County of San Diego Resident(s): Applicants must have LIVED *and* WORKED in the County of San Diego for a minimum of two years. Supporting documentation will be required.

No Prior Participation in First Time Homebuyer or Affordable For-Sale Programs: Applicants may only participate once in the homeownership programs (First Time Homebuyer or Affordable For-Sale) currently or previously administered by the San Diego Housing Commission.

INCOME QUALIFYING FOR PROGRAM ELIGIBILITY:

The combined gross annual income of all members of the household age 18 and over who are currently living together, and have lived together for 12 months or more 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 will be assumed that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. All households must be income-qualified no more than 60-days prior to the closing date. For the purpose of determining income eligibility, all income is included even if there is less than a two year history.

Refer to Exhibit A for a full description on income calculation.

DEBT-TO-INCOME RATIO:

The borrowers monthly housing debt, including principal, interest, property taxes, property insurance, and if applicable mortgage insurance and homeowner's association dues, cannot be less than 30 percent of the borrower's gross monthly income.

The borrower's proposed monthly housing debt, *plus* all other household monthly debt (including credit cards, automobile payments, etc.) reflected on the credit report, cannot exceed 45 percent of the borrowers gross monthly income.

The income of a non-borrowing spouse is included when calculating the debt-to-income ratios if she / he has a work history of two or more years.

INCOME FOR DEBT TO INCOME CALCULATIONS:

Program guidelines require the combined income of all persons on title, including a non-borrowing spouse (if applicable), to be included in the calculation of income. The household's actual / averaged income will be calculated for underwriting purposes. It will be assumed that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary.

Applicants, co-applicants and non-borrowing spouses must have a minimum of a two year continuous work history.

DOWN PAYMENT REQUIREMENTS:

- Minimum required down payment is three percent (3%) of the purchase price.
 - The borrower's down payment must be from their personal funds or a gift from an immediate family member. An immediate family member includes the following people; father, mother, brother, sister, grandparent, uncle, aunt or child.
- Maximum down payment: Twenty percent (20%) of the purchase price.
 - An exception to the maximum down payment guideline may be made for buyers whose *sole source of income* is derived from Social Security, Social Security Disability or Veterans Disability in which case a down payment sufficient to bring their housing debt-to-income ratio to no less than 30 percent may be accepted.
 - As the program is designed for low-income buyers with limited assets but sufficient income to support a first mortgage payment, large down payments from family members with significant assets in order to assist the buyers qualify for the mortgage loan will not be considered.

All-Cash transactions are not permitted. An exception may be made for buyers whose *sole source of income* is derived from Social Security, Social Security Disability or Veterans Disability and the proposed payment for property taxes, HOA dues and homeowners insurance is equal to or greater than 30% of their income. The buyer must meet all eligibility requirements, have acceptable credit and have sufficient income to support the HOA, property tax and monthly debt obligations.

ASSET LIMITATION:

At the time eligibility is determined, the liquid assets of all household members, including children, must not exceed an amount equal to the maximum income limit for the particular affordable unit, as adjusted for family size.

- The term "liquid assets" refers to cash and assets, which are readily convertible to cash within a reasonable period, including but not limited to savings and checking accounts, certificates of deposit of any term, marketable securities, money market and similar accounts, mutual fund shares, and insurance policy cash values.
- The term "liquid assets" shall not include retirement account funds if those accounts are not accessible to the buyer.
- An exception may be made for buyers whose *sole source of income* is derived from Social Security, Social Security Disability or Veterans Disability and a down payment of more than 20% is required in or to bring their housing debt-to-income ratio to no less than 30 percent. In which case, the borrower's assets must not exceed an amount equal to the maximum income limit for the particular affordable unit, as adjusted for family size after the maximum allowable down payment contribution.

CREDIT GUIDELINES:

- Minimum credit score: 640
- Borrowers with a foreclosure or short sale within the last five years must provide a letter of explanation and substantial back-up documentation as to the cause;

- A letter of explanation is required for all derogatory reporting's dated within two years of the close of escrow.
- All collections, charge offs and judgments must be paid or settled with the creditor through escrow or prior to the close of escrow, back-up documentation showing the account has been paid is required if paid outside of escrow; and
- A credit report for a non-borrowing spouse is required. All debt of the non-borrowing spouse will be used in the debt-to-income ratio calculations.

FIRST TRUST DEED LOAN:

The loan must be a 30-year, fixed interest rate loan. Conventional, FHA and VA financing are acceptable. 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, co-applicants and non-borrowing spouses, whether on title or not, are required to attend a homebuyer education class given by an SDHC approved Homebuyer Education Provider. Visit www.sdhc.org for the Homebuyer Education Provider List

OCCUPANCY REQUIREMENTS:

For so long as borrower(s) owns the affordable unit, the borrower(s) must reside in the unit as their principal place of residence. The borrower(s) shall not lease all or any part of the restricted unit at any time. Borrower(s) must comply with annual occupancy certifications.

AFFORDABLE RESALE RESTRICTIONS:

On the date of the first sale of each Affordable For-Sale unit, SDHC records resale restrictions on each property. Depending on the development in which the unit is located, the resale restrictions include income restrictions, sales prices restrictions, occupancy restrictions, and length of restriction (restrictions remain in effect for 45 or 55 years). The resale restrictions include the following documents:

- Affordable Housing Resale Restrictions, Option to Designate Eligible Purchasers and Option to Purchase Upon Default
- Affordable Deed of Trust
- Affordable Promissory Note

Upon each resale of an affordable restricted unit, the buyer must execute an Assignment, Assumption and Consent Agreement thereby consenting to assume all obligations under the resale restrictions.

AGENT REPRESENTATION:

The seller and buyer must be represented by a real estate agent. The sales contract, disclosures and division of real estate costs i.e. agents commission, title and escrow, etc. is negotiated between the seller and buyer and the Commission is not involved. SDHC may recommend realtors who have contracted with SDHC to represent either the seller or buyer for a reduced, flat commission. In addition, dual representation is not allowed in any Affordable For-Sale transaction except in the case of the initial sale from developer to the first purchaser.

SDHC'S ROLE:

SDHC is the Affordable For-Sale program administrator and secondary lender. As the program administrator, SDHC is responsible for oversight and compliance of the affordable resale restrictions. SDHC's responsibilities include but are not limited to:

- Managing the Affordable For-Sale interest list
- Calculating the sales price for affordable for-sale units at the time of the first sale and for each subsequent sale
- Ensuring upon resale, that the property is in a "move-in" like condition
- Verifying eligibility of buyers that participate in the program
- Annual occupancy monitoring

SDHC is a lien holder on each unit and does not have an ownership interest in the properties.

INTEREST LIST:

In accordance with the Affordable For-Sale Resale Restrictions, SDHC reserves the right, but is not obligated, to find an eligible buyer for resale units. As a courtesy to interested buyers, and to assist owners in finding an eligible buyer, SDHC maintains an interest list for the program. However, homeowners may sell these affordable homes to any buyer that meets program requirements, regardless of whether they are on the interest list.

Please note that an extremely limited number of units are available for sale each year.

Placement on the Interest List: Low- and Moderate-income households interested in the program can be added to the interest list by submitting a Pre-Qualification package to affordableforsale@sdhc.org.

Pre-Qualification Package:

- 1) Pre-Qualification Worksheet, completed and signed by all applicants
- 2) Income documentation for the most current two months. Valid income documents include; paystubs, social security award letter, support order, or if self-employed, a profit and loss statement and three current year's tax returns.

SDHC will complete a preliminary review and applicants will be added to the interest list, if, based on their Pre-Qualification packet, they meet the program eligibility criteria. Applicants will be notified of their eligibility via email generally within 7 days of submitting the Prequalification package.

Applicants should ensure that their current email address is on file with SDHC as all communication regarding unit availability, annual re-certification and program changes are generally by email.

Annual Re-Certification: SDHC conducts annual re-certifications of the potential buyers on the interest list. When notified by email by SDHC, buyers on the interest list will be required to confirm their continued interest in the program by submitting an updated Pre-Qualification package. Applicants who submit their updated package by the annual renewal date, will keep their placement on the interest list based on their original application date, and provided they still meet eligibility requirements. Failure to submit the updated pre-qualification packet annually when requested by SDHC, will result in removal from the interest list.

Notification of Unit for Sale: Upon resale of a unit, if the seller of the property does not present an eligible buyer that meets all program requirements, affordable for sale units are offered to the buyers on the interest list in order from the date of their initial pre-qualification worksheet submission.

Buyers from the interest list will only be contacted for units in developments marked as “interested in” on their pre-qualification worksheet. In addition, buyers from the interest list will only be contacted if they meet the Affordable For-Sale program occupancy standards and the income limits for the unit available for sale.

Applicant’s Requirements to respond to Notice of Available Unit: Once an applicant is notified of an available unit, the following timeframe will apply:

- a. Applicant must respond by email within **two** days of the date of the “Notice of Available Unit”, indicating whether they are interested in the unit or if they wish to decline the opportunity to buy the unit.
- b. If interested, the applicant will have **three** additional days to submit the complete Pre-Approval package along with requested income and asset verification documentation.
- c. SDHC will process the pre-approval package and notify the applicant of their eligibility at which point the applicant will have **three** days to view the unit. Should there be a scheduling conflict, the buyer or seller may request an extension.
- d. The applicant will have **two** days after viewing the unit to notify SDHC of their decision to either make an offer on the unit or decline the opportunity to buy the unit.

Due to the desire of the sellers to sell their unit as quickly as possible, strict adherence to the above timeline is required. If an applicant does not respond to a Notice of Available Unit, or if their email and phone number are not valid, their name will be removed from the interest list.

Applicants who decline the opportunity to buy an available unit three times will be removed from the interest list.

REFINANCE:

The Affordable Deed of Trust and Promissory Note may be subordinated to the refinancing of the existing first trust deed loan in order to lower the interest rate or reduce the loan term. Refinancing for cash out may only be approved if the funds will be used to complete capital improvement upgrades on the affordable unit. All refinances are subject to prior written approval by SDHC in accordance with the Affordable For-Sale Refinance Guidelines.

PROPERTY CONDITION:

Upon opening escrow, the eligible buyer will be required to have a full home inspection, including Housing Quality Standards (HQS) done on the Affordable For-Sale property. The inspections must be completed by a qualified inspector approved by SDHC. All approved inspectors on the list provided by SDHC are qualified to do the full property inspection, and HQS.

The cost of the inspection is negotiable between the buyer and seller; however any work that needs to be completed is the seller’s responsibility and is non-negotiable. The property is to be left in a “move-in” like condition. All required repairs are to be made prior to the close of escrow.

Once the inspection is completed, a copy of the report will be sent from the buyer, or their agent, and to the Housing Commission. The Housing Commission will review the report and the seller, buyer and their agents will be notified of any repairs that need to be completed prior to escrow.

These guidelines are provided as a basis for the determination of program eligibility and underwriting of deferred loans. The Housing Commission at its sole and reasonable discretion may make exceptions to any guideline which is not driven by the Housing Commission Policy 600.101.



The San Diego Housing Commission (SDHC) is committed to affirmatively furthering fair housing by promoting fair and equal housing opportunities for individuals living in the City of San Diego. This commitment extends to all housing programs managed or owned by SDHC and to all grant-funded programs provided by SDHC. It is the policy of SDHC to provide services without regard to race, color, religion, national origin, ancestry, age, gender, familiar status or physical/mental disability. For more on our commitment to affirmatively furthering fair housing visit our website at www.sdhc.org

Applicant Eligibility	Standards
Co-Signers	Co-signers who will not occupy the property are prohibited.
Documentation	<ul style="list-style-type: none"> • If married: spouse must sign SDHC forms, disclosures 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). All borrowers must be a U.S. Citizen or Permanent Resident. • Copy of driver's license or other photo ID
Income (Required for ALL households members over age 18)	Standards
Alimony and Child Support	Copy of divorce decree and/or child support agreement, with six months proof of payment. To be used for eligibility and underwriting, support must continue for 12 months or more.
Disability Income	Copy of award letter from payer.
Social Security Income	Copy of award letter from payer.
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 & W2s	Three years of signed tax returns. Two years W2s for all employers.
Salaried / Wage Earners	Most recent pay stubs covering a minimum of two month's income. Paystubs to reflect year-to-date earnings and deductions. If there are multiple employers, all pay stubs showing year-to-date earnings.
Part-Time Employment	Most recent pay stubs covering a minimum of two months. Paystubs to reflect year-to-date earnings and deductions.
Bonus and Overtime Income	Must be documented on pay stub. Will be used if there is a two-year history and likelihood of continuation.
Self-Employed	Two years of tax returns with schedule C and a year-to-date signed profit and loss statement. Must have a minimum 2-year history of self-employed income.
Commission Only	Two years of tax returns with schedule C and a year-to-date signed and dated profit and loss statement <u>or</u> most current pay stubs covering a

	minimum of one month. Must have a minimum 2-year history of commission income.
Assets (Required for ALL households members over age 18)	Standards
Checking and Savings Accounts	Three months most recent bank statements for ALL accounts.
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.
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 cannot be dated 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. Buyer must have rebuilt their credit. A copy of the bankruptcy filing, the discharge and letter of explanation required.
Short Sales / Foreclosures	A minimum of three years must have elapsed since the short sale or foreclosure. Buyers must provide a letter of explanation and back-up regarding the cause of the short sale or foreclosure.
Judgments, Garnishments and Involuntary Liens	No outstanding judgments, garnishments or involuntary liens are allowed.
Inquiries	Any inquiries within the last 90-days 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, at least one must be a rental history.
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