San Diego Housing Commission
First-Time Homebuyer Program
Manual & Guidelines

San Diego Housing Commission
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San Diego, CA 92101
www.sdhc.org
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PURPOSE

To describe the San Diego Housing Commission’s (Housing Commission) First-Time Homebuyer Programs, eligibility requirements, and procedures for submitting applications.

DESCRIPTION

This manual describes the San Diego Housing Commission’s (SDHC) City of San Diego First Time Homebuyer Program requirements, processing procedures and program administration. This document also describes the Mortgage Credit Certificate (MCC) program, processing procedures, and program administration. Additionally, this manual contains the regulations pertaining to the program funding sources as well as the Housing Commission’s Lending Policy 600.101. SDHC at its sole discretion, may revise these guidelines, terminate and/or place the program on hold, and/or make exceptions to any guideline which is not driven by funding source regulations or the Housing Commission Lending Policy 600.101.

These programs are funded primarily through Federal U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program grants to the City of San Diego that are administered by SDHC. Additional funding sources include Federal Community Development Block Grant funds (CDBG), State CalHome Program funds, and City of San Diego Affordable Housing Funds.

SDHC encourages all eligible homebuyers to apply and the entire San Diego mortgage lending community to participate in these programs. Participation will continue to be open to those mortgage lenders who stay well informed and uphold the restrictions outlined in this manual so that applicants and all parties involved in the transaction are aware of these restrictions before applications are accepted. Lenders are expected to be informed of the HUD technical guide for determining income and allowances for the HOME Program for calculating annual gross income. Lenders are responsible for keeping the Housing Commission informed of their current contact information. SDHC will notify all participating lenders via email, of program changes, trainings, and availability of funds.
GENERAL DEFINITIONS

ACQUISITION COST: Derives its meaning from IRS Section 143(k)(3) and the regulations there under. The purchase price limit is set by the State of California law under Section 52020 et seq. of the Health and Safety Code. “Acquisition cost” is used interchangeably with “purchase price”. Maximum purchase prices for resale and new homes are updated according to a federal study every 12-24 months.

AFFIDAVIT: A deposition filed in connection with the program made under oath and subject to penalties of perjury.

APPLICANT: Any person within the household who applies for SDHC loan, closing cost or MCC assistance.

APPRAISAL: In compliance with URA at 49 CFR Part 24. All appraisals to determine property value must be made by a licensed appraiser.

ARMS LENGTH TRANSACTION: A transaction in which the applicants and sellers of a product act independently and have no relationship to each other. The concept of an arm’s length transaction is to ensure that both parties in the deal are acting in their own self-interest and are not subject to any pressure or duress from the other party.

CAPITAL IMPROVEMENTS: The addition of a permanent structural improvement (as distinguished from a repair) or the restoration of some aspect of a property that will either enhance the property’s overall value or increase its useful life.

COMMITMENT: A document which is originated by SDHC once the file has been approved. An MCC Commitment will be valid for 60 days and must be issued before funding.

DATE OF ISSUE: The date the MCC is signed and executed by the Housing Commission.

DISPLACED HOMEMAKER: 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/her home and family.

ELIGIBLE BORROWER: Any person meeting the criteria as set forth in this manual.

ELIGIBLE DWELLING: Real property located in the City of San Diego which includes a new residential unit (not previously occupied), or an existing home which has been previously occupied. Eligible properties include single family dwellings, condominiums and townhomes located within the City of San Diego. Eligible properties must be currently occupied or recently vacated by the owner-seller; if tenant occupied, sold only to the current tenant; or if a rental
property, vacant at the time the purchase offer is made by the borrower. Properties which are tenant occupied are not eligible for assistance. No exceptions can be made to this requirement.

EXISTING HOME (also RESALE HOME): a dwelling unit that has been previously occupied prior to loan commitment.

FIRST TIME HOMEBUYER: Refers to a person who has not owned a home, other countries included, during the three year period prior to the purchase of a home using assistance from SDHC. This timeframe includes those 36 months previous to the date the mortgage is executed.

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME): Elements of the 3% Interest Deferred Payment Loan Program utilize Home Investment Partnership program regulations. HOME regulations under the Department of Housing and Urban Development (HUD) are codified at 42.U.S.C. Section 12701, et seq., 24 CFR Part 92.

HOMEOWNER INVESTMENT: Homeowner’s initial down payment.

HOUSEHOLD: All persons who have resided together for at least 6 months (except in the case of a newborn child) and will continue to reside in the residence being purchased and function as a cohesive unit.

IMMEDIATE FAMILY MEMBER: Refers to father, mother, brother, sister, grandparent, cousin, uncle or aunt.

INCOME: The gross amount of all income for all applicants and adult household members that is anticipated to be received during the coming twelve (12) months, as defined in HUD’s technical guide for determining income and allowances. All income derived from any source, including but not limited to wages (gross pay), overtime, pensions, military service connected disability/veteran’s compensation, bonuses, public assistance, social security income, alimony, child support, adoption support, foster care support, dividends and interest, etc. must be included.

IRS: Internal Revenue Service.

ISSUER: The City of San Diego Exercising bond issuing authority SDHC.

LENDER: A financial institution, whether broker, retail, or wholesale, licensed to provide mortgage loans in the State of California. The institution must meet all the requirements established by SDHC in order to participate as a lender in the program.

LIQUID ASSETS: The total amount of funds that are in the form of cash or can quickly be converted to cash. These include (1) cash; (2) demand deposits; (3) time and savings deposits (4) checking and savings accounts and (5) investments (i.e. most stocks, money market instruments and government bonds) capable of being quickly converted into cash without
significant loss, either through their sale or through the scheduled return of principal at the end of a short time remaining to maturity.

**LOAN**: An extension of credit provided to an eligible applicant to finance the purchase of an eligible dwelling.

**LOW-INCOME**: A household with income not greater than 80% of the area median income (AMI) as established by HUD. Every 12-18 months, these figures are updated by HUD.

**LOW-INCOME SET-ASIDE**: means that 40% of the allocation that SDHC receives is designated specifically for those households with income not greater than 80% AMI. This set-aside designation is a requirement by the State of California.

**MCC PROGRAM**: The MCC Program established by the City Council of San Diego by Resolution and administered by SDHC pursuant to the rules and regulations included in the MCC Operating Manual.

**MODERATE INCOME**: A household with income not greater than 100% AMI as established by HUD. Every 12-18 months, these figures are updated by HUD.

**MORTGAGE CREDIT CERTIFICATE (MCC)**: a tax credit certificate issued by SDHC pursuant to Section 25 of the Internal Revenue Code of 1986, as amended, and applicable by state and local requirements.

**MORTGAGE CERTIFICATE RATE**: The rate specified by SDHC in the MCC. For this program, the mortgage certificate rate is 20%.

**NEW HOME**: a dwelling unit that is newly constructed or an existing home not previously occupied.

**OWNERSHIP**: Any of the following interests in residential real property:

- fee simple interest
- joint tenancy
- tenancy in common
- interest of a tenant-shareholder in a cooperative
- life estate
- interest held in trust for the applicant that would constitute a present ownership interest if held by the applicant

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.

**PRINCIPAL RESIDENCE**: Residence must be occupied as the primary home of the applicant and be defined as one of the following types of residences: 1) single-family dwelling; 2) condominium unit; or 3) townhome unit.
PROPERTY STANDARDS: Existing housing that is acquired for homeownership must be decent, safe, sanitary, and in good repair. Property standards are in accordance with 24 CFR Part 92.251. All properties are required to be inspected by an SDHC approved inspector.

PROPERTY VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the applicant and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Property / market value must be identified through an appraisal and provided prior to the acquisition issuance.

PURCHASE PRICE: Cost of acquiring the residence, excluding usual and reasonable settlement or finance costs, and the value of services performed by mortgagor in completing the acquisition.

RELATED PERSON: allied by nature, origin, kinship, marriage, etc.

RESIDENTIAL PROPERTY: Property which is zoned for single-family homes, multi-family apartments, townhouses, and/or condominiums.

SDHC: San Diego Housing Commission (also referred to in this manual as “Housing Commission”).

SINGLE FAMILY RESIDENCE: The term single-family residence is a home intended and used for occupancy by one household.

SINGLE PARENT: An individual who is unmarried and has one or more minor children for whom the individual has at least 51% custody.

TARGETED AREA: A census tract in which 70% or more of the households have an income which is 80% or less of the statewide median family income, or an area designated as an area of chronic economic distress. These specific areas are not subject to the prior home ownership restriction.

ACRONYMS
AMI  Area Median Income
FTHB First-Time Homebuyer
MCC Mortgage Credit Certificate
SDHC San Diego Housing Commission
SFR Single Family Residence

REFERENCES
https://www.sdhc.org/affirmatively-furthering-fair-housing-statement/
FTHB PROGRAMS (City of San Diego)

FTHB Down Payment Assistance Loan:
The 3% Interest Deferred Payment Loan Program is a homeownership program designed to make funds available to low-income households, to help with the purchase of a home within the City of San Diego. This program provides financing in the form of a silent second trust deed loan of up to 17% of the purchase price or appraised value, whichever is less, to households earning up to 80% AMI. Assistance under this program can only be used towards down payment. The minimum loan amount is $1,000. The borrower may apply for a loan less than 17% of the sales price if needed to keep the debt-to-income ratio or assets within guidelines. This loan accrues simple interest at a rate of 3%, except in the case of default when the rate increases to 10%. No monthly payments are required during the 30 year term. The principal and all accrued interest will be due in full upon the earlier of:

- 30 years from the date of the promissory note.
- Upon sale.
- Transfer.
- Leasing/renting the property.
- Non-owner occupancy of property.
- Further encumbrance, such as a HELOC, cash-out refinance, a HERO loan, etc., of all or any interest in the property without SDHC’s prior written consent.
- Uncured default by borrower on the 1st Trust Deed Note.
- Discovery of willful misrepresentation or fraud in connection with any aspect of the First-Time Homebuyer Program.

*This program cannot be used in conjunction with the Affordable For-Sale Housing Program.

Closing Cost Assistance Grant:
Households earning up to 80% AMI may apply for a closing cost assistance grant of up to 4% of the purchase price or appraised value, whichever is less. The closing cost assistance grant cannot exceed $10,000 and may not be less than $1,000. The funds can be used to pay all recurring and non-recurring closing costs that are not covered by a lender credit, seller credit or other subsidy. The closing cost grant must be applied for in conjunction with the SDHC FTHB Down Payment Assistance Loan.

The closing cost assistance under the program is available only for properties in the city of San Diego and will be forgiven at the close of escrow. Borrowers will only be required to sign a Homeownership Grant Agreement. There will not be a Promissory Note or Deed of Trust in conjunction with the homeownership grant.

* This program cannot be used in conjunction with the Affordable For-Sale Housing Program.
Stand-Alone Homeownership Closing Cost Forgivable Loan:
Households earning up to 100% AMI who are purchasing a home in the City of San Diego may apply for a stand-alone closing cost forgivable loan of up to 4% of the purchase price or appraised value, whichever is less. The stand-alone closing cost forgivable loan cannot exceed $10,000 and may not be less than $1,000. The funds can be used to pay all recurring and non-recurrent closing costs that are not covered by a lender credit, seller credit or other subsidy. There will be a Promissory Note and Deed of Trust in conjunction with the stand-alone closing cost forgivable loan. This loan will be forgiven after 6 years. If the property is sold, non-owner occupied during these 6 years or a default occurs (as detailed above under FTHB Down Payment Assistance Loan), the loan, plus the interest accrued at a rate of 5% will be due and payable.

* This program cannot be used in conjunction with the Affordable For-Sale Housing Program.

Mortgage Credit Certificates:
The MCC program can be applied for by First Time homebuyers purchasing a new or existing homes in the City of San Diego whose household annual gross income does not exceed 140 % AMI. The MCC operates as an IRS tax credit, no funds are disbursed to the buyer through this program. With an MCC, the qualified applicant becomes eligible to take a federal income tax credit of 20% of the annual interest paid on the mortgage. This credit reduces the federal income taxes of the applicant, resulting in an increase in the applicant’s net earnings. An increase in income results in an increase in purchasing power to buy the proposed principal residence. Buyers who receive an MCC must file IRS form 8369 “Mortgage Interest Credit” each year with the filing of their Federal Tax returns.

The MCC can be used in conjunction with the down payment and closing cost assistance programs, the Affordable for Sale program, or as a stand-alone product.

The MCC is calculated as follows:
1) Determine the annual interest on the first mortgage for the first year (Loan amount x interest rate)
2) Multiply the first year interest by the MCC credit of 20%
3) Divide the result of #2 by 12 to determine the monthly credit to be used for underwriting.
**PROGRAM ELIGIBILITY**

Eligible households include first time homebuyers those whose income is at or below the San Diego County Area Median Income (AMI), as adjusted for household size, for the program under which they are applying. 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 is taken into account. The borrower is required to provide all pertinent information requested by the first trust deed holder on behalf of the San Diego Housing Commission. 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. In addition, any non-borrowing person listed as having no income on the application, must be a dependent on the applicant’s tax returns in order to be considered a household member. Applicant(s) must be a U.S. citizen or Permanent Resident Alien. Applicants with a Permanent Resident Alien status must provide documentation, i.e. Permanent Resident Alien card, passport and/or INS documents. Applicants with work visas/permit only are not eligible.

The subject property must be occupied as the primary residence of the borrower. Non-occupying co-borrowers are not allowed. Not occupying the property will result in the 35 interest deferred payment loan becoming immediately due along with the accrued interest at a default rate of 10%. Program participants must notify the SDHC if the residence ceases to be his/her principal residence.

Income limits are modified based on federal directives every twelve to eighteen months. SDHC will notify the lenders when those changes take place, including the effective date of each change via email.

SDHC will maintain a cumulative total of assistance funds reserved and in process. When program funds are close to being depleted, the SDHC website will be updated, and notification will be sent to all participating lenders.

In an attempt to ensure that all terms of the loan/grant are clear, the first-time homebuyer application and affidavit are required to be signed by each applicant and spouse, and must be included in the application package submitted to SDHC. Additionally, SDHC staff will meet the borrower(s) in person to provide the Disclosure Notice and explain the terms of the loan.

Signatures under Power of Attorney are acceptable, provided they are accompanied by a copy of the recorded Power of Attorney.

**First Time Homebuyer:**

Qualified applicants and all household members over the age of 18 must be a first-time homebuyer. A First Time Homebuyer is defined as a person who has not owned a home within the last three years. This includes ownership of property in another country.

In the case of a married couple, both parties must meet this requirement. The applicant, spouse and any other parties who will reside in the property must meet this requirement. The lender
must verify this through his/her examination of the applicant’s federal tax returns for the preceding three years, credit reports, and other relevant documentation. The applicant(s) cannot have claimed a deduction for mortgage interest or taxes on real property, except the following individual or individuals who may not be excluded from consideration as a first-time homebuyer under the 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; or
- A single parent who, while married, owned a home with his or her spouse or resided in a home owned by a spouse.

**INCOME LIMITS:**
The household’s gross annual income must be at or below the currently published area median income (AMI), adjusted for household size for the program under which they are applying. The income for all household members over the age of 18 will be counted regardless of whether or not they are a borrower. See the Programs Offered section of this document for current program AMI restrictions. Income limits have been established by HUD and are adjusted annually. In accordance with this requirement, applicants may not obtain “stated income” loans. The true income, as determined by SDHC, is the primary qualifying factor in loan approval.

**MAXIMUM INCOME LIMITS**

<table>
<thead>
<tr>
<th>Household Size</th>
<th>80% Income Limit</th>
<th>100% Income Limit</th>
<th>Household Size</th>
<th>80% Income Limit</th>
<th>100% Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$64,700</td>
<td>$64,900</td>
<td>5</td>
<td>$99,800</td>
<td>$100,100</td>
</tr>
<tr>
<td>2</td>
<td>$73,950</td>
<td>$73,950</td>
<td>6</td>
<td>$107,200</td>
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<tr>
<td>3</td>
<td>$83,200</td>
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<td>$92,400</td>
<td>$92,400</td>
<td>8</td>
<td>$122,000</td>
<td>$122,350</td>
</tr>
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</table>

**Mortgage Credit Certificate Program – NO FUNDING AVAILABLE**

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 2 persons</td>
<td>$--</td>
</tr>
<tr>
<td>3 + persons</td>
<td>$--</td>
</tr>
</tbody>
</table>

**MAXIMUM SALES PRICE LIMITS (City of San Diego)**

<table>
<thead>
<tr>
<th>Down Payment and Closing Cost Assistance Programs effective June 1, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attached</td>
</tr>
<tr>
<td>$445,550</td>
</tr>
<tr>
<td>Detached</td>
</tr>
<tr>
<td>$679,250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mortgage Credit Certificate Program - NO FUNDING AVAILABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted</td>
</tr>
<tr>
<td>$--</td>
</tr>
<tr>
<td>Non-Targeted</td>
</tr>
<tr>
<td>$--</td>
</tr>
</tbody>
</table>

*For properties located in the County of San Diego, see the County of San Diego Guidelines for current sales price limits.*
DOWN PAYMENT REQUIREMENT
A minimum contribution of three percent (3%) of the total purchase price of the property will be required from the borrower’s personal funds, or a gift from an immediate family member, and must be used for down payment. The 3% requirement cannot be substituted by any seller/lender contribution, subsidies, using 100% VA financing, or the SDHC Homeownership Grant.

DETERMINING HOUSEHOLD SIZE
To establish program eligibility, income of all household members 18 years and older must be taken into account. Funding source regulation state “income to be taken into account in determining gross income is income of the applicant(s) and any other person who is expected to both live in the residence being financed and/or be secondarily liable on the mortgage.”

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. In addition, any non-borrowing person listed as having no income on the application, must be a dependent on the applicants tax return.

If the borrower lists a minor who is not their son or daughter on the FTHB application or tax returns, income and asset documentation and proof of residence is required for the parents of the minor. Backup documentation to prove whether or not support is received by the borrower will be required.

Any person not claimed on the federal tax returns within the last three years, who are identified as a household member on the application must provide proof residence as an established household member (1 year or more) along with their income and assets information.

Any persons claimed on federal tax returns within the past three years and not identified as a member on the application must provide a Declaration of Household Size certifying those person(s) will not be residing as a member of the household. Proof of residence is required.

If dependent student attends school out of the County of San Diego and/or lives on campus, they will not be counted as part of the household.

Divorced:
Any applicant with the marital status of “divorced” must provide a copy of the Divorce Decree along with legal documentation that specifies:

- They no longer have ownership interest in any real property
- If claiming a child under the age of 18 as part of the household, legal custody of at least 51% is required
- Claim any related child support and/or alimony income on the application.
Separated:
Any applicant with the marital status of “separated” must provide the income, assets, tax returns, and credit report of his or her spouse which will be used in the program eligibility analysis. Spouse will also be required to sign the Housing Commission’s Disclosures, Promissory Note, Truth in Lending Disclosure, and Closing Cost Grant Agreement. If borrower is in the process of getting divorced, they will be considered, “married”, until a divorce decree can be provided.

Citizenship:
Applicant(s) must be a U.S. citizen or Permanent Resident Alien. Applicants with a Permanent Resident Alien status must provide documentation, i.e. Permanent Resident Alien card, passport and/or INS documents. Applicants with work visas/permit only, are not eligible.

A spouse and/or other household members who are not U.S. citizens or a Permanent Resident Alien can be included as household members, and must provide income, asset, tax returns, proof of residence, and credit documentation, but cannot be on the loan or on title.

Co-Borrower/Co-Mortgagor/Household:
Co-borrowers or co-owners must occupy the property. Non-Occupying Owners or non-occupying Co-signers are not permitted.

Non-Borrowing Spouses:
Married couples are treated as co-applicants, whether:

- The applicant and spouse are separated
- Either spouse is applying for the loan
- Either spouse plans to be named on title
- Married/living in another country
- Spouse is not employed
- Spouse is not a Permanent Resident or a US Citizen

The income of both the applicant and spouse is considered in the income eligibility calculation, regardless of whether the spouse is on title. California is a spousal/Community Property state. All non-borrowing spouses must sign the SDHC application, disclosures, promissory note, and Closing Cost Grant Agreement and are to be quit claimed off title at closing.
COMPUTING INCOME
Gross income includes all sources of taxable and non-taxable income, derived from: salary, base pay, overtime and/or double-time compensation, part-time earnings, bonuses, commissions, dividends, interest, royalties, pensions, veterans administration compensation, alimony, child support, survivor benefits, foster care support, adoption care support, public assistance, social security benefits, unemployment compensation, income received from a trust, income received from business activities, bank accounts, investments, winnings, recurring contributions or gifts regularly received from entities or persons not residing in the dwelling, and any other source of income not listed above. Government employee-residual income from employer paid benefits, such as flex pay, is included in the overall gross income (if applicable). Income that is not consistent will be averaged over the past two years plus year-to-date.

Non-disclosure of any material fact or misrepresentation of information will result in permanent disqualification of the borrower.

Income Qualifying For Eligibility Only:
For the purpose of determining eligibility income, all income of all household members over age 18 is included, regardless of whether or not they will be a borrower. All income is counted even if there is less than a two year history. 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. The income from employment that ended within 4 months of the application date will be counted for eligibility purposes if it was not replaced by new verifiable employment. If an application is declined for exceeding the income limit, there will be a 12 month cooling off period before a new application will be accepted. Income from assets is considered when determining a household’s total eligibility income. All households must be income-qualified as of the date of the transaction closing date.

Income Calculations for Underwriting:
Program guidelines require the combined income of all persons on title, including a non-borrowing spouse (if applicable), must be included in the calculation of income. It should be assumed that today’s circumstances would continue for the next 12 months, unless there is verifiable evidence to the contrary. The last 2 months of paystubs is required for wage earner borrowers, the last 3 years of tax returns is required for self-employed borrowers, and the most recent award letter and 4506 results for the last 3 years is required for borrowers on non-taxable income or fixed income such as disability or SSI.

- The eligibility calculation represents ACTUAL / PROJECTED income of all adult household members.
- The underwriting calculation represents ACTUAL / AVERAGED income over the previous two years for all applicants who will be on title.

The program requires that every source of taxable and non-taxable income be listed on the application and proof of such income be provided. Only the income from the applicant’s current employer(s) will be used.
**Full Time Wage Earner:**
For the purpose of computing the gross income of a W-2 wage earner, the salary or base pay will be calculated by multiplying the hourly rate by the number of hours, then by the number of pay periods and divided by 12 months. If the applicant does not consistently work 40 hours per pay period, the salary or base pay will be averaged over the previous two years, plus current year-to-date income. The average is done using the check date, rather than the pay period end date. The applicant must have a two year work history in order to include the income for underwriting purposes. If the borrower’s does not consistently work 40 hours per pay period and they had an increase in income within the last 2 years, the income will be averaged from the date of the income change through year-to-date. Calculating declining income is determined on a case-by-case basis and requires substantial supporting documentation.

**Overtime, Double-Time, Commissions, and Bonuses:**
An average over the previous two years and current year-to-date income is used for calculating for overtime, double-time, commissions, and bonuses etc. The applicant must have a two year history in order to use the income for underwriting purposes. If with the current employer for less than two years, overtime, double time, commissions, and bonuses may be used if the applicant can document a two year history of earning these sources of income with previous employer(s). If the borrower had an increase in overtime, double-time, commissions, or bonus income within the last 2 years, the income will be averaged from the date of the income change through year-to-date. Calculating declining income is determined on a case-by-case basis and requires substantial supporting documentation.

**Self-Employed:**
The income for self-employed workers is calculated by averaging the previous two years adjusted gross income, plus any depreciation and/or depletion claimed on schedule C. A year-to-date signed and dated profit and loss statement is required. P & L can be prepared by the applicant or an Accountant. 12 months of bank statements are required. Deposits without a reasonable and/or verifiable explanation will be included as income. All non-monetary expenses i.e. business use of home and depreciation will be added back in to annual gross income. Income will be averaged over two years even in the case of declining income.

If self-employment started during the application year, and the tax return is unavailable, a year-to-date profit and loss statement with supporting documentation for business revenue and business expenses are required. Supporting documentation includes but is not limited to bank statements that supports the gross earnings, documentation of wages and payroll expenses, receipts for expenses etc. Failure to provide proof of gross earnings and receipts for expenses will result in the gross amount of income documented by the bank statements being counted as the self-employment income.

**Seasonal Employees:**
The income for seasonal workers is calculated by averaging the previous two years income as stated on the W-2 and verification of employment. For unemployment benefits received in the off season of work, the gross income will be calculated by averaging the previous two years benefits.
If in the off season during the period of application, proof of unemployment benefits must be provided.

**Part Time and/or Second Job:**
The monthly income is calculated by averaging the previous two years gross income as indicated on the W-2, plus the current year-to-date income. For the purpose of computing the gross income for underwriting, the applicant must have a two year history of the part time, or second job. Part-time income without a 2 year seasoning will count towards eligibility, not to qualify. If the borrower had an increase in income within the last 2 years, the income will be averaged from the date of the income change through year-to-date. Calculating declining income is determined on a case-by-case basis and requires substantial supporting documentation.

**Child Support / Spousal Support:**
Child support documentation is required when there are minor children in the household of an applicant who is a single parent or when there are minor children in the household from a previous relationship. A copy of the divorce decree or child support order AND proof of 12 months payments is required. Acceptable proof of payment includes 12 month bank statements, 12 months cancelled checks or a 12 month history from the borrowers department of child support services account. If the support does not match the court order, a 12 month average based on the proof of payments will be used. Child support / spousal support will be included for the purpose of determining eligibility if it will continue for 12 months or more.

If the borrower lists a minor who is not their son or daughter on the FTHB application or tax returns, income and asset documentation and proof of residence is required for the parents of the minor. Backup documentation to prove whether or not support is received by the borrower will be required.

**Two Year Work History:**
For the purpose of determining underwriting income, applicants and co-applicants must have a minimum of a two year work history. Volunteer and intern work does not count toward the two year work history requirement. For the purpose of determining eligibility, all income is included even if there is less than a two year history. SDHC may accept a small gap in employment (under 6 months) if the applicant had a minimum of a consistent two year work history prior to unemployment and has been back to work for at least one year.

**Military Pay:**
For the purpose of computing the gross monthly income, the “total entitlement” shown on the applicant’s most recent monthly leave and earnings statement, including all regular pay, special pay and allowances including housing allowance is included. The “total entitlement” is *not* grossed up. Certain categories of pay, which may be received only sporadically, will be considered on a case-by-case basis. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire is *excluded* from gross income calculation.
Income from Assets:
0.06% will be calculated on all assets (including retirement accounts) over $5,000 and will be counted as part of the household income for eligibility purposes.

Other Income:
Sources of income other than wages must be documented by third party verifications and/or award letter. In cases where the third party fails to respond, acceptable alternative sources of documentation can be determined on a case-by-case basis and should follow standard income verification guidelines. This also applies to foreign income sources.

DOCUMENTING INCOME
In cases where the applicant is employed, the most recent 2 months of pay stubs are required with the year-to-date earnings.
- Documentation regarding income must be current within the most recent 30-day period preceding the loan closing.
- The last pay stub from the previous two years is required.
- If the applicant has not been employed with the current employer for a full two years, a verification of employment (VOE) from the previous employer is required. We reserve the right to not use the VOE to calculate income.

The lender bears the burden of proving the buyer’s income is within the program guidelines. The computation should be clear, complete, and documented by third party verifications to the greatest extent possible. The Housing Commission will do a full underwrite of the file and use our own income calculation independent of the 1st lender’s income calculation.

No Income:
Adult household members, 18 years and older, who have no income must complete and sign the Declaration of No Income, provide their bank statements, tax returns or transcripts, proof of residence, backup showing whose dependent they are/how are they supporting themselves, and provide any other documentation Underwriter considers applicable. If household member is of retirement age, a letter from Social Security is required showing no benefits are paid.

Full Time Students:
Adult members (ages 18 - 23) enrolled in a vocational, community college, or university must provide evidence of current full time enrollment status. For the purpose of computing the gross income of any person(s) identified as an adult full time student and a member of the household, only the first $480 of the student’s annual income is included in the calculation of household income. The $480 limit does not apply to a student who is head of household or a spouse, in this case the full income must be counted. If dependent student goes to school out of the County of San Diego and/or lives on campus, they will not be counted as part of the household.

Tax Returns:
All household members over the age of 18 must provide copies of their last three (3) years signed federal tax returns or provide 4506 results showing no returns were filed.
The applicant(s) and spouse(s) must provide the signed 1040A, 1040EZ, or 1040 federal income tax forms for the preceding years, including all schedules. These forms shall be submitted to the lender and forwarded to SDHC with the completed loan application. The tax returns must be signed and dated by the applicants.

If the applicant(s) has filed their income taxes for the last three (3) years, but is unable to produce copies of the signed returns, SDHC will accept a completed copy of IRS form 1722 or a copy of the income tax transcripts in lieu of actual returns. The applicant may request either of these documents, free of charge, from the local IRS office. The letter and/or tax transcripts must be signed and dated by the applicant. The Form 1722 must include the signature of a representative of the IRS and should include the following information:

- Applicants’ name and social security number
- Type of return filed
- Marital status
- Tax shown on return
- Adjusted gross income
- Taxable income
- Self-employment tax
- Number of exemptions

Lender must run the 4506 for all adult household members, including non-borrowing spouse.

When applying during the period between January 1 and February 15 and the applicant has not yet filed his/her/their federal income tax return for the preceding year, SDHC may rely on an affidavit. The affidavit must affirm that the applicant is not entitled to claim deductions for taxes or interest on a principal residence for the preceding year. **After February 15, the tax return for the previous year will be required for all household members over age 18.**

**Income Tax Affidavit:**
In the event the applicant(s) and/or any household member over the age of 18 was not obligated to file federal income tax returns for any of the preceding three (3) years, it will be necessary for the lender to obtain a completed and signed **Income Tax Affidavit** and a letter from the IRS verifying whether income taxes were filed or not. This document is to be forwarded with the application package and is required for all household members over the age of 18 whether on the loan or not.

**Gifts:**
Cash gifts may be given towards the required three percent (3%) down payment. The gift must come from a family member and cannot be from a subsidy. A signed gift letter and proof of donor’s ability to gift funds is required.
**Reserve Requirement:**
The minimum household reserve requirement is $1,000. The reserves must be from liquid assets.

*Does not apply for MCC only or Stand-Alone Closing Cost Forgivable Loan programs.

**Asset Limitation:**
The *maximum* liquid asset reserve after applicant’s three percent (3%) contribution and any required cash to close not to exceed $10,000 for the first household member and $500 for each additional household member. Retirement accounts including IRA’s, 401K’s, and pensions are not included in the asset calculation. The asset calculation includes funds that are in the form of cash or can quickly be converted to cash including:

- Cash
- Checking / savings accounts
- Trust accounts
- Stocks
- Bonds
- Mutual funds
- Money market
- CD

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.

*Does not apply for MCC only applications.

**Credit:**
- 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 of the foreclosure;
- A letter of explanation is required for all derogatory reporting’s dated within two years of the close of escrow;
- All borrower’s and spouse’s collections and judgments must be paid in full, through escrow or prior to the close of escrow and back-up documentation showing the account has been paid is required; 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.
- Applicants without credit history due to lack of use, are required to provide 3 alternative lines of credit with a minimum 12 month history.

*Does not apply for MCC only or Stand-Alone Closing Cost Forgivable Loan programs.
Debt-To-Income Ratios:
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 borrowers monthly housing debt, plus all other household monthly debt (including credit cards, automobile payments, etc.), cannot exceed 45 percent of the borrower’s gross monthly income.

The income of a non-borrowing spouse is included when calculating the debt-to-income ratios. The debt-to-income ratio requirement does not apply when only applying for the mortgage credit certificate program.

For student loans in deferment, 1% of loan(s) balance will be added to the Debt-to-Income ratios for underwriting and eligibility purposes unless the borrower can provide documentation to prove they are on an income based repayment plan with a lower payment in which case the income based repayment plan payment will be used.

*These ratios apply to properties located in the City of San Diego only. For applications under the County of San Diego program, see the County of San Diego Guidelines for ratio limits*

*Does not apply for MCC only or Stand-Alone Closing Cost Forgivable Loan programs.

Homebuyer Education:
All borrowers, co-borrowers, and any non-borrowing spouse must attend an eight hour HUD approved homebuyer education class. The applicant must attend a class offered by one of the providers on the SDHC approved list which can be downloaded from the SDHC website.

*Does not apply for MCC only applications.

FIRST TRUST DEED LOAN

The first time homebuyer programs can only be used in conjunction with a 30 year fixed rate Conventional, FHA, or VA 1st mortgage

Prohibited First Trust Deed Loans:
Adjustable Mortgages, Interest Only, Negative Amortizations, and temporary buy-downs are not allowed.

Impounds:
Borrowers are required to have an impound account for payment of property taxes, assessments, and hazard insurance. The First Trust Deed lender is required to collect & manage the impound account.
**Combined Loan-To-Value:**
The maximum combined loan to value (CLTV) of the first trust deed loan, 3% interest deferred payment loan, and any other subordinate financing shall not exceed 97% CLTV, except in the case of FHA and VA financing when Up Front Mortgage Insurance Premiums (UFMIP) and VA funding fees are financed by the 1st trust deed.

**Subordinate Financing:**
Subordinate financing is allowed provided the loan is deferred with no payments required for 30 years. Subordinate financing must record after all SDHC loans/grants.

**PROPERTY REQUIREMENTS**

**Eligible Properties:**
The Down Payment Assistance Loan, Closing Cost Assistance, and MCC programs can only be used when purchasing a new or resale single-family detached home, condominium, townhome or manufactured home affixed to a permanent foundation with HUD tags in the City of San Diego. Duplexes, triplexes, or four-plexes or properties with Accessory/additional Dwelling Units do not qualify as eligible structures. Two-on-one units also do not qualify as eligible structures. Properties that include a second kitchen or kitchenette with or without a cooktop are not eligible.

**Eligible properties must have the following occupancy characteristics:**
- Currently occupied or recently vacated by the owner/seller of the property; or
- If a rental property, sold only to the existing tenant; or
- If rental property, vacant prior to submission of the purchase offer by borrower.

*Due to the relocation regulations as stated in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, properties occupied by a tenant at the time the purchase offer is made are not eligible for first time homebuyer assistance. No exceptions can be made to the requirements regarding properties which are or were tenant occupied.*

**Property Inspections:**

**Termite**
A termite inspection and clearance is required even if not requested on the RPA. Section I clearance required.

The cost of termite repairs can be covered by the homeownership grant if the costs are not covered by the seller and if there are sufficient funds available after paying customary recurring and non-recurring closing costs. All Termite repair costs requested to be paid by the homeownership grant must be pre-approved by the Housing Commission and invoice(s) must be provided.

**Property Standards Inspection (aka “HQS”)**
A Property Standards Inspection to determine the property is decent, safe, sanitary, and in good repair is required. If the property was built prior to 1978, an assessment for lead-based paint is also required. The property standards inspection must be completed by an approved company from the Housing Commission’s list of qualified inspectors. All items failing inspection must be repaired or replaced and a certification issued by the inspector stating the property meets Housing Commission property standards requirements and is clear from lead-based paint prior to the close of escrow.

If the visual assessment for lead-based paint fails in the property standards inspection, lead-based paint clearance must be obtained prior to the close of escrow. Clearance can be obtained by one of the following options:

1) Obtain an XRF Inspection with Risk Assessment from a company licensed to perform lead-based paint testing
   a. If the test results are negative, no further action is required;
   b. If test is positive, surfaces must be stabilized by a certified / trained company using safe work practices, and clearance is to be provided; or

2) Presume surfaces are positive for lead-based paint
   a. Have surfaces stabilized by a certified / trained company using safe work practices;
   b. Obtain clearance from a company licensed to perform lead-based paint clearance

The cost of Lead Abatement repairs can be covered by the homeownership grant if the costs are not covered by the seller and if there are sufficient funds available after paying customary recurring and non-recurring closing costs. All repair costs requested to be paid by the homeownership grant must be pre-approved by the Housing Commission.

Please be advised, the Property Standards Inspection and assessment for lead-based paint are not a complete home inspection. It is strongly recommended, not required, borrowers obtain a full property inspection from a licensed residential property inspector
LOAN SUBMISSION AND UNDERWRITING PROCESS

SDHC is closed every other Friday, business days include Monday – Thursday and every other Friday, except holidays. SDHC hours of operation: https://www.sdhc.org/about-us/contact-us/

SDHC shall underwrite the 3% interest deferred payment loan, closing cost assistance grant and forgivable loan, and the mortgage credit certificate programs at their discretion pursuant to the First Time Homebuyer Program requirements and guidelines. Lenders will process the first trust deed using standard practices and procedures, with adjustments to those procedures to conform to the SDHC program guidelines.

The FTHB and MCC Only applications and disclosures are available for download on the SDHC website at https://www.sdhc.org/housing-opportunities/first-time-homebuyers/participating-lenders/. The participating lender is to complete the applicable application, explain the terms and conditions of the FTHB programs and have the application and disclosures signed by the buyer.

The lender will be required to sign the SDHC application and applicable disclosures as certification that no material misstatements appear in the application and related documents. If the lender becomes aware of such, whether negligently or willfully made, he/she must notify the SDHC immediately. The lender should also be aware and inform the applicant of penalties provided by California law if a person makes a false statement or misrepresentation for the sole purpose of participating in this program. SDHC will take all lawful actions to correct or mitigate the problem.

The SDHC down payment assistance loan, closing cost grant, closing cost forgivable loan and MCC application, disclosures and supporting documentation must be submitted by a participating lender through the lender portal within 5 to 7 days from the date the Purchase Agreement is fully executed. SDHC highly recommends a 45 – 60 (preferred) day escrow period is negotiated and requires 30 days from the date the application is submitted for processing.

The application package must a minimum, include all documentation listed under the “Prior to Approval” section of the applicable checklist for First Time Home Buyer Program, Mortgage Credit Certificate Program Only, or Closing Cost Assistance Forgivable Loan Program Only. See Exhibits B - D for the checklists of required documentation and Exhibit A Lender Portal Submission Guide.

All requested conditions will also be submitted by the participating lender via the lender portal. Application and Conditions submitted after 1:00 pm will be dated and placed in the queue for the next business day.

Signatures under Power of Attorney are acceptable, provided they are accompanied by a copy of the recorded Power of Attorney. If not recorded prior to loan closing, then it must be provided with the recording date and document number as part of the closing phase package.

Incomplete Packages:
Incomplete submissions will not be reviewed until all required documentation has been provided. To help improve turn time, piece mailed/emailed conditions will not be accepted.
Turn-Around Time:
Applications are reviewed for completeness and placed in the queue within 24 to 48 hours after submission to SDHC.

Turnaround time for underwriting and sending loan conditions, approval, or a denial letter to the lender is generally 4 to 9 business days from the date the package is assigned to an Underwriter. During periods of high volume, turn times may be extended.

Application Fees:
Down Payment Assistance Loan or Closing Cost Grant
- No application fee for borrowers under 80% AMI

Stand Alone Closing Cost Forgivable Loan
- $200 non-refundable (fee applies regardless of AMI level)

MCC Fee
- $620.00 non-refundable (fee applies regardless of AMI level)

Affordable for Sale Program
- $200 Subordination Fee
- $200 Assumption Fee

LOAN CLOSING

Loan Approval:
SDHC issues final underwriting loan approval upon satisfaction of all prior to approval conditions. If the borrower has applied for a Mortgage Credit Certificate, the SDHC will at this point issue the MCC Commitment and MCC Closing Affidavit to the lender. The affidavit is to be signed and dated by the applicant(s) and Loan Officer. The Commitment is valid for a period of 60 days. Prior to the Commitment expiration date, the lender must either:

- Submit the fully executed MCC Closing Affidavit and Final HUD;
- Submit written notice of MCC cancellation; or
- Request a 30-day extension.

Loan Documents:
Once all prior to approval and prior to document conditions have been satisfied, loan documents will be drawn and sent to escrow via e-mail.

County of San Diego Approval and Document Preparation:
The approval and funding process is different for properties that are in the County of San Diego program area. Please allow an additional 7 business days after all prior to approval and prior to document conditions are cleared for final approval and document issuance on applications under the County of San Diego program.

Property Hazard Insurance:
Hazard Insurance naming SDHC (or for County loans, “County of San Diego”) as a Second Mortgagee is required on all 3% interest deferred payment loans. If purchasing a condo, a master condominium policy and HO6 policy listing the buyers name, unit number, and our loss payee clause must also be submitted. The following is the mortgagee clause:

**Properties located in the City of San Diego:**
- San Diego Housing Commission
- Attn: Loan Servicing
- 1122 Broadway Suite 300
- San Diego, CA 92101
- Loan No. (Input applicable loan number)

**Properties located in the County of San Diego:**
- County of San Diego
- Dept. of Housing & Development
- 3989 Ruffin Road
- San Diego, CA 92123
- Loan No. (Input applicable loan number)

*Flood insurance is required for any home determined to be in a special flood hazard area. The payment for Flood Insurance will be added to the ratios.*

**Title Insurance:**
A lender’s ALTA title policy is required on all 3% interest deferred payment loans. The ALTA policy insurance amount should be for the total amount of the 3% interest deferred payment loan. The ALTA policy should be issued to the San Diego Housing Commission (or for County loans, “County of San Diego”) and should show all SDHC loan documents, including the Deed of Trust and Declaration of Covenants, Conditions and Restrictions for the 3% interest deferred loan.

**Funding:**
To request funding, the escrow officer should send all items requested on the title and escrow instructions issued with the loan documents, along with the following FTHB loan documents:

- Certified copy of the fully executed 3% Interest Deferred Payment Deed of Trust
- Original + 1 copy of the fully executed 3% Interest Deferred Payment Promissory Note
- Certified copy of the fully executed Declaration of Covenants, Conditions & Restrictions (if applicable)
- Original + 1 copy of the fully executed 3% Interest Deferred Payment Truth in Lending
- Certified copy of the fully executed Homeownership Grant Agreement
- Original Mortgage Credit Certificate Closing Affidavit (if applicable)
- All additional closing documentation requested by SDHC as identified on the Title & Escrow Instructions
- Wire Instructions
- Hazard Insurance
- Estimated Settlement Statement
- Copy of the 1st Mortgage Deed of Trust and Promissory Note

Upon receipt of the loan closing package from escrow, SDHC reviews the package for accuracy and completes a final file review to ensure all necessary documents and prior to funding conditions have been submitted and satisfied.

The lender and escrow officer will be notified of any outstanding prior to funding conditions via email within 24 business hours of receipt of the closing package. All conditions must be received by 10:00 am for same day funding. Any conditions received after 10:00 am will delay the close of escrow until the following business day.

**Wire Transfer:**
One wire will be sent directly to the title company chosen by the buyer or lender for the total amount of the 3% interest deferred payment loan and closing cost assistance. There are no fees deducted by SDHC from the wire.

Immediately following the close of escrow, the following documents are to be submitted to SDHC:
- Original Closing Affidavit signed by the lender and the applicant
- Final Settlement Statement for approval before disbursement.

**MCC Issuance:**
Upon receipt of the MCC Closing Affidavit and final HUD, SDHC issues the following documents to the applicant:
- Mortgage Credit Certificate
- Completed Recapture Tax Notice #2
- A letter explaining how to use the MCC certificate
- A copy of the IRS Form 8396 to be filed with the applicant’s federal income tax returns.

A copy of the MCC will be emailed to the lender for their records.

**CHANGES PRIOR TO CLOSE OF ESCROW**

**Cancellations:**
Lenders must promptly notify in writing of any loan cancellations and/or request for approval extensions. When a decision is made not to continue with the first time homebuyer assistance, written notice must be received by SDHC within 24 hours of the transaction cancellation.

**Approval & Document Expirations:**
If 30 days has passed since the file was submitted, the lender must submit the following updated documents:
- Income documentation, i.e. paystubs, profit and loss, etc.
- Bank statements
- Credit report
- First trust deed underwriting approval

Failure to comply with SDHC’s timeframes may result in the lender’s removal from the list of certified participating lenders.

SDHC issues loan approval based on the certifications and documentation provided in the applicant’s loan package. The lender must immediately notify in writing of any change that could affect the applicant(s) eligibility for the loan. If a change in the circumstances of the applicant is such that he/she no longer meets program requirements, the approval is automatically revoked.

**Income Changes:**
The income verified for the approval is valid as long as the loan closes within 30 days after the financial information was originally submitted and there have been no changes which affect previously reported income. If the loan does not close within 30 days, all applicable income, asset,
and credit documentation must be updated and re-verified. If the 2 year employment history is from different employers, only the income from the current employer will be used.

**Marital Status:**
If the applicant gets married after issuance of the approval and prior to the close of escrow, the lender must notify SDHC. The spouse will be considered a co-applicant and must satisfy the first-time homebuyer requirements and provide income, asset, and credit information. Any increase in the household income, assets or credit because of the new spouse may affect the approval.

**Acquisition Cost:**
If a change in acquisition cost or first trust deed loan amount or interest rate occurs after the approval, the lender will be required to immediately notify SDHC by phone, followed by a new version of:

- Updated SDHC application
- First trust deed approval
- 1003 / 1008
- Purchase contract amendment (if applicable)

**Program Funds / Termination:**
SDHC will maintain a cumulative total of assistance reserved and in process. When program funds are close to being depleted, the SDHC website will be updated, and notification will be sent to all participating lenders via email.

SDHC, at its sole discretion, may terminate or suspend the program at any time. Notification of such will be posted on the SDHC website and participating lenders will receive an email. Loan Officers are responsible for updating their contact information.

**LENDER REQUIREMENTS AND RESPONSIBILITIES**
Lender is defined as a financial institution, whether broker, retail, or wholesale, licensed to make first mortgage loans in the State of California. All loan officers who wish to participate in the SDHC first time homebuyer programs must be work for participating lender, and have attended our onsite SDHC’s lender training class. The following are requirements for enrolling and remaining active:

- Annually, submit the SDHC Lender Participation Agreement
- Pay the annual lender fee of $400
- Designate a contact person from each branch
- Agree to adhere to the Quality Commitment Policy outlined in the lender participation agreement
- Provide a copy of this First Time Homebuyer Program Manual to all loan processors and underwriters who will be working with the program
- Cooperate with SDHC staff in providing the best possible service to the applicants providing and accurate explanation about the programs and MCC recapture tax.
- Provide a copy of all SDHC disclosures to all applicants, and clearly explain the terms of the SDHC loan/grant in a timely manner.
The lender will submit the participation agreement, application fee, and a copy of their State of California, Department of Corporations License Certificate, or Department of Real Estate License Certificate to SDHC in order to be considered for eligibility. Enrollment must be renewed annually.

Mail the lender participation package to:
San Diego Housing Commission
Attn: First Time Homebuyer Program
1122 Broadway, Suite 300
San Diego, CA 92101

Lender’s Responsibility Regarding MCC Recapture Tax:
The Internal Revenue Service requires that the lender:

- Has a basic understanding of the recapture tax and explains it to the MCC applicant before collecting the MCC application fee.
- Has the MCC applicant sign the form entitled “Initial Notice to Mortgagor Regarding Potential Recapture Tax.” This form is included in the MCC application package to the Housing Commission.

In an effort to clearly and adequately explain the recapture tax, the Housing Commission has designed a form entitled “Notice to Mortgagor/Information Regarding Potential Recapture Tax.” This form is generated by the Housing Commission and is tailored to reflect the particular loan amount and income threshold. SDHC forwards it to the applicant along with the MCC after loan closing and a copy is provided to the Lender.

Penalties For Misrepresentation by Applicant or Lending Institution:
Strict penalties may be imposed on any applicant or Participating Lender making a material misstatement, misrepresentation or fraudulent act on documents submitted to the Housing Commission. Any person making a negligent material misstatement or misrepresentation in any application, affidavit or certification made in connection with the application for the SDHC’s programs, shall be subject to all applicable fines and penalties. Any applicant or participating loan officer found to have made a material misstatement, misrepresentation or fraudulent act on documents submitted to the Housing Commission will be banned from applying for or working with SDHC programs.

Loan Origination & Discount Points:
The loan origination and discount points cannot exceed 2.5% combined with the loan origination not to exceed 1.5%.

Loan origination fees and processing fees can only be charged by the lender in connection with the first trust deed loan. Loan origination and processing fees cannot be charged by the lender for the SDHC 3% interest deferred payment loan or closing cost assistance programs.

Expiration of the MCC Commitment:
Immediately following the close of escrow (within 5 days), the lender must submit the MCC Closing Affidavit and Final Settlement Statement.
If there are delays in closing, prior to the 60 day expiration date indicated on the MCC Commitment, the lender may submit a request for a 30-day extension and a check payable to SDHC for the MCC Commitment extension in the amount of $25 or submit a notice of cancellation. If the MCC Closing Affidavit and Final Settlement Statement are not received before the 60 day expiration date and a 30-day extension has not been approved, the lender must pay a $175 late fee along with the MCC Closing Affidavit and Final Settlement Statement.

If 120 days have passed since the Commitment was issued, the lender must submit an new MCC application with current income documentation and a fee of $175.

A failure to comply may result in the loan officer’s removal from the program.

MCC Record Keeping And Federal Report Filing:
The lender must file an annual report, using IRS Form 8329. For six years, the lender must retain:
- Name, mailing address, and TIN (social security number or tax identification number) of the MCC holder.
- Name, mailing address, and TIN of SDHC (95-3390896).
- Date of loan (date of issuance), certified indebtedness (mortgage) amount, and credit rate of 20%.

CITY OF SAN DIEGO LOAN SERVICING
SDHC services all first time homebuyer down payment and closing cost loans and grants for properties in the City of San Diego. After the close of escrow, all loan servicing related inquiries should be sent to loanservicing@sdhc.org.

For loan servicing on FTHB assistance under the County of San Diego program, contact AmeriNational (562)927-6686

Pre-Payment:
There is no prepayment penalty on the 3% interest deferred payment loan or closing cost assistance.

Default:
The terms of the 3% interest deferred payment loan is designed to encourage long-term residency in the program-assisted home. 3% interest is charged on the loan, except in the case of default, the rate would increase to 10%.

The loan also becomes due and payable when the acceleration clause has been triggered. The acceleration clause will be in effect when any of the following takes place:
- The property is no longer the principal place of residence of the applicant
- Upon discovery of willful misrepresentation or fraud in connection with the program
- Renting/leasing out the property
- Encumbrance, such as a HELOC, cash-out refinance, a HERO loan, etc., of all or any interest in the property without SDHC’s prior written consent
- Uncured default on the first trust deed loan
Assumption:
Loan Assumption – Generally, deferred payment 3% interest 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 3% interest loan may be assumed with the prior written consent of the Housing Commission.

Refinance/Subordination Agreements:
Deferred payment 3% interest loan 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 only. If borrower wants to take cash out, the Housing Commission’s loan must be paid off.

Refinancing an MCC:
If an applicant obtains an MCC in connection with a first mortgage, and subsequently pays off and refinances that original mortgage, the applicant will no longer be eligible to take the tax credit unless a Reissued Mortgage Credit Certificate is applied for. The RMCC program is administered by SoCal RMCC at http://socalrmcc.com/. Refinancing does not trigger the recapture tax.

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, familial status or physical/mental disability. For more on our commitment to affirmatively furthering fair housing visit our website at www.sdhc.org
FIRST TIME HOMEBUYER APPLICATION SUBMISSION GUIDE

First Time Homebuyer Lender Portal: https://sdhc.mitas.com/fthb

NEW RESERVATION

1) Select “New Reservation”

2) Enter First Name, Last Name and Social Security Number for the primary borrower

3) Select “Import” from the menu to import an FNMA 3.2 file.

NOTE: If a FNMA DU 3.2 file is not available, data can be keyed in.
4) Verify all data imported from FNMA DU 3.2 files is accurate and fill in missing fields.

- Purchase Price
- Property Address
- Census Tract
- Year Built
- Number of units
- Construction type (New or Existing)
- Number in Household
- Present residence (rent or own) + number of years
- Mailing Address
- Credit Score
- Marital Status
- Date of Birth
- Citizenship
- Demographics
- Income
- Liabilities
  - Mark “Does Not Apply” if borrower has no debt
- Assets

**NOTE:** System will give an error message if any of the following required fields are not filled in.

- ADD additional Income, Liabilities and Assets in the respective sections by selecting this icon.

**NOTE:** Use this same function to add other income for the borrower(s) that is not counted by the 1st lender.
ADD ADDITIONAL HOUSEHOLD MEMBERS AGE 18+ *(if applicable)*

SDHC requires the income and assets of all household members over the age of 18 to be included in the application. Additionally, the debts of a non-borrowing spouse must be included.

- ADD additional adult household members not on the first mortgage, under the “Mortgagors” section by selecting this icon.
- Fill in all required fields on the mortgagor screen for the new household member added.
- ADD Income and Assets (even if they will not be on the loan) in the respective by selecting this icon.
- If additional household member is a non-borrowing spouse, add his/her liabilities.
ADD REQUESTED FUNDING

5) Select “Continue” from the menu on the left.
   a. In the “Product Category”, select the City of San Diego or County of San Diego as applicable
   b. In the “Products” select the program (i.e. “First Time Homebuyer Program” or “Mortgage Credit Certificate Only”)
   c. Select “Choose Product”

6) Add the request funding amounts
   a. Fill in the requested FTHB Deferred Loan amount.
   b. If requesting Closing Cost Assistance, select “Closing Cost Grant” in the 2nd box, then enter the requested amount.
   c. Fill in the 1st Mortgage information.
      ➢ Always enter “1” in “Lien Position” field.
      ➢ Always enter your company name in “Community Lending Source” field.
   d. If requesting a Mortgage Credit Certificate, select “City of San Diego MCC” in the 4th box. The MCC credit will auto calculate.
   e. If applicant will receive additional subordinate financing from another program (i.e. WISH, CalHFA My Home etc.), select the appropriate option in the 5th box and fill in information as applicable.
   f. “Continue” once all finance layers are entered.

NOTE: The funding request boxes will change based on the “Product Category” selected in step 5 above.
7) Upload Application documents on the “Manage Documents” screen.

a. **Upload** all documents as per the SDHC Application Checklist by selecting “Upload New” for each item.

b. Once ALL documents are uploaded, select “Back” to return to the previous screen.

**NOTE:** As documents are uploaded for one program, you’ll see them filled in on the list of the other program such as with the FTHB Application in the example below.
SUBMIT APPLICATION FOR UNDERWRITING

8) Select “Submit” to send the application to SDHC for underwriting.
   ➢ Before submitting, check all information for accuracy
   ➢ Once submitted, the “Submit” button will disappear and the “Loan Status History” will reflect the date submitted.

VIEW CONDITIONS

9) View Status and Conditions
   ➢ Once the application is underwritten, the loan officer will be notified via email that the review is completed.
   ➢ The Lender Home screen will show the list of loans with outstanding conditions.
   ➢ Select the name of the application you want to view

   ➢ The “Loan Status History” will show the current status (i.e. “Suspend” or “Approved”)
   ➢ The outstanding conditions will display under “Outstanding Conditions”
UPLOAD CONDITIONS

10) Upload conditions on the “Manage Documents” screen.

a. **Upload** all documents as per the conditions list
b. Once ALL documents are uploaded, select “Back” to return to the previous screen.

c. Select “Submit” to send the conditions to SDHC for underwriting.

**NOTE:** You CAN upload new documents for an items in which you previously submitted documents. This will not override or remove previously submitted documents.
LENDER PORTAL NAVIGATION

- Log In
  - SDHC issues Lender Number, Username and Temporary Password.
  - Upon first login, Loan Officer will be prompted to change their password.

- Lender Home Screen

- Applications Started but NOT Submitted during the same session can be completed by selecting “Application Started” from the “Loan Statuses” section of the home screen then “Modify Reservation”.

![Lender Home Screen Diagram]

- FTHB Lender Portal Login Screen

![Login Screen Diagram]
Finding Applications

View applications in the pipeline using the “Loan Lookup” or by selecting the category under “Loan Statuses”.

Changing Screens

Do not use the back / forward arrows on the browser bar. This will take you back to the log-in screen.

Instead use links in the blue portal header of using the “Back” button on the screen.
EXHIBIT B
REQUIRED DOCUMENTATION
Applies to Deferred Loan and Closing Cost Assistance applications with an optional MCC

FIRST TIME HOMEBUYER PROGRAM CHECKLIST
(City and County of San Diego)

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EXHIBIT B
REQUIRED DOCUMENTATION
Applies to Deferred Loan and Closing Cost Assistance applications with an optional MCC

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EXHIBIT C
REQUIRED DOCUMENTATION
Applies to Closing Cost Assistance Forgivable Loan applications with an optional MCC

FIRST TIME HOMEBUYER PROGRAM
CHECKLIST
(City of San Diego ONLY)

<table>
<thead>
<tr>
<th>PRIOR TO APPROVAL</th>
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</thead>
<tbody>
<tr>
<td>1. <em>FTHB Application</em></td>
</tr>
<tr>
<td>2. _Application Fee - Forgivable Loan: $200</td>
</tr>
<tr>
<td>3. <em>Voluntary Acquisition Informational Notice.</em> Requires Seller and Buyer signatures at time of the purchase offer.</td>
</tr>
<tr>
<td>4. <em>Lender's Certificate of Occupancy.</em> Properties occupied by a tenant at the time the purchase offer is made are not eligible for FTHB assistance.</td>
</tr>
<tr>
<td>5. <em>Client Demographics</em></td>
</tr>
<tr>
<td>6. <em>City Borrowers Authorization.</em></td>
</tr>
<tr>
<td>7. <em>Declaration of Family Size</em></td>
</tr>
<tr>
<td>8. <em>Declaration Regarding Child Support</em></td>
</tr>
<tr>
<td>9. <em>First Time Homebuyer Affidavit</em></td>
</tr>
<tr>
<td>10. <em>Buyer’s Education Certificate (see list of approved FTHB class providers)</em></td>
</tr>
<tr>
<td>11. <em>MCC Affidavit</em></td>
</tr>
<tr>
<td>12. <em>MCC Initial Notice Regarding Recapture Tax (Notice # 1)</em></td>
</tr>
<tr>
<td>13. <em>MCC Broker Certification (for originating lender that is using a different funding lender), City of San Diego ONLY</em></td>
</tr>
<tr>
<td>14. <em>First page of the MCC Information packet signed by buyer</em></td>
</tr>
<tr>
<td>15. <em>Completed, signed and dated loan application (1003) (1003, 1008 &amp; LE loan amount &amp; rate must match)</em></td>
</tr>
<tr>
<td>16. <em>Uniform Underwriting and Transmittal Summary (1008)</em></td>
</tr>
<tr>
<td>17. <em>1st TD Loan Estimate (In City of SD - Origination/Discount not to exceed 2.5% of 1st TD combined. Origination capped at 1.5%)</em></td>
</tr>
<tr>
<td>18. <em>Estimated Settlement Statement.</em> Include all FTHB financing and if 80% AMI Buyer, HQS inspection refund.</td>
</tr>
<tr>
<td>19. <em>1st TD Pre-Approval Letter (Including Sales Price Limits, Proposed 1st TD, Rate etc.)</em></td>
</tr>
<tr>
<td>20. <em>Pay stubs with YTD totals covering the most current 2 consecutive months. Required for all household members over age 18</em></td>
</tr>
<tr>
<td>21. <em>Current Award letter(s) from Social Security, VA pension, Student grants, Disability, etc.</em> Required for all household members over age 18</td>
</tr>
<tr>
<td>22. <em>Self Employed: YTD Profit and Loss (P &amp; L). Signed &amp; dated</em></td>
</tr>
<tr>
<td>23. <em>Three Prior years Federal Income Tax Returns, signed &amp; dated.</em> Required for all household members over age 18</td>
</tr>
<tr>
<td>24. <em>W2’s for all past &amp; present employers in the most recent 2 years.</em> Required for all household members over age 18</td>
</tr>
<tr>
<td>25. <em>Income Tax Affidavit for any household member over age 18 who did not file taxes for any of the previous 3 yrs.</em></td>
</tr>
<tr>
<td>26. <em>Declaration of No Income for any household member over age 18 who has no source of income</em></td>
</tr>
<tr>
<td>27. <em>School enrollment verification, if applicable</em></td>
</tr>
<tr>
<td>28. <em>Bank statements for all accounts covering the most current 3 consecutive months. Required for all household members over age 18</em></td>
</tr>
<tr>
<td>29. <em>LOE &amp; supporting back-up for all deposits not from payroll and all large withdrawals</em></td>
</tr>
<tr>
<td>30. <em>3 months statements for stocks, bonds, mutual funds, etc. (consecutive for most recent 3 mo.)</em></td>
</tr>
<tr>
<td>31. <em>Retirement account statement (Most recent 3 months or last quarters)</em></td>
</tr>
<tr>
<td>32. <em>Gift Letter + verification of donor’s funds + copy of check deposited to buyer’s acct., if applicable</em></td>
</tr>
<tr>
<td>33. <em>Buyers Identification (i.e. Drivers License, ID Card, Passport)</em></td>
</tr>
<tr>
<td>34. <em>Permanent Resident Alien Card for Non-US Citizens</em></td>
</tr>
<tr>
<td>35. <em>Fully Executed Purchase Contract</em></td>
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</table>
EXHIBIT C
REQUIRED DOCUMENTATION
Applies to Closing Cost Assistance Forgivable Loan applications with an optional MCC

<table>
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EXHIBIT D
REQUIRED DOCUMENTS
Applies to Mortgage Credit Certificate Only Applications

CITY OF SAN DIEGO
MORTGAGE CREDIT CERTIFICATE CHECKLIST

1  SDHC Application
2  $620 Application Fee payable to The San Diego Housing Commission
3  MCC Affidavit
4  MCC Initial Notice Regarding Recapture Tax (Notice # 1)
5  MCC Broker Certification (if applicable)
6  Client Demographics
7  Declaration of Family Size
8  FTHB Affidavit
9  SDHC Borrowers Authorization
10  Declaration of No Income (if applicable)
11  Declaration Regarding Child Support (if applicable)
12  Lenders signed and dated loan application (1003)
13  Lender’s approval and conditions
14  Most current pay stub(s) with YTD totals (covering minimum of 2 months)
15  Award letter(s) from Social Security, VA pension, Educational grants, Disability, etc.
16  Self Employed: signed and dated Estimated YTD Profit and Loss (P & L).
17  Three Prior years Federal Income Tax Returns; signed
18  W2’s for most recent 3 years
19  Income Tax Affidavit (for any HH member’s over 18 who did not file income taxes for any of the previous 3 yrs.)
20  Buyers Identification (The Permanent Resident Alien Card is required for Non-US Citizens)
21  Purchase Contract fully executed, including all addendums and counter offers.
22  Appraisal Report
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<td><strong>Dependent(s)</strong></td>
<td><strong>Relationship</strong></td>
<td><strong>Age</strong></td>
<td><strong>If over age 18 Enrolled in School Y/N</strong></td>
<td><strong>If over 18 employed Y/N</strong></td>
<td><strong>Monthly Income</strong></td>
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<td><strong>FTHB DOWN PAYMENT LOAN</strong></td>
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<td><strong>FTHB CLOSING COST ASSISTANCE</strong></td>
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<td><strong>MCC (Y/N) City only</strong></td>
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<td><strong>ADDITIONAL SUBORDINATE FINANCING</strong></td>
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### Household Income

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<td>Position</td>
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<td>Street Address</td>
<td>Commission / Tips</td>
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<td>-</td>
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<td>City / State / Zip Code</td>
<td>SSI / Disability</td>
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<td>Work Phone No</td>
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<td>Income from Assets</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Monthly</th>
<th>Yearly</th>
<th>Self Employed (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Co-Borrower 0</strong></td>
<td>Salary</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Employer</td>
<td>Overtime</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Position</td>
<td>Bonus</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Street Address</td>
<td>Commission / Tips</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>City / State / Zip Code</td>
<td>SSI / Disability</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Work Phone No</td>
<td>Child Support</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Email Address</td>
<td>Income from Assets</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Cellular No</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

**TOTAL HOUSEHOLD ANNUAL INCOME** $ -

### HOUSEHOLD ASSETS

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Type</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retirement Accounts</th>
<th>Type</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gift(s)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Relationship</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Relationship</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Lender**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Address</th>
<th>Loan No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan Officer</th>
<th>Phone No.</th>
<th>E Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan Processor</th>
<th>Phone No.</th>
<th>E Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPLICANT CERTIFICATION:

I/We acknowledge and understand that this application, as completed above, will be relied on for determining my/our eligibility for the First Time Home Buyer Programs. Each of the undersigned specifically represents to Lender and to Lender’s processors, attorneys, insurers, servicers, successors, assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as my/our primary residence; (6) the lender, its servicers, successors or assigns may retain the original and/or electronic record of this application whether or not the loan is approved; (7) the lender and its processors, attorneys, insurers, servicers, successors and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the loan; (8) in the event that my payments on the loan become delinquent, the lender, its servicers, its successors, or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer credit reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; and (10) my transmission of this application as an "electronic record" containing my "electronic signature", as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

Acknowledgement: Each of the undersigned hereby acknowledges that any owner of the loan, its servicers, successors and assigns, may verify and verify any information contained in this application or obtains any information or data relating to the loan, for any legitimate purpose through any source, including a source named in this application or consumer reporting agency.

LOAN OFFICER CERTIFICATION:

Based on a reasonable investigation, I/ we the lender(s) have no reason to believe that either applicant has made any negligent or fraudulent material misstatements in connection with the application for the First Time Home Buyer Programs, and submits the complete information above as accurate and true to the best of the lenders knowledge.
**LOAN ESTIMATE**

<table>
<thead>
<tr>
<th>Date Issued</th>
<th>Loan Term 360</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicants 0</td>
<td>Purpose Purchase</td>
</tr>
<tr>
<td>0</td>
<td>Product Fixed Rate - Deferred Payment Loan</td>
</tr>
<tr>
<td>0</td>
<td>Loan Type Down Payment Assistance Loan</td>
</tr>
<tr>
<td>Property Address 0</td>
<td>Loan #</td>
</tr>
<tr>
<td>Sales Price</td>
<td>$</td>
</tr>
</tbody>
</table>

### Loan Terms

<table>
<thead>
<tr>
<th>Loan Terms</th>
<th>Can this amount change after closing?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount</td>
<td>$0.00</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>3.00%</td>
</tr>
<tr>
<td>Monthly Principal &amp; Interest</td>
<td>$0.00</td>
</tr>
<tr>
<td>Prepayment Penalty</td>
<td>NO</td>
</tr>
<tr>
<td>Balloon Payment</td>
<td>YES</td>
</tr>
</tbody>
</table>

**Principal + accrued interest due upon sale, non-owner occupancy or in 30 years**

### Projected Payments

<table>
<thead>
<tr>
<th>Payment Calculation</th>
<th>Years 1 - 30</th>
<th>Final Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
<td>Interest</td>
<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
<td>Mortgage Insurance</td>
<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
<td>Estimated Escrow</td>
<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
<td>Total Payment</td>
<td>$0.00</td>
<td>$0</td>
</tr>
</tbody>
</table>

### Costs at Closing

<table>
<thead>
<tr>
<th>Costs at Closing</th>
<th>$0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Closing Costs</td>
<td></td>
</tr>
<tr>
<td>Estimated Cash to Close</td>
<td>See first mortgage LE</td>
</tr>
</tbody>
</table>

**First Time Homebuyer Program Application Fee.**

*See first mortgage Loan Estimate for additional costs and estimated cash to close.*
# Closing Cost Details

## Loan Costs

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Origination Costs</td>
<td>$0.00</td>
</tr>
<tr>
<td>Deferred Loan Application Fee</td>
<td></td>
</tr>
<tr>
<td>Mortgage Credit Certificate Application Fee</td>
<td></td>
</tr>
</tbody>
</table>

## Other Costs

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Taxes and Other Government Fees</td>
<td>$0.00</td>
</tr>
<tr>
<td>Recording Fees and Other Taxes</td>
<td></td>
</tr>
<tr>
<td>No fees for recording FTHB loan documents</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>F. Prepaids</td>
<td></td>
</tr>
<tr>
<td>See 1st Mortgage Loan Estimate for Prepaids</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>G. Initial Escrow Payment at Closing</td>
<td></td>
</tr>
<tr>
<td>See 1st Mortgage Loan Estimate for Initial Escrow Payment at Closing</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. Other</td>
<td></td>
</tr>
<tr>
<td>See 1st Mortgage Loan Estimate for Other</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. TOTAL OTHER COSTS (E + F + G + H)</td>
<td></td>
</tr>
<tr>
<td>See 1st Mortgage Loan Estimate for Total Other Costs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. TOTAL CLOSING COSTS</td>
<td>$0.00</td>
</tr>
<tr>
<td>This represents the total costs related to the First Time Homebuyer Program.</td>
<td></td>
</tr>
<tr>
<td>See the 1st mortgage Loan Estimate for all other transaction related closing costs.</td>
<td></td>
</tr>
</tbody>
</table>

## Calculating Cash to Close

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Closing Costs</td>
<td>$0.00</td>
</tr>
<tr>
<td>Closing Costs Financed</td>
<td></td>
</tr>
<tr>
<td>Down payment /Funds from Borrower</td>
<td></td>
</tr>
<tr>
<td>Deposit</td>
<td></td>
</tr>
<tr>
<td>Funds from Borrower</td>
<td></td>
</tr>
<tr>
<td>Seller Credits</td>
<td></td>
</tr>
<tr>
<td>Adjustments and Other Credits</td>
<td></td>
</tr>
<tr>
<td>Estimated Cash to Close</td>
<td></td>
</tr>
</tbody>
</table>

- See 1st Mortgage Loan Estimate
Additional Information About This Loan

**Lender**
San Diego Housing Commission

**Address**
1122 Broadway, Site 300
San Diego, CA 92101

**Website**
www.sdhc.org

**Loan Underwriter**
Email

### Comparisons

<table>
<thead>
<tr>
<th></th>
<th>Use these measures to compare this loan with other loans.</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 5 years</td>
<td>$0.00</td>
</tr>
<tr>
<td>Total you will have paid in principal and interest</td>
<td></td>
</tr>
<tr>
<td>Annual Percentage Rate (APR)</td>
<td>3.00%</td>
</tr>
<tr>
<td>Your costs over the term expresses as a rate.</td>
<td></td>
</tr>
<tr>
<td>Total Interest Percentage (TIP)</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>The total amount of interest you will pay over the loan term as a percentage of your loan amount.</td>
<td></td>
</tr>
</tbody>
</table>

### Other Considerations

**Appraisal**

We may order an appraisal to determine the property’s value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

**Assumption**

If you sell or transfer this property to another person, we

- [ ] will allow, under certain conditions, this person to assume this loan on the original terms.
- [x] will not allow assumption of this loan on the original terms.

**Homeowner’s Insurance**

This loan requires homeowner’s insurance on the property, which you may obtain from a company of your choice that we find acceptable. The cost of the homeowner’s insurance is your responsibility. If the coverage lapses, the San Diego Housing Commission may force place insurance to protect our investment in the property. The cost of the forced place insurance is your responsibility and if unpaid will be added to your loan account to be repaid when the loan becomes due.

**Late Payment**

If your payment is more than 15 days late, we will charge a late fee of 5% of the principal and interest payment.

**Refinance**

Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

**Servicing**

We Intend

- [x] to service your loan. Payment, Payoffs and Refinance requests will be sent to us.
- [ ] to transfer servicing of your loan.

**Confirm Receipt**

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

<table>
<thead>
<tr>
<th>Applicant Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-Applicant Signature</td>
<td>Date</td>
</tr>
</tbody>
</table>

Co-Applicant Signature | Date

Co-Applicant Signature | Date
Date

Dear ________________________________ (Owner of Record)

__________________________________ & ________________________________ (Buyer)

is interested in acquiring property you own at ________________________________

The buyer may use funding from the U.S. Department of Housing and Urban Development (HUD) under the San Diego Housing Commission’s First Time Homebuyer Program to help with the purchase of the property.

Please be advised that ________________________________ (buyer) does not have authority to acquire your property by eminent domain. In the event an amicable agreement for the purchase of your property cannot be reached, this acquisition will not be pursued.

The buyer is prepared to offer ($) ________________________________ to purchase your property. It is believed this amount represents the current market value of your property.

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), owner-occupants who move as a result of a voluntary acquisition are not eligible for relocation assistance. A tenant-occupant who moves as a result of a voluntary acquisition for a federally-assisted project may be eligible for relocation assistance. Such displaced persons may include not only current lawful occupants but also former tenants required to move, except by an eviction for cause, in accordance with applicable federal, state, and local law. If your property is currently tenant-occupied or a tenant lawfully occupied your property at the time the purchase offer was made, we need to know immediately. Further, you should not order current occupant(s) to move, or fail to renew a lease, in order to sell the property as vacant.

Please acknowledge receipt of this notice and return to the buyer’s real estate agent with the purchase contract.

Sellers Signature                     Date                                 Buyers Signature             Date

Sellers Signature                     Date Buyers Signature Date
LENDER'S CERTIFICATE OF OCCUPANCY

I certify that the property located at: ________________________________

Presently owned by: ________________________________

Please mark the applicable box with "X":

☐ The property was vacant at the time that the offer to purchase was signed.
☐ Seller was residing in the property at the time that the offer to purchase was signed.
☐ The property was tenant occupied at the time the offer to purchase was signed-

I Properties occupied by a tenant at the time the purchase offer was made are not eligible for FTHB assistance. Loan packages for properties that are tenant occupied will be rejected.

☐ Existing ☐ New ☐ Foreclosure
☐ Condo Conversion

Seller/Bank/Lender’s Name

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed on: ________________________ Date ________________________

_________________________ ________________________
Loan Officer Signature

_________________________ 0 0
Lender Address

_________________________ 0
Phone No. E-Mail

If New Development:

_________________________ 0 0
Project’s Name Authorized Agent Phone No.
NOTICE REGARDING LIEN VERIFICATION
AND REQUEST TO FURNISH INFORMATION

Borrower(s):

________________________________________________________________________

________________________________________________________________________

Property Address:

________________________________________________________________________

1) The Borrower named above has obtained a loan from San Diego Housing Commission (Commission) regarding the property address listed. The Commission may report late payments, missed payments, or other defaults in connection with this loan to credit bureaus.

2) Furthermore, the Commission may need information regarding senior or junior liens against your property in order to service your loan effectively. This information may include but is not limited to loan balances, payment histories, defaults or other information over the life of your loan.

3) By signing below, the borrower named above has authorized the Commission to obtain verification of the status of existing mortgages on the property. The requested information is for the confidential use of the Commission.

Borrower __________________________ Date __________________________ Co-Borrower __________________________ Date __________________________
SAN DIEGO HOUSING COMMISSION
AUTHORIZATION FOR RELEASE OF INFORMATION

Borrower:

________________________________________

Property Address:

________________________________________

Each household member 18 years or older must read and sign an Authorization Form for Release of Information.

I, ____________________________________________ (legal name), do hereby authorize any agencies, offices, groups organizations or business firms to release to the SAN DIEGO HOUSING COMMISSION any information or materials which are deemed necessary to complete and verify my application for assistance under the First Time Homebuyer Program. The information needed may include verification or inquiries regarding my identity, household members, employment and income, assets, allowances or preferences I have claimed, and residency. These organizations are to include, but are not limited to: financial institutions; Employment Security Commission; educational institutions; past or present employers; Social Security Administration; welfare and food stamps agencies; Veteran’s Administration, court clerks; utility companies; Workmen’s Compensation Payers; public and private retirement systems; law enforcement agencies; medical facilities, and credit providers.

It is understood and agreed that this authorization or the information obtained with its use may be given to and used by HUD and/or HACSD in the administration and enforcement of program rules and regulations and that HUD and/or HACSD may in the course of its duties obtain such information from other Federal State or local agencies, including State Employment Security Agencies; Department of Defense; Office of Personnel Management; the Social Security Administration; and State welfare and food stamp agencies. If there is a discrepancy between the information provided by the above sources and the information that I have provided, I understand that the HACSD may take action to deny my application and will require the repayment of benefits I was not eligible to receive.

It is with my understanding and consent that a photocopy of this authorization may be used for the purposes stated above. This authorization is valid for 24 months from the date of my signature.

Current Address:

________________________________________

Social Security Number ___________________________ Date of Birth ___________ Telephone Number ___________________________

Signature ___________________________ Date Signed ___________

[Home Icon]
Our agency receives funding from the US Department of Housing and Urban Development. Federal regulations require demographic information for all HUD funded activities involving low/moderate income housing. We are required to ask you the following information. Your responses are optional.

Please complete the following:

1. My housing status is: (Check one)
   - [ ] Homeowner
   - [ ] Renter
   - [ ] Homeless

2. I am a female head of household - adult female with dependents and no male significant other: (Check one)
   - [ ] Yes
   - [ ] No

3. I consider myself to be disabled:
   - [ ] Yes
   - [ ] No

4. I consider myself to be Hispanic: (Check one)
   - [ ] Yes
   - [ ] No

5. I consider myself to be: (Check one)
   - [ ] White
   - [ ] Black/African American
   - [ ] Asian
   - [ ] American Indian/Alaskan Native
   - [ ] Native Hawaiian/ Other Pacific Islander
   - [ ] American Indian/Alaska Native and White
   - [ ] Asian and White
   - [ ] Black/African American & White
   - [ ] American Indian/Alaska Native and Black African American
   - [ ] Other /Multi-Racial

5a. My Annual Household Income is: (Check one)

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Extremely Low Annual Income</th>
<th>Very Low Annual Income</th>
<th>Low Annual Income</th>
<th>Non-Low/ Moderate Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Person</td>
<td>0 - $20,450</td>
<td>$20,451 - $34,100</td>
<td>$34,101 - $54,500</td>
<td>Over - $57,250</td>
</tr>
<tr>
<td>2 Persons</td>
<td>0 - $23,400</td>
<td>$23,401 - $38,950</td>
<td>$38,951 - $62,300</td>
<td>Over - $65,450</td>
</tr>
<tr>
<td>3 Persons</td>
<td>0 - $26,300</td>
<td>$26,301 - $43,800</td>
<td>$43,801 - $70,100</td>
<td>Over - $73,600</td>
</tr>
<tr>
<td>4 Persons</td>
<td>0 - $29,200</td>
<td>$29,201 - $48,650</td>
<td>$48,651 - $77,850</td>
<td>Over - $81,800</td>
</tr>
<tr>
<td>5 Persons</td>
<td>0 - $31,550</td>
<td>$31,551 - $52,550</td>
<td>$52,551 - $84,100</td>
<td>Over - $88,350</td>
</tr>
<tr>
<td>6 Persons</td>
<td>0 - $33,900</td>
<td>$33,901 - $56,450</td>
<td>$56,451 - $90,350</td>
<td>Over - $94,900</td>
</tr>
<tr>
<td>7 Persons</td>
<td>0 - $38,060</td>
<td>$38,061 - $60,350</td>
<td>$60,351 - $96,550</td>
<td>Over - $101,450</td>
</tr>
<tr>
<td>8 Persons</td>
<td>0 - $42,380</td>
<td>$42,381 - $64,250</td>
<td>$64,251 - $102,800</td>
<td>Over - $108,000</td>
</tr>
</tbody>
</table>

Print Buyer’s Name ___________________________ Signature ___________________________ Date __________

Print Buyer’s Name ___________________________ Signature ___________________________ Date __________

We agree to maintain confidentiality of any information regarding applicants, project participants or their families, which may be obtained though interviews, tests, reports, or any other source. Without the written permission of the applicant or participant, such information shall be divulged only as necessary for purposes related to the audit and evaluation of the agreement including those furnishing services to project under subcontract.
DECLARATION OF FAMILY SIZE

(Required if application household size differs from current size, claimed to IRS, legal marital status, and/or other)

This information will be held in strict confidence and will be used only for the purpose of establishing your family eligibility.

CERTIFICATION

I, __________________________  &  __________________________,

Applicant(s)

I do hereby certify that __________________________ does NOT currently live with me, nor is it my intention that she/he will reside with me upon close of escrow.

I further certify that upon close of escrow my household (HH) size will be __________________________.

No. in HH

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Date: __________________________

Borrower: __________________________  &  __________________________

Print Name  Signature

Co-Borrower: __________________________

Print Name  Signature
DECLARATION REGARDING CHILD SUPPORT

(Required for every household even if eligible for Child Support but do not receive)

This information will be held in strict confidence and will be used only for the purpose of establishing your family eligibility.

I, ___________________________, do hereby certify that (please check applicable box below).

☐ I DO receive financial support for expense or assistance, including child care services related to my child/children from ANY source, including their natural father/mother, Public or Non-Profit Agency in the amount of: $ ___________

☐ I DO NOT receive financial support for expense or assistance, including child care services related to my child/children from ANY source, including their natural father/mother, Public/Non-Profit Agency.

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Borrower’s Signature ___________________________ Date _____________

Co-Borrower Signature ___________________________ Date _____________
FIRST TIME HOMEBUYER PROGRAM AFFIDAVIT

By signing below, each applicant makes the following certifications:

I, the undersigned, as part of my application for a deferred loan through the First-Time Homebuyer Program, and in connection with a purchase of a single family residence (the "Residence") and an application for a mortgage loan (the "Mortgage Loan") from a lender (the "Lender") of my choosing, do hereby state that I carefully reviewed this document. I understand and agree with the answers provided in my application and do furthermore certify the following (please initial each line item):

1. That those people who I expect to initially share occupancy of my Residence are listed on the Application. Initial ______
2. That my spouse, whether on title or not, is an Applicant for the Program and must sign this Application. Initial ______
3. That I am a first time homebuyer, who has not had an ownership interest in a residential property within the three years immediately preceding the date of this application, and I do not and will not have an ownership in a residential property prior to the date of the loan closing. Initial ______
4. That I will submit true and complete copies of my actual signed federal tax returns for the preceding three tax years, or such other written verification that is acceptable to the Program. Initial ______
5. That the Residence will not be used as an investment property, vacation home or recreation home. Initial ______
6. That real estate investment is a risky endeavor, and there is no guarantee of future return on the initial investment. Initial ______
7. That I will notify the Program in writing if the Residence ceases to be my principal residence. Initial ______
8. That I will be contacted by an annual basis to confirm occupancy of the residence and furthermore, both parties have the right to inspect the property according to the FTHB Guidelines. Initial ______
9. That the Mortgage Loan is a first mortgage, not a replacement mortgage. Initial ______
10. That my income does not exceed the program income limits as explained by the Mortgage Lender. Initial ______
11. That no person related to me has, or is expected, an interest as a creditor, in the Mortgage loan being acquired for the residence. Initial ______
12. That the first time homebuyer deferred loan is issued on my behalf and may not be transferred. Initial ______
13. That the first time homebuyer deferred loan is due and payable upon sale or transfer of the property. Initial ______
14. That I may seek financing from any Lender of my choosing, and that I am in no way prohibited from seeking financing from any potential Lender, so long as the Lender executes and complies with the terms of the Lender Participation Agreement and Program Guidelines. Initial ______

CERTIFICATION OF THE APPLICANT

I acknowledge and understand that this Affidavit, as completed above, will be relied on for determining my eligibility for first time homebuyer assistance. I acknowledge that any material misstatement negligently made by me in this Affidavit or in any other connection with my Application for a deferred loan will constitute a violation punishable by a fine and possible criminal penalties imposed by law, and will result in the cancellation or revocation of the Loan. I acknowledge that any false statement or misrepresentation or the fraudulent use of any instrument, facility, article, or other valuable thing or service pursuant to my participation in SDHC First-Time Homebuyer Program is punishable by law.

Date: ____________________________

Borrower: ____________________________
Print Name ____________________________
Signature ____________________________

Co-Borrower: ____________________________
Print Name ____________________________
Signature ____________________________
GIFT LETTER

(Required if receiving gift funds towards down payment or closing cost from a close relative)

This information will be held in strict confidence and will be used only for purpose of establishing your family eligibility.

Each section of the Gift Letter must be fully completed including dates and signatures of donor and recipient (borrower).

Read this form carefully and be prepared to follow these instructions exactly.

I. General Information

I, ____________________________________________, will give (or have given) a gift of: $ ___________

Donor (s)

Amount

To ____________________________________________, My ____________________________________________

Name of Recipient/Borrower Relationship with Recipient/Borrower

In time to close the mortgage transaction on the purchase of the property located at:

_____________________________________________

Subject Property Address

II. Location of Funds

The location of funds must be indicated. If funds are verified on deposit as the date of application, the funds are in the borrower's account at: ___________________________ OR ;

Borrower's Account Information: Bank's Name/Account No.

In donor's account at: ___________________________

Donor's Account Information: Bank's Name/Account No.

III. Documentation

Documentation verifying availability, transfer, and receipt will be required. Review the Lender's Commitment Letter for specific required documentation. (Bank statements, deposit receipt, copy of check, etc.).

IV. Donor/Recipient Certification

This is a bonafide gift, and there is no obligation, expressed or implied either in the form of cash or future services, to repay this sum at this time. The funds given to the homebuyer were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer, or any entity associated with them.

WARNING: Section 1010 of Title 18, U.S.C. Department of Housing and Urban Development Transactions provides, "Whoever, for the purpose of influencing in any way the action of such Department makes, passes, utters, or publishes any statement, knowing the same to be false.. shall be fined not more than $5,000 or imprisoned not more than two years, or both."

Date: ___________________________ Date: ___________________________

Donor's Signature Recipient's Signature

Donor's Signature Recipient's Signature
DECLARATION OF NO INCOME

This information will be held in strict confidence and used only for the purpose of establishing eligibility for the First Time Home Buyer Program.

CERTIFICATION OF NO INCOME

I, ___________________________________________________________________, do hereby certify that I DO NOT receive income from ANY source. I understand that the sources of income include, but are not limited, to the following:

- AFDC
- Alimony
- Annuities
- Child Support
- Disability
- Educational Grants/Work Study
- Family Support
- General Assistance
- Income from Assets
- Pensions
- Rental Income
- Retirement
- Self-Employment
- Social Security/SSI
- Union Benefits
- Unemployment Compensation

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

This signature signifies that I receive NO INCOME from ANY SOURCE.

______________________________________________________________________________
Signature

______________________________________________________________________________
Date

______________________________________________________________________________
Print Name

______________________________________________________________________________
SSN

"ONLY" FOR ADULT HOUSEHOLD MEMBER RECEIVING NO INCOME FROM ANY SOURCE.
SCHOOL ENROLLMENT VERIFICATION

To be completed for adults (18 years old and over), who are full time students, and will not be going on title or Note of the First Mortgage financing in connection with the First-Time Home Buyer Program.

Borrower (s): 0
Borrower (s): 0
Property Address: 0

______________________________  ____________  ____________  ____________
Student's Name  SSN  Age  Date of Birth

Below should be completed and signed by a bona fide representative of the educational institution.

ENROLLMENT INFORMATION:
The student is enrolled for:  ____________  No. of Units

The student is considered:  [ ] Full-time  [ ] Part-time

Students dates of enrollment:  from  ____________  to  ____________

Please Print:
Name of Educational Institution:  __________________________________________
Address:  ________________________________________________________________

Phone No:  ______________________  e-mail  __________________________

Name:  __________________________________________  Title:  ______________________

Signature:  __________________________________________  Date:  ____________
INCOME TAX AFFIDAVIT

To be completed only if: 1) The applicant is applying for a loan which is expected to close between January 1 and February 15; or if 2) The applicant was not required by law to file income tax return for one or more of the three prior tax years. I am a first-time home buyer. I have not owned a principal residence during the last three years. I understand that I am required to submit copies of my Federal Income Tax returns for the last three year period, as evidence that it did not take a property tax or mortgage interest deduction on my tax returns during that time. I am signing this affidavit for one of the two reasons stated below.

1. I hereby certify that I was not required by law to file a Federal Income Tax Return for the following year(s) and the reason(s) stated below. I am prepared to submit documentation to prove that I did not own a home during that period.

   Year(s) that tax return was not filed.

   Reasons:

2. I certify that the closing in connection with which I am asking for first-time home buyer assistance is occurring between January 1 and February 15, and that I have not yet filed my Federal Income Tax return for the prior tax year. Regarding my principal residence during that year, I am not entitled to claim a deduction for property taxes and/or mortgage interest.

I acknowledge and understand that this Affidavit will be relied upon for purposes of determining my eligibility for first-time home buyer assistance. I acknowledge that a material misstatement negligently made by me, in connection with an application for assistance will constitute a federal violation punishable by a fine of $10,000 and a material misstatement fraudulently made in this Affidavit or in any other statement made by me in connection with the application for assistance will constitute federal violation punishable by a fine, and any other penalty imposed by law. In addition, any material misstatement or false statement which affects my eligibility will result in a denial of my application for assistance. If any financial assistance or MCC tax credit has been issued prior to discovery of the false statement, the assistance and/or MCC credit will be cancelled immediately.

In addition, I hereby acknowledge and understand that any false pretense, including any false statement or representation, or the fraudulent use of any instrument, facility, article, or other valuable thing or service pursuant to my participation in any First-Time Home Buyer Program is punishable by imprisonment or by a fine.

Date  Print Name  Signature of Applicant  Social Security Number

*For purposes of homeownership, "principal residence" means (1) single family home, (2) condominium or townhouse unit, (3) stock held by a tenant-stockholder in a cooperative housing corporation (as those terms are defined in Section 26 of the Internal Revenue Code), (4) occupancy of a unit in a multi-family building owned by the Applicant, and (5) any manufactured home (including mobile home as defined under federal law which is of a type customarily used at a fixed location). Principal residence does not include recreational vehicles, campers, and other similar vehicles, or investment property which has not been occupied as a principal residence by the Applicant for the past three years.

Note: This form is required for any adult household member who did not file a federal income tax return or was not claimed as a dependent on the applicant’s tax return. In addition, we may also require an IRS form letter 4506-T- Request for Transcript of Tax Return.
EXHIBIT F
MCC PROGRAM INFORMATION

Targeted Census Tracts:
Sixty-six census tracts in the City of San Diego were designated by the Census Bureau as “low income”. In these areas, the applicant can be, but does not have to be, a First Time Homebuyer to qualify for an MCC, but must sign an affidavit of intent to occupy the property. In accordance with federal guidelines, twenty percent (20%) of the Housing Commission’s MCC allocation is set aside for purchases in targeted census tracts.

<table>
<thead>
<tr>
<th>Targeted Census Tracts</th>
<th>General Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>12, 16</td>
<td>Normal Heights</td>
</tr>
<tr>
<td>65, 66</td>
<td>Loma Portal</td>
</tr>
<tr>
<td>83.05, 83.39, 83.41, 83.43, 83.61, 83.63</td>
<td>52 Freeway Area</td>
</tr>
<tr>
<td>86, 90</td>
<td>Kearney Mesa/Clairemont Area</td>
</tr>
<tr>
<td>94</td>
<td>Miramar Area</td>
</tr>
<tr>
<td>22.01, 22.02, 23.01, 23.02, 24.01, 24.02, 25.01, 26.01, 26.02</td>
<td>City Heights/East San Diego</td>
</tr>
<tr>
<td>27.02, 27.07, 27.08, 27.09, 27.10, 27.12, 28.01, 29.04, 30.01, 30.04, 31.05, 31.11</td>
<td>East San Diego</td>
</tr>
<tr>
<td>170.35</td>
<td>Black Mountain Area</td>
</tr>
<tr>
<td>33.01, 33.03, 33.04, 33.05, 34.03, 34.04, 35.01, 35.02, 36.01, 36.02, 36.03</td>
<td>Southeast San Diego</td>
</tr>
<tr>
<td>40, 41, 47, 48, 49</td>
<td>Southeast San Diego</td>
</tr>
<tr>
<td>39.01, 39.02</td>
<td>Logan Heights</td>
</tr>
<tr>
<td>50, 51</td>
<td>Barrio Logan</td>
</tr>
<tr>
<td>52, 53, 57, 58</td>
<td>Downtown</td>
</tr>
<tr>
<td>100.05, 100.09, 100.13, 101.03, 101.06, 101.11, 101.12</td>
<td>South San Diego/San Ysidro</td>
</tr>
</tbody>
</table>

The following is a complete listing of the census tracts within the City of San Diego which are federally targeted for special treatment under the MCC Program. These tracts are:

Lenders and applicants can determine a properties census tract by logging on to [www.ffiec.gov/geocode/default.aspx](http://www.ffiec.gov/geocode/default.aspx).

DIFFERENCE BETWEEN A “TAX CREDIT” AND A “TAX DEDUCTION”
A tax credit entitles applicants to subtract the amount of the credit from their total federal income tax liability, receiving a dollar for dollar savings. A tax deduction is subtracted from the adjusted gross income before federal income taxes are computed. Therefore, with a deduction, only a percentage of the amount deducted is realized in savings.

TABLE I-1
VALUE OF A TAX CREDIT VS. TAX DEDUCTION

<table>
<thead>
<tr>
<th></th>
<th>TAX CREDIT</th>
<th>TAX DEDUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Tax Deductions</td>
<td>0</td>
<td>2,000</td>
</tr>
<tr>
<td>TOTAL TAXABLE INCOME</td>
<td>$60,000</td>
<td>$58,000</td>
</tr>
<tr>
<td>Federal Income Tax Liability</td>
<td>11,350</td>
<td>10,850</td>
</tr>
<tr>
<td>Tax Credit</td>
<td>-2,000</td>
<td>0</td>
</tr>
<tr>
<td>TAXES PAID</td>
<td>$9,350</td>
<td>$10,850</td>
</tr>
</tbody>
</table>

Table I-1 shows that for the same dollar value, a $2,000 credit reduces federal income taxes paid by $1,500 more than the $2,000 deduction. ($10,850 minus $9,350 equals $1,500.)

MCC TAX SAVINGS
An applicant receiving an MCC credit loses 20% of his/her normal interest paid deduction with respect to interest paid on the mortgage loan. However, the applicant may continue to deduct the remaining 80% of the annual mortgage interest payment not claimed as a credit. Although the interest deduction is reduced from 100% to 80%, the holder of the MCC still pays considerably less in taxes. See Tables I-2(A) and I-2(B). Assume an applicant with a $100,000 annual income buys a home for $540,000 at a 4% interest rate; the interest paid the first year will be approximately $19,440.

<table>
<thead>
<tr>
<th>TABLE I-3</th>
<th>With MCC</th>
<th>Without MCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Income (Household Size – 1)</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Personal Exemption</td>
<td>-$4,000</td>
<td>-$4,000</td>
</tr>
<tr>
<td>Standard Deduction</td>
<td>-$6,300</td>
<td>$6,300</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>-$6,750</td>
<td>$6,750</td>
</tr>
<tr>
<td>Interest Deduction</td>
<td>-$15,552</td>
<td>-$19,440</td>
</tr>
<tr>
<td>Taxable Earnings</td>
<td>$67,398</td>
<td>$63,510</td>
</tr>
<tr>
<td>Tax from Tax Table</td>
<td>$12,638</td>
<td>$11,675</td>
</tr>
<tr>
<td>1st Year’s MCC Credit</td>
<td>-$3,888</td>
<td>$0</td>
</tr>
<tr>
<td>Total Income Tax Liability</td>
<td>$8,750</td>
<td>$11,675</td>
</tr>
</tbody>
</table>

The MCC will reduce the amount of federal income taxes otherwise due to the federal government from the applicant. However, the IRS will not pay out more than should have been paid in. Therefore, the benefit in any one year cannot exceed the amount of federal taxes owed for that year, after other credits and deductions have been taken into account.
INCREASE IN TOTAL NET INCOME
The applicant should consider adjusting his/her federal income tax withholding to receive the benefit from the credit on a monthly basis. The applicant may file a new W-4 form with his/her employer reflecting the MCC credit savings. By taking this action, the number of exemptions will increase, reducing the amount of taxes withheld and increasing the applicant’s net income.

The applicant also has the option to wait until the end of the year and realize the tax credit savings in one lump sum when filing the federal income tax return.

Regardless of whether the W-4 form is adjusted or not, the tax credit must be listed when filing the federal income tax return, in order to receive the tax credit savings. The applicant should consult a qualified tax preparer to determine the best way to realize the MCC savings.

- If the amount of the MCC exceeds the total tax liability reduced by any other personal credits for the tax year, the unused portion of the credit can be carried forward to the next three tax years or until used, whichever comes first. The applicant will have to keep track of the unused credit each year. The current year credit is applied first and then the oldest amount of unused credit is applied next.

RECAPTURE TAX EXPLANATION
According to Section 143(m) of the Internal Revenue Code of 1986, applicants with loans closing after January 1, 1991, who receive an MCC may be subject to a “recapture tax” if they sell or transfer their home within nine years after the closing. A number of factors determine the amount of tax, if any, that must be paid; computation of the tax is somewhat complicated.

Some MCC holders who sell their home within nine years will not be subject to any recapture tax. Generally, there are four tests to be met in order to incur a recapture tax:

- The home must be sold or transferred within nine years
- The sale or transfer must result in a gain
- The transfer must not be due to death or divorce
- The income of the seller must exceed an amount which equals an increase of 5% per year over the qualifying income in effect when the home was first purchased with the MCC. (This maximum income amount is referred to as the “Income Threshold”.)

Further, if the seller’s income exceeds the income threshold by less than $5,000, the seller is entitled to a reduction in the recapture tax.

There are several conditions which can exempt the seller from the recapture tax. These include:

- A sale due to death or divorce
- An insufficient increase in the income of the seller (MCC holder) between the time of purchase and the time of sale.
The applicant will receive detailed information on the recapture tax from the lender and will be asked to sign a statement at time of application that he/she is aware of the tax.

The tax, if any, will always be the lesser of half the gain from the sale of the home or a tax based on a formula which takes into consideration:

- the original principal amount of the home mortgage;
- the number of complete years that pass before the home is sold;
- the median family income for the buyer’s area at the time he/she bought the home;
- the applicant’s modified adjusted gross income at the time the home is sold.

In no case will the recapture liability exceed 50% of the gain from the sale of the residence. The liability will always be the lesser of half of the gain from the sale of the home, or the recapture tax, as computed through the following formula:

\[
PRT = 6.25\% \times P \times H \times \frac{M - (IL \times 1.05 \times Y)}{5000}
\]

- PRT = Potential Recapture Tax  
- M = mortgagor’s adjusted gross income at time of sale  
- P = original principal amount  
- H = holding period percentage  
- M = mortgagor’s adjusted gross income at time of sale  
- IL = original income limit  
- Y = number of complete years mortgagor owned home

**NOTE:** If “M - (IL x 1.05 Y)” is greater than $5,000, that amount is treated as equal to $5,000.

There are two basic steps in computing the recapture tax:

- Compute the basic tax by multiplying the original principal balance by a percentage assigned to the year in which the home is sold; and
- If the seller’s income exceeds the threshold by less than $5,000, reduce the tax computed by multiplying it times the excess income divided by $5,000.

**EXAMPLE**

The following is an example of how to compute the recapture tax in a situation where the MCC holder is selling the home between the first and second year after the mortgage closing, the original loan amount is $100,000, and the seller’s income exceeds the threshold by $3,000.

**STEP 1**
First, the loan amount of $100,000 is multiplied by 2.5%, the percentage in the table below which is assigned to a sale between the 1st and 2nd year after closing.

<table>
<thead>
<tr>
<th>Date of Sale or Transfer of Home (or Prepayment of Mortgage if Earlier)</th>
<th>MAXIMUM POTENTIAL RECAPTURE TAX (MPRT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before:</td>
<td>$ 100,000.00</td>
</tr>
<tr>
<td>1 year after Mortgage Closing:</td>
<td>$ 1,250.00</td>
</tr>
<tr>
<td>1 or more years, but less than 2 years after Mortgage Closing:</td>
<td>$ 2,500.00</td>
</tr>
<tr>
<td>2 or more years, but less than 3 years after Mortgage Closing:</td>
<td>$ 3,750.00</td>
</tr>
<tr>
<td>3 or more years, but less than 4 years after Mortgage Closing:</td>
<td>$ 5,000.00</td>
</tr>
<tr>
<td>4 or more years, but less than 5 years after Mortgage Closing:</td>
<td>$ 6,250.00</td>
</tr>
<tr>
<td>5 or more years, but less than 6 years after Mortgage Closing:</td>
<td>$ 5,000.00</td>
</tr>
<tr>
<td>6 or more years, but less than 7 years after Mortgage Closing:</td>
<td>$ 3,750.00</td>
</tr>
<tr>
<td>7 or more years, but less than 8 years after Mortgage Closing:</td>
<td>$ 2,500.00</td>
</tr>
<tr>
<td>8 or more years, but less than 9 years after Mortgage Closing:</td>
<td>$ 1,250.00</td>
</tr>
</tbody>
</table>

**STEP 2**
Multiply the tax computed in Step No. 1 ($2,500) by $3,000 (excess income) divided by $5,000.

\[
\frac{\$2,500 \times \$3,000}{\$5,000} = \frac{\$7,500}{\$5,000} = \frac{\$2,500 \times 60\%}{\$5,000} = \frac{\$1,500}{\$5,000} = \frac{\$2,500}{\$5,000} \times 60\% = \frac{\$1,500}{\$5,000}
\]

**FINALLY**
The seller’s tax will be $1,500 or half the gain from the sale of the home, whichever is less.

**Eligible First Trust Deed Loan:**
MCCs can only be used with original first mortgage financing which includes 30 year fixed-rate conventional loans, FHA, and VA loans. MCCs are not available with bond-backed loans such as California Housing Finance Agency (CalHFA), Cal Vet loans, adjustable rate and negative amortization loans. First trust deed loans will be underwritten by the lender and not SDHC.
Revocations:
Automatic revocation of an MCC occurs when:
- The residence for which the MCC was issued ceases to be the MCC holder’s primary residence.
- The MCC holder is not in compliance with the requirements for a qualified MCC.
- Discovery by the Housing Commission or a participating lender of any material misstatement, whether negligent or fraudulent.

MCC Transfer:
The MCC is not assumable. It can be used only by the applicant named on the original certificate.

How to Calculate an MCC:

<table>
<thead>
<tr>
<th>Sample Loan Amount:</th>
<th>$486,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Interest Rate:</td>
<td>4.00%</td>
</tr>
<tr>
<td>MCC Amount:</td>
<td>20%</td>
</tr>
</tbody>
</table>

1) Determine the Annual Interest for the first year ($486,000 x 4%) = $19,440
2) Determine the Annual Mortgage Credit ($19,440 x 20%) = $3,888
3) Determine the Monthly Mortgage Credit ($3,888 / 12) = $324