



FIRST-TIME HOMEBUYER PROGRAM HANDBOOK AND GUIDELINES

Table of Contents

PURPOSE 4

DESCRIPTION 4

GENERAL DEFINITIONS..... 4

ACRONYMS..... 6

REFERENCES..... 6

FTHB PROGRAMS (City of San Diego) 7

Down Payment Assistance Loan 7

Closing Cost Assistance Grant..... 7

PROGRAM ELIGIBILITY 8

DISCLOSURE NOTICE 8

FIRST TIME HOMEBUYER REQUIREMENT 8

INCOME LIMITS..... 9

SALES PRICE LIMITS (*City of San Diego only) 9

DOWN PAYMENT REQUIREMENTS 9

DEBT-TO-INCOME RATIOS 9

DETERMINING HOUSEHOLD SIZE..... 10

Including / Excluding Household Members 10

Dependents..... 10

Divorce 10

Separated 11

Citizenship..... 11

Co-Borrower / Co-Signer 11

Non-Borrowing Spouses 11

Cooling Off Period for Declined Applications 12

Income for Program Eligibility..... 12

Income for Underwriting Debt Service 13

Employment Gap 13

2nd Job 13

CALCULATING INCOME 13

W-2 Employees 13

Flex Pay for Benefits..... 13

Overtime, Double-Time, Commissions, and Bonuses..... 13

Declining Income..... 14

Seasonal Employees..... 14

Military Pay 14

Required Documents for W-2 Employees..... 14

Self-Employed	14
Required Documents for Self-Employed Borrowers.....	15
Child Support / Spousal Support	15
Required Documents for Support.....	15
Social Security, Social Security Disability, VA Disability	15
Required Documents for Social Security, Social Security Disability, VA Disability	16
Adoption Assistance or Foster Care Income	16
Required Documents for Adoption Assistance or Foster Care Income	16
Unemployment	16
Required Documents for Unemployment.....	16
No Income	16
Required Documentation for No Income	16
Full Time Students	16
Required Documents for Full Time Students.....	17
TAX RETURNS	17
Income Tax Affidavit	17
ASSETS	17
Reserve Requirement	17
Asset Limitation	18
GIFTS	18
Required Documents for Gift Funds	18
CREDIT	18
Late Payments / Derogatory Accounts	19
Collections, Judgements and Charge Offs.....	19
Bankruptcy.....	19
Required Documentation for Bankruptcy.....	19
Foreclosure or Short Sale.....	19
Debt of Non-Borrowing Spouse	20
No Credit / Minimal Credit.....	20
Student Loans	20
Installment Debt	20
HOMEBUYER EDUCATION	20
Required Documents for Homebuyer Education.....	20
FIRST TRUST DEED LOAN	20
Loan Origination & Discount Points.....	20
Prohibited First Trust Deed Loans.....	21
Impounds	21
COMBINED LOAN-TO-VALUE	21
SUBORDINATE FINANCING	21
PROPERTY REQUIREMENTS	21
Eligible Properties	21
Ineligible Properties	21
Tenant Occupied Properties Are Prohibited.....	21
Non-Arm’s Length Transactions.....	22
Property Inspection.....	22
Scheduling the Inspection.....	22

Lead Based Paint	22
Termite Inspection	23
Solar Panels	23
Required Documents for Solar Panels	23
SUBMISSION, PROCESSING & FUNDING	23
SDHC Hours of Operation	23
SDHC Application	23
Lender Certification	24
Application Submission	24
Submission Aids	24
Lender Portal Document Upload	24
Requirements for Uploading Documents	24
Incomplete Packages	25
Underwriting	25
Submitting Conditions.....	25
Turn-Around Time.....	26
Application Fees.....	26
Loan Approval	26
Loan Documents	26
Approvals for County of San Diego, City of Chula Vista and city of El Cajon	26
Power of Attorney.....	26
Property Insurance.....	27
Mortgagee Clause	27
Flood Insurance.....	27
Title Insurance.....	27
Loan Funding.....	27
Wire Transfer	28
Post-Closing.....	28
CHANGES PRIOR TO CLOSE OF ESCROW	28
Cancellations.....	28
Document Expirations.....	28
Change in Income / Employment.....	28
Change in Marital Status.....	29
Change in Acquisition Cost	29
Program Funds / Termination.....	29
LENDER REQUIREMENTS AND RESPONSIBILITIES.....	29
Penalties for Misrepresentation by Applicant or Lender / Loan Officer	29
LOAN SERVICING.....	30
Pre-Payment	30
Default.....	30
Assumption	30
Refinance/Subordination Agreements	30
Refinancing a Mortgage Credit Certificate (MCC)	31

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. 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, 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 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

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, or closing cost assistance.

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

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, townhomes and manufactured homes (affixed to a permanent foundation) 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.

HOUSEHOLD: All persons who have resided together for at least 1 year (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, son, daughter, brother, sister, grandparent, uncle or aunt.

INCOME: The gross amount of all income for all applicants and adult household members that is to be received during the coming twelve (12) months. 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.

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.

MAXIMUM PURCHASE PRICE: The maximum purchase price for federally funded assistance is established by HUD every 12 – 24 months. The maximum purchase price / appraised value for State funded assistance is established by the Department of Housing and Community Development.

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.

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 all the applicants and be defined as one of the following types of residences: 1) single-family dwelling; 2) condominium unit; 3) townhome unit or 4) manufactured home.

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.

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.

ACRONYMS

AMI	Area Median Income
FTHB	First-Time Homebuyer
SDHC	San Diego Housing Commission
SFR	Single Family Residence

REFERENCES

First Time Homebuyer Page:

<https://www.sdhc.org/housing-opportunities/first-time-homebuyers/>

Participating Lender Page:

<https://www.sdhc.org/housing-opportunities/first-time-homebuyers/participating-lenders/>

Loan Servicing Page for Lenders and Escrow Companies:

<https://www.sdhc.org/housing-opportunities/loan-services/lenders-and-escrow-companies/>

Loan Servicing Page for Existing Borrowers:

<https://www.sdhc.org/housing-opportunities/loan-services/single-family-homeowners/>

SDHC Fair Housing:

<https://www.sdhc.org/affirmatively-furthering-fair-housing-statement/>

FTHB PROGRAMS (City of San Diego)

Down Payment Assistance Loan

Loan Amount – Up to 25% of the purchase price or appraised value, whichever is less. Not to exceed \$125,000.

Income Limit – 80% AMI

This program provides financing in the form of a silent second trust deed loan to be used only towards down payment. No monthly payments are required during the 30 year term. The loan accrues simple interest at a rate of 3%, except in the case of default when the rate increases to 10%. The loan is never forgiven, 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 of title.
- 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.

The borrower may apply for a loan less than 25% of the sales price if needed to keep the debt-to-income ratio or assets within guidelines.

A lenders title policy is required for the down payment assistance loan.

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

Closing Cost Assistance Grant

Grant Amount - 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.

Income Limit - 80% AMI

The grant 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 grant is forgiven at the close of escrow.

The closing cost grant must be applied for in conjunction with the SDHC FTHB Down Payment Assistance Loan.

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. Title insurance is not required for the closing cost grant.

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

PROGRAM ELIGIBILITY

Eligible households include first time homebuyers those whose income is at or below 80% of the San Diego County Area Median Income (AMI), as adjusted for household size, and who meet all requirements of these guidelines. The borrower is required to provide all pertinent information and documentation requested by SDHC to the first trust deed lender.

The subject property must be occupied as the primary residence of the borrower(s) for as long as the SDHC loan is outstanding. Not occupying the property will result in the 3% interest deferred payment loan becoming immediately due along with the accrued interest at a default rate of 10%. Program participants must notify the SDHC to arrange payoff of their loan prior to moving out of the property.

In an attempt to ensure that all terms of the loan and grant are clear, the First Time Homebuyer Application and Disclosures are required to be signed by each applicant and spouse, and must be included in the application package submitted to SDHC.

The First Time Homebuyer Application and Disclosures are available for download on the [First Time Homebuyer Participating Lender page of the SDHC website](#).

DISCLOSURE NOTICE

SDHC staff will meet the borrower(s) in person or by phone to provide the Disclosure Notice and explain the terms of the SDHC loan.

FIRST TIME HOMEBUYER REQUIREMENT

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. Applicant still meets the definition of FTHB if they own a mobile home that is not fixed to permanent foundation.

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 applicant's first time homebuyer status will be verified through examination of the applicant's federal tax returns, credit reports, public records and other relevant documentation.

The following individuals 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 (see definition for displaced homemaker); or
- A single parent who, while married, owned a home with his or her spouse or resided in a home owned by a spouse.

To qualify for one of the above exception, the applicant / household member cannot currently own a home.

INCOME LIMITS

The household's gross annual income must be at or below the currently published **80% area median income (AMI)**, adjusted for household size. **The income for all household members over the age of 18 will be counted regardless of whether or not they are a borrower.**

Income limits have been established by HUD and 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.

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

Down Payment and Closing Cost Assistance Programs – 2024 / 2025 limits <i>effective June 1, 2024</i>			
Household Size	80% Income Limit	Household Size	80% Income Limit
1	\$84,900	5	\$130,950
2	\$97,000	6	\$140,650
3	\$109,150	7	\$150,350
4	\$121,250	8	\$160,050

SALES PRICE LIMITS (*City of San Diego only)

Down Payment and Closing Cost Assistance Programs in effect as of May 2024	
Attached	\$603,250
Detached	\$1,030,750

* See the County of San Diego Guidelines, City of Chula Vista Guidelines, and City of El Cajon Guidelines for current sales price limits.

DOWN PAYMENT REQUIREMENTS

A minimum contribution of one percent (1%) of the total purchase price of the property is required for down payment. **The 1% down payment must be from the borrower's personal funds.** Gift funds cannot be used for the 1% minimum down payment. The borrower can use gift funds for any down payment above the 1%. The 1% requirement cannot be substituted by any seller/lender contribution, subsidies, using 100% VA financing, or the SDHC Closing Cost Grant.

Maximum down payment from borrower is 20% of the purchase price. This includes a down payment from personal savings, 401K and gift.

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%** 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 50%** of the borrower's gross monthly income.

To qualify for 50% DTI, the borrower must meet these three requirements otherwise DTI cannot exceed 45%:

1. All Borrowers, including non-borrowing spouse's, FICO 720+ and No Derogatory Credit in the last 5 years.

2. All borrowers, 2 Years most recent and continuous employment history, with no more than one 2-month job gap.
3. Reserve requirements of 2 months of proposed housing payment (retirement assets okay) with \$1,000 from liquid assets.

These guidelines may change at the Housing Commission's sole discretion. SDHC, at its sole discretion, reserves the right to grant or deny loan requests that do not represent the best interest of the City/County and the Borrower. All terms, conditions and fees are subject to change.

*See the County of San Diego, City of Chula Vista, and City of El Cajon program guidelines for their DTI requirements.

DETERMINING HOUSEHOLD SIZE

To establish program eligibility, income, assets and home ownership history of all household members 18 years and older must be provided and taken into account.

Including / Excluding Household Members

Any person the borrower / loan officer includes on the application as a household member must have lived with the borrower for a **minimum of one year** prior to the purchase. In addition, any non-borrowing person listed as having no income on the application or who does not file their own tax returns, must be a dependent on the applicants tax return.

Any person who currently lives with the borrower will be included as part of the household. Their income, assets and homeownership history will be included unless there is verifiable evidence provided to show the person does not live with the borrower and/or will not live in the subject property.

SDHC, at its sole discretion, reserves the right to determine if documentation provided is sufficient evidence to support including or excluding a household member.

Dependents

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 of 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.

Divorce

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 who are in the U.S. under DACA, the DREAM Act or a Work Visa 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-Signer

All borrowers and co-borrowers must occupy the property for as long as the SDHC loan is outstanding. Co-signers who will not occupy the property 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.

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, recurring contributions or gifts regularly

received from entities or persons not residing in the dwelling, and any other source of income not listed above.

- The *eligibility* calculation represents income of all adult household members regardless of the length of employment.
- The *underwriting* calculation represents income for all borrowers who will be on title and have a minimum two year work history.

The lender bears the burden of proving the borrower's income is within the program guidelines before submission to SDHC. 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 its own income calculation independent of the 1st lender's income calculation.

Documentation regarding income must cover a minimum of two months and must be current within the most recent 30-day period preceding the loan closing. See each income type section below for required documentation.

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

SDHC, at its sole discretion, reserves the right to request any supporting documentation necessary to accurately calculate the household income and may use alternative methods for calculating income based on information and documentation available.

Cooling Off Period for Declined Applications

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.

One exception to this "cooling off" period is when HUD increases the program income limit. If the new income limit is higher than the declined borrower's income, the borrower can apply again without having to wait 12 months.

The household members and income sources must be the same at the time of re-application. A change in employers may be acceptable; however a loss or reduction of income that would otherwise have put the household over the income limit will not be accepted. SDHC, at its sole discretion, reserves the right to refer to the original application to confirm consistency.

Income for Program Eligibility

For the purpose of determining program eligibility, 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. The income from employment that ended within 6 months of the application date will be counted for eligibility purposes if it was not replaced by new verifiable employment. Every source of taxable and non-taxable income must be listed on the application and proof of such income be provided.

Income on assets is included when the households total assets, including retirement accounts, exceeds \$5,000 after their down payment and closing cost contribution to the transaction. Income on assets is calculated by multiplying the total assets by the passbook savings rate (currently .06%). The product is added as an annual amount to the household income.

All households must be income-qualified as of the date of the close of escrow.

Income for Underwriting Debt Service

Income that meets satisfactory work history requirements for all borrowers who will be on title, including any non-borrowing spouse (if applicable), will be included in the calculation of underwriting income.

In order to include income for underwriting purposes, the borrower must have a current two year consecutive work history.

Employment Gap

- DTI of up to 45% - No more than one 6-month gap. The borrower must be able to document a strong work history with at least two years consecutive employment prior to the gap and must have returned to work for at least 1 year.
- DTI between 45% and 50% - No more than one 2-month gap within the last 2 years.

A transition between employers where the end date with the past employer and the start date with the new employer do not exceed 1 month is accepted. Verifications of employment and employment offer letter are required and be supported by the pay stubs received since the start date with the new employer.

2nd Job

To use income from a 2nd job, a two year history of working two jobs is required.

CALCULATING INCOME

W-2 Employees

SDHC will review the income documentation to determine the appropriate method for calculating income. Factors for determining the appropriate method include consistency in the number of hours worked, increases in pay rate, fluctuations in pay, leave of absences i.e. disability, maternity leave, paternity leave etc.

For borrowers who consistently work 40 hours per week, the 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. Example $(\$25.46 \times 80) \times 26 = \$52,956.80 / 12 = \$4,413.06$ monthly.

If the borrower does not consistently work 40 hours per week, the base pay will be averaged over the previous year, plus current year-to-date income. If the borrower's income increased due to a change in their hour rate, their number of hours worked, or new employment, the income will be averaged from the date of the change through the current pay period. Please note, the average is done using the check date, rather than the pay period end date.

Flex Pay for Benefits

Any portion of employer paid flex credits not used for medical, dental or vision premiums received by the borrower as compensation is included in the income for eligibility and underwriting. The number of pay periods that flex credits are paid must be verified by the employer.

Overtime, Double-Time, Commissions, and Bonuses

An average over the previous year and current year-to-date is used for calculating for overtime, double-time, commissions, and bonuses etc. SDHC may consider averaging over two years plus year-to-date if borrower provides supporting documentation from their employer to justify a longer averaging period.

A two year history is required in order to use the income for underwriting. 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, the income will be averaged from the date of the change through the current pay period.

Declining Income

Calculating declining income is determined on a case-by-case basis and requires substantial supporting documentation.

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.

Military Pay

The “total entitlement” shown on the borrower’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.

Required Documents for W-2 Employees

- 1) Paystubs for the most recent 2 months. Must be updated throughout the transaction.
- 2) The last pay stub from the previous 2 calendar years (only required if currently with the same employer)
- 3) W-2s from all employers in the last 2 years
- 4) Verification of Employment (VOE) for all employers in the last 2 years. VOE to include the following details:
 - a. Start Date of Employment
 - b. Current pay rate
 - c. Date of last pay increase
 - d. Number of hours worked per pay period
 - e. Date range of any leave of absence
 - f. Breakdown of income for previous two years and year-to-date

Self-Employed

The income for self-employed borrowers is calculated by averaging the previous two years adjusted gross income as per the Federal Tax Returns. Any depreciation, depletion or non-monetary expenses i.e. business use of home will be added back to the adjusted gross income. Income will be averaged over two years even in the case of declining income.

For eligibility purposes, 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.

For underwriting purposes, the borrower must have a documented minimum two year history as self-employed.

Required Documents for Self-Employed Borrowers

- 1) 3 years Federal Tax Returns including all filed schedules.
- 2) Signed and dated profit and loss statement for current year-to-date business activity. The P & L can be prepared by the applicant or an Accountant.
- 3) 12 months of bank statements. The bank statements will be reviewed for consistency with gross receipts and business expenses filed on the Federal tax Returns. Deposits without a reasonable and/or verifiable explanation will be included as income.

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.

Child / spousal support as dictated per the support order will be used except when support is not paid per the support order in which case a 12 month average based on the proof of payments will be used.

For eligibility purposes, child support / spousal support will be included if it will continue for 12 months or more. To be used for underwriting purposes, support must continue for at least 3 years.

Required Documents for Support

- 1) A copy of the child / spousal support order.
- 2) Proof of payments covering the most recent 12 month period. 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.
- 3) If borrower states no child support is received, borrower to provide:
 - a. A letter of explanation and;
 - b. A letter from the Department of Child Support services showing there is no open support case is required.

Social Security, Social Security Disability, VA Disability

The full monthly benefit before deductions will be used. The amount is not grossed up.

Disability income must be a permanent source of income in order for it to be used for underwriting purposes. If disability income will end within 12 months it will be excluded from the eligibility income.

Required Documents for Social Security, Social Security Disability, VA Disability

- 1) Most recent award letter

Adoption Assistance or Foster Care Income

Income from adoption assistance or foster care is included for the purpose of determining eligibility if it will continue for 12 months or more and may be used for underwriting purposes if the borrower has a consecutive two year history of receiving such income and can document the income will continue for at least three years.

If the borrower has a history (two or more years) of receiving adoption assistance or foster care support, the income may only be excluded from the eligibility income if sufficient documentation is provided showing the income has ended or will end within 12 months. SDHC, at its sole discretion, reserves the right to determine what documentation is acceptable.

Required Documents for Adoption Assistance or Foster Care Income

- 1) Current award letter
- 2) Supporting documentation to show the history of payments received within the last two years.

Unemployment

For household members receiving unemployment benefits at the time of application, SDHC will require employment and income documentation from the previous employer held within 6 months to ensure the household would have been under the income limit despite the loss of employment.

Unemployment benefits will be included in the household eligibility.

Required Documents for Unemployment

- 1) Notice of Unemployment Insurance Award

No Income

Adult household members, 18 years and older, who have no income must provide supporting documentation to show that no income from any source is received.

Required Documentation for No Income

- 1) Signed Declaration of No Income.
- 2) Bank statements covering most recent three month period. Deposits must be documented.
- 3) Federal Tax Returns or 4506 results showing no tax returns were filed.
- 4) Verification of Employment if previously employed.
- 5) Backup showing whose dependent they are and how they support themselves.
- 6) If of retirement age, a letter from Social Security showing no benefits are paid.
- 7) Any other documentation the underwriter considers applicable.

Full Time Students

Adult members (ages 18 - 23) enrolled in a vocational, community college, or a university must provide evidence of enrollment status. For the purpose of determining eligibility, only the first

\$480 of the full time student's *annual* income is included. Full time is current enrollment in 12 or more units.

The \$480 limit does not apply to a student who is not a full time student (< 12 units) or who is the head of household or non-borrowing spouse, in this case the full income must be counted.

If the 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.

Required Documents for Full Time Students

- 1) SDHC School Enrollment Form completed and signed by the school
- 2) Confirmation of enrollment / Class schedule for the current semester

TAX RETURNS

All household members over the age of 18 must provide Federal Tax Returns including all schedules for the most recent three years or provide IRS Form 1722 "Verification of Non Filing" for any year in which taxes were not filed. The tax returns must be signed and dated.

If any household member is unable to produce copies of their tax returns, SDHC will accept the Wage and Income Transcript.

When applying during the period between January 1 and February 15 and the applicant has not yet filed 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, asset and proof of residence documentation will be required for any dependent listed on borrower's tax returns who are not the borrower's son or daughter.

Income Tax Affidavit

In the event the borrower 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 years, a completed and signed SDHC "Income Tax Affidavit", Wage and Income Transcript and IRS Form 1722 "Verification of Non Filing" is required.

ASSETS

Bank statements for ALL accounts covering the most recent three months are required for all household members. This includes accounts held for minors and any non-borrowing adult.

Prior to submission, lender to review all bank statements provided by the borrower to check for transfers to/from other accounts for which statements were not provided.

Borrower to provide a Letter of Explanation and supporting back-up for all non-payroll deposits or large withdrawals.

Reserve Requirement

- DTI up to 45% - \$1,000 reserves from liquid assets.
- DTI between 45% and 50% - 2 months of proposed housing payment (retirement assets okay). \$1,000 must be from liquid assets. Reserve Requirement cannot be satisfied with gift funds.

Asset Limitation

The *maximum* liquid asset reserve must not exceed \$25,000.

The liquid reserve is the total assets available after the down payment (minimum 1%), any transaction related costs and any required contribution toward closing costs.

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
- Annuities

In the event that the borrower withdraws funds from their account(s) for items other than customary living expenses, business expenses for self-employed borrowers or transaction related expenses that would otherwise put the household over the asset limit, those withdrawals will be included as assets for eligibility purposes. The borrower may be required to contribute additional funds to the transaction in order to bring their assets under the limit. A letter of Explanation and supporting documentation is required for all large or recurring deposits and withdrawals.

Retirement accounts including IRA's, 401K's, and pensions held by person's younger than 59 ½ are not included in the asset calculation. For those 59 ½ and older, retirement assets of up to an amount equal to the 80% area median income limit as adjusted by household size, will be excluded from the asset calculation.

GIFTS

Gifts funds may be used toward any portion of the down payment above the 1% contribution which must come from the borrowers personal funds, and to cover closing costs. Gift funds cannot be used for reserves. The gift must come from an immediate family member and must be documented in the bank account of the gifter. Gift fund cannot be from a friend, employer or subsidy.

Eligible gifter includes: father, mother, son, daughter, brother, sister, grandparent, uncle or aunt

Required Documents for Gift Funds

- 1) Gift Letter signed by borrower and donor.
- 2) Donors bank statement as proof of donor's ability to gift funds. If the gift has been deposited into the borrowers account, the donor's bank statement must be from the same period in which the funds were gifted / deposited to the borrowers account.

SDHC, at its sole discretion, reserves the right to reject a gift if the funds are not properly documented.

CREDIT

All borrowers must have a minimum of three tradelines in good standing with a minimum of a 12 month history each and meet the credit requirements stated below.

- DTI up to 45% - Middle credit score of 640 or better. All borrowers, including non-borrowing spouse, must have an acceptable credit history with no more than two 30-day lates or one 60-day late and zero 90-day or greater lates in the previous three years.
- DTI between 45% and 50% - Middle credit score of 720 or better. All Borrowers, including non-borrowing spouse, must have an excellent credit history with no late payments, derogatory credit, collections, judgements, charge-offs, foreclosure or bankruptcy in the last five years.

SDHC, at its sole discretion, reserves the right to determine if a borrower's credit history is acceptable. A loan request may be declined if the borrowers credit history may pose a credit risk to SDHC even if the credit score is higher than the minimum score stated above.

A credit report for all borrowers and any non-borrowing spouse dated within 90 days of the close of escrow is required. All debt of the non-borrowing spouse will be used in the debt-to-income ratio calculation.

Late Payments / Derogatory Accounts

Accounts must be in good standing at the time of purchase. A letter of explanation is required for all late payments / derogatory reporting's dated within three years of the close of escrow. Additional documentation may be required at SDHC's discretion.

Collections, Judgements and Charge Offs

Collections, judgements and charge offs cannot be dated within three years for DTI up to 45% or within five years for DTI between 45% and 50%. All outstanding collections, judgments and charge offs must be paid, through escrow or prior to the close of escrow. If paid prior to the close of escrow back-up documentation showing the account has been paid is required. Collections, judgements and charge offs of a non-borrowing spouse must also be paid.

Bankruptcy

After bankruptcy, for DTI up to 45% a minimum three years and for DTI between 45% and 50% a minimum five years from the discharge date is required with no derogatory reporting's since the discharge. Borrower must have re-established their credit.

Required Documentation for Bankruptcy

- 1) A copy of the bankruptcy discharge paperwork
- 2) A Letter of Explanation

Foreclosure or Short Sale

Borrowers with a foreclosure or short sale within the last five years not accepted. A letter of explanation and substantial back-up documentation as to the cause of the foreclosure / short sale.

When assessing credit risk, SDHC will evaluate the payment / loan balance of the foreclosed / short sale property compared to the new purchase as well as the borrowers financial situation at the time of foreclosure / short sale compared to the present time of application for a new purchase.

Debt of Non-Borrowing Spouse

The debts of a non-borrowing spouse are included when calculating the debt-to-income ratios. Collections, Judgements and Charge Offs must be paid. Non-borrowing spouse must meet credit guidelines.

No Credit / Minimal Credit

- For DTI up to 45% - Borrowers with a limited credit history may be accepted so long as the borrower does not have any bad credit history and can provide three alternative trade lines one of which must be rental history. Alternative trade lines must be documented through a credit supplement and must cover a minimum 12 month history.
- DTI between 45% and 50% - Alternate credit is not accepted.

Student Loans

The amount as reflected on the credit report will be used in the DTI calculation. For student loans in deferment, 1% of loan(s) balance will be used 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.

Installment Debt

Installment debt with six months or less of payments remaining will not be counted in the DTI calculation. If borrower has an auto lease, the payment will be included even if the lease will end within six months.

HOMEBUYER EDUCATION

All borrowers, and any non-borrowing spouse must **complete Pre-Purchase Counseling AND Homebuyer Education**. These are two different classes, both are required.

Borrower(s) must use a provider on the SDHC approved Homebuyer Education Provider list which can be downloaded from the SDHC website.

Pre-Purchase Counseling is one-on-one counseling tailored to the borrowers' individual financial situation.

Homebuyer Education is a curriculum that covers homeownership topics such as the home-buying process, how to maintain a home, budgeting, and the importance of good credit.

Required Documents for Homebuyer Education

- 1) Pre-Purchase Counseling Certificate of Completion dated within 12 months of purchase
- 2) Homebuyer Education Certificate of Completion dated within 12 months of purchase

FIRST TRUST DEED LOAN

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

Loan Origination & Discount Points

The loan origination and discount points cannot exceed 2.5% combined with the loan origination not to exceed 1.5%. Borrower funds, seller credits and lender credits can be used toward interest rate buy down above the maximums stated above.

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.

Prohibited First Trust Deed Loans

Adjustable Mortgages, Interest Only, Negative Amortizations, and temporary rate 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 99% 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 forgiven after a period of time or deferred with no payments required for 30 years. Subordinate financing documents must record after all SDHC loans/grants.

PROPERTY REQUIREMENTS

Eligible Properties

The Down Payment Assistance Loan, and Closing Cost Assistance 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.

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.

Ineligible Properties

Duplexes, triplexes, or four-plexes or properties with Accessory Dwelling Units (ADU) or Junior ADU are not allowed. Properties that include a second kitchen or kitchenette with or without a cooktop are not allowed.

Tenant Occupied Properties Are Prohibited

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 except if the borrower is the tenant.

Non-Arm's Length Transactions

A non-arm's length transaction may be permitted if the subject property is owner occupied and the seller has entered into a contingent purchase of a new primary residence; or, if the subject property was a rental property that is vacant at the time the purchase contract is signed.

Property Inspection

A property standards inspection must be completed by a company from the SDHC list of Homebuyer Assistance Programs Approved Home 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.

The property standards inspection is to determine the property is decent, safe, sanitary, and in good repair. The inspection must provide that the housing meets all applicable State and local housing quality standards and code requirements and the housing does not contain the specific deficiencies proscribed in the HUD-prescribed physical inspection procedures Uniform Physical Condition Standards.

Please be advised, the Property Standards Inspection is not a complete home inspection. It is strongly recommended, borrowers obtain a full property inspection from a licensed residential property inspector.

Scheduling the Inspection

The borrower, loan officer or real estate agent is responsible for contacting the inspector to schedule the inspection. SDHC does not handle inspection scheduling.

Lead Based Paint

If the property was built prior to 1978, a visual assessment for lead-based paint will be completed by the inspector.

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. If the test results are negative, no further action is required;
- 2) If test is positive, surfaces must be stabilized by a certified / trained company using safe work practices, and clearance is to be provided; or
- 3) Presume surfaces are positive for lead-based paint. Have surfaces stabilized by a certified / trained company using safe work practices and 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 and invoice(s) must be provided.

Termite Inspection

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.

If the property is a condominium or townhome, the HOA may accept responsibility for the repairs. A letter from the HOA acknowledging the cited damage and accepting responsibility to complete the work is required. Any termite damage the HOA will not repair must be completed by the buyer or seller prior to the close of escrow.

Solar Panels

Financed: The debt obligation will be included in the DTI ratio calculation. Solar financing must be assumable and buyer must be eligible to assume the financing.

Leased or Covered by a Power Purchase Agreement: The monthly lease payment must be included in the DTI ratio calculation unless the lease is structured to

- 1) Provide delivery of a specific amount of energy at a fixed payment during a given period, and
- 2) Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.

Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio. Solar Lease / Power Purchase Agreement must be transferable and buyer must be eligible to assume the Lease / Power Purchase Agreement.

Required Documents for Solar Panels

- 1) Copy of Solar Loan Documents, Lease Agreement or Power Purchase Agreement.

SUBMISSION, PROCESSING & FUNDING

SDHC Hours of Operation

FTHB hours of operation: 7:00 a.m. – 5:00 p.m.

SDHC is closed every other Friday due to its compressed work schedule. Business days include Monday – Thursday and every other Friday, except holidays.

SDHC Application

The FTHB application and disclosures is 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 to the borrower(s) and have the application and disclosures signed by the buyer.

Lender Certification

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.

Any loan officer found to have negligently or willfully submitted false documentation or to have made false statements will be permanently banned for working with the San Diego Housing Commission.

Application Submission

Applications for FTHB assistance including all supporting documentation must be submitted by a participating lender through the [SDHC Lender Portal](#).

To help meet the transaction timeline, applications must be submitted 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 to SDHC for processing and funding.

Submission Aids

- [Lender Portal Submission Guide](#) for step by step instructions on submitting an application in the SDHC Lender Portal.
- Application Checklists found in the FTHB Application document on the SDHC website..

The application package must at a minimum, include all documentation listed under the “Prior to Approval” section of the applicable checklist for First Time Home Buyer Program, or Closing Cost Assistance Forgivable Loan Program Only.

Lender Portal Document Upload

Use the “Manage Document” section of the Lender Portal to upload all application documents including requested conditions.

In the manage documents section, all previously uploaded documents can be viewed but cannot be removed. Be sure the documents are uploaded in the correct category. Only PDF documents will be accepted.

Requirements for Uploading Documents

- Name the PDF document on your local computer before uploading. Give the document a relevant name i.e. John’s Paystubs 1/1/20 – 2/28/20 or Account #1234 Jan. – Mar. or LOE Deposits to acct #1234
- Group the SDHC Application and SDHC Disclosures in one PDF. Please do not upload as separate pages.

- Group similar documents as one PDF. For example:
 - Organize all paystubs for borrower 1 in order oldest to newest and upload the complete two months as *one PDF*. Repeat for borrower 2, 3, 4 etc. Please do not mix paystubs from different borrowers into one PDF.
 - Organize bank statements in order oldest to newest and upload as one PDF. If there are more than one bank account, group each account separately.
 - Group Tax Returns for all 3 years into one PDF. Organize them oldest to newest. Be sure they are signed before uploading.
 - Group the 2 years W2s into one PDF for each borrower.
- Upload documents in the appropriate document category.
- Prior to uploading, review the PDF document to be sure all pages are right side up. Fix the rotation before uploading.
- Prior to uploading, review the PDF document to be sure all pages are legible and no text has been cut off during scanning. Obtain clear copies from the borrower before uploading.
- Do not upload duplicates. If you are unsure if you have already uploaded a document, download the documents already in the Lender Portal first.

Incomplete Packages

During intake, a review will be completed to ensure all prior to approval documents have been submitted. Any application found to be missing prior to approval documents will be rejected. The loan officer will receive an email notifying them that the application has been rejected and a list of the missing documents. Incomplete submissions will not be assigned to an underwriter until all required documentation has been provided. To help improve turn time, applications will not be reviewed until all required documentation has been uploaded in the lender portal.

Underwriting

SDHC underwrites the 3% interest deferred payment loan, closing cost assistance grant, and closing cost forgivable loan programs at their discretion pursuant to the First Time Homebuyer Program requirements and guidelines implemented based on the funding sources used for the program. SDHC does not underwrite to Fannie Mae, Freddie Mac or FHA guidelines.

Applications that are missing required document or need additional supporting documentation will be placed in “Suspend”. The list of required conditions will be available in the lender portal.

Submitting Conditions

Submit all conditions via the SDHC Lender Portal. See the Requirements for Uploading Documents section of this document. E-mailed conditions will not be accepted.

To submit conditions, upload them in the appropriate category in the Manage Documents section of the portal then select the “**Submit**” button found on the Loan Details screen. Please wait to “submit” until ALL conditions are uploaded.

Conditions submitted after 1:00 pm will be dated and placed in the queue for the next business day.

Turn-Around Time

Applications are reviewed for completeness and placed in the underwriting queue within 1 – 2 business day 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.

Turnaround time for review of conditions is generally 3 – 5 business days from the date submitted. During periods of high volume, turn times may be extended.

Application Fees

Down Payment Assistance Loan or Closing Cost Grant - No Fee

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

Loan Approval

SDHC issues final underwriting loan approval upon satisfaction of all prior to approval conditions. The loan officer will receive an email notifying them of the approval and will be directed to the SDHC Lender Portal to download the Status Report & Conditions (Approval) and FTHB Closing Disclosure.

The Approval and FTHB Closing Disclosure are found under the “Manage Documents” section of the portal.

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

Loan Documents

Once all prior to document conditions have been satisfied, SDHC will prepare the loan documents and send them to escrow via e-mail. The loan officer will be copied on the email.

The loan documents package will include the SDHC Title & Escrow Instructions which details the process for requesting funding.

Approvals for County of San Diego, City of Chula Vista and city of El Cajon

The approval and funding process is different for properties located in the County of San Diego program area, City of Chula Vista and City of El Cajon. 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.

Power of Attorney

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

Property Insurance

Property Insurance naming SDHC 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.

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)

Flood Insurance

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 the 3% interest deferred payment loan. 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.

Title insurance is not required for the Closing Cost Grant.

Loan Funding

To request funding, the escrow officer is to e-mail all items requested on the title and escrow instructions issued with the loan documents to FTHB@sdhc.org.

Prior to funding, the Original wet signature SDHC Promissory Note, Grant Agreement and Truth in Lending must be delivered to 1122 Broadway #300, San Diego, CA 92101.

The following documents must be received as part of the funding package:

- Certified copy of the fully executed SDHC of Trust
- Original fully executed SDHC Promissory Note
- Certified copy of the fully executed SDHC CC&Rs (if applicable)
- Original fully executed SDHC Truth in Lending
- Original fully executed SDHC Closing Cost Grant Agreement
- Hazard Insurance with SDHC listed as a mortgagee. HOA & HO6 policies are required on condos / townhomes.
- Estimated Settlement Statement
- Copy of the 1st Deed of Trust and Promissory Note
- Copy of Grant Deed

Upon receipt of the loan closing package from escrow, SDHC reviews the funding package for accuracy and completes a final file review to ensure all necessary documents and prior to funding conditions have been 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 for the total amount of the 3% interest deferred payment loan, closing cost assistance, Inspection reimbursement and if applicable homebuyer education reimbursement. There are no fees deducted by SDHC from the wire.

Post-Closing

Immediately following the close of escrow, the following documents are to be submitted to SDHC:

- Final Settlement Statement. Approval by SDHC is required prior to disbursing funds.
- Lenders ALTA Policy insuring the SDHC loan.

CHANGES PRIOR TO CLOSE OF ESCROW

Cancellations

When a decision is made not to continue with the first time homebuyer assistance, the loan officer is to submit a cancellation request in the SDHC Lender Portal within 24 hours of the transaction cancellation.

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

Document Expirations

Credit package documentation should include the "most current" available of each document type and should be dated within 30 days of submission to SDHC. Credit package documentation includes, but is not limited to, the following:

- Income documentation, i.e. paystubs, profit and loss, etc. Must be updated throughout the underwriting process.
- Bank statements. Must be updated throughout the underwriting process.
- Credit report, must be dated within 90 days of SDHC approval.
- First trust deed underwriting approval. A new approval must be provided if there is a change to the loan amount or interest rate.

Change in Income / Employment

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.

Change in 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.

Change in Acquisition Cost

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

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

Program Funds / Termination

All eligible applications are allocated funds during application intake.

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 attend SDHC's lender training class every 3 years.** E-mail FTHB@sdhc.org to obtain quarterly training information.

The following are requirements for the lender enrolling and remaining active:

- Annually, submit the SDHC Lender Participation Agreement by e-mail to FTHB@sdhc.org
- Pay the *annual* lender fee of \$500. Make check payable to SDHC. Send to: 1122 Broadway #300, San Diego, CA 92101
- Agree to adhere to the *Quality Commitment Policy* outlined in the lender participation agreement
- Provide a copy of this First Time Homebuyer Program Manual and Guidelines to all loan officers, loan processors and underwriters who will work with the program
- Loan Officers and their processing team to submit complete applications and conditions in a timely manner.
- Loan officer to provide a copy of the SDHC disclosures to all applicants, and clearly explain the terms of the SDHC loan/grant in a timely manner.

Penalties for Misrepresentation by Applicant or Lender / Loan Officer

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 SERVICING

SDHC services all first time homebuyer down payment and closing cost assistance for properties in the City of San Diego and County of San Diego. After the close of escrow, all loan servicing related inquiries should be sent to loanservicing@sdhc.org. For information on subordination requests, payoff demands and more, Visit the SDHC Loan Servicing page at <https://www.sdhc.org/housing-opportunities/loan-services/lenders-and-escrow-companies/>

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, when the rate would increase to 10%.

The loan becomes due and payable when the acceleration clause has been triggered by any of the following:

- 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

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. The new loan must meet the subordination requirements listed on the SDHC website (see link above).

These guidelines may change at the Housing Commission's sole discretion. SDHC, at its sole discretion, reserves the right to grant or deny loan requests that do not represent the best interest of the City/County and the Borrower AND satisfy the purposes of its programs. All terms, conditions and fees are subject to change.

Refinancing a Mortgage Credit Certificate (MCC)

If an owner with an MCC refinances their original mortgage, the owner 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, familiar status or physical/mental disability. For more on our commitment to affirmatively furthering fair housing visit our website at www.sdhc.org