

**City of Glendale
First Time Home Buyer Program**

Summary of First Time Home Buyer Program

The Housing Authority of the City of Glendale (Authority) offers deferred payment, second mortgage loans to eligible first time homebuyers. Authority loans are available to pay a portion of the purchase price of eligible condominiums, town homes, or detached single-family homes in the City of Glendale.

The following is a summary of certain loan terms of the City of Glendale's First Time Home Buyer (FTHB) Program. Borrowers should refer to the Loan Agreement for more specific and complete details of loan terms.

First Time Home Buyer Program Eligibility Requirements

To be eligible for a FTHB Loan, you must meet the following requirements:

1. You must be a First Time Home Buyer. You cannot have owned property in the past three (3) years that was considered your primary place of residence.
2. Your gross annual household income (including income from all household members) must be at a moderate income level. This level requires your household income to be at least 80 percent of the area median income but not to exceed 120 percent of the area median income, adjusted for family size. The table below shows the minimum and maximum allowable household income by household size as of April 2009.

Household Size	Minimum Allowable Household Income	Maximum Allowable Household Income
1	\$44,400	\$52,150
2	\$50,750	\$59,600
3	\$57,100	\$67,050
4	\$63,450	\$74,500
5	\$68,550	\$80,450
6	\$73,600	\$86,400
7	\$78,700	\$92,400

(Example: For a household size of 4, the gross annual household income should be at least \$63,450, but less than or equal to \$74,500.)

3. You must purchase an eligible detached single family home, townhome, or condominium located within the City of Glendale.
4. You must live in the home full-time as your primary residence.

5. You must obtain a first mortgage loan from Chase Bank. (The Authority has an exclusive agreement with Chase Bank to provide first mortgage loans to participating first time homebuyer households.)
6. Your total monthly housing costs may not exceed those described in California Health and Safety Code Section 50052.5(b) as appropriate for your household income and adjusted for family size appropriate to the housing unit that you purchase.

Maximum Purchase Price of Home

The FT HB program has flexible, individual maximum home purchase prices that are based on your household size, your income, the size of home you purchase, and amount of your down payment. If you meet the eligibility requirements, staff will work with you to determine your household’s maximum purchase price using the FT HB program.

Down Payment Requirement

You must provide a minimum down payment of five percent (5%) of the purchase price of the home. Two percent (2%) can be a gift from a third party (i.e. relative and/or friend, etc.)

Maximum FT HB Loan Amount

Condominium, Townhome, or Single Family Home: \$75,000

Your actual loan amount may be less than the maximum loan amounts stated above and will be determined based on 1) the purchase price of the property; 2) the amount of your down payment; and 3) the amount the first mortgage loan for which you qualify.

Example: If the Purchase Price for a condominium is \$250,000; your Down Payment is \$12,500 (5 percent of the purchase price); and you qualify for a First Mortgage Loan of \$200,000; the amount of your FT HB loan would be \$37,500 and is calculated as follows:

\$250,000	Purchase Price
- \$12,500	Down Payment
- <u>\$200,000</u>	First Mortgage Loan
\$37,500	FT HB Loan Amount

Interest on Authority Loan

0% Interest Loan and No Payments for 45 Years: The Authority Loan will accrue no interest for 45 years and you will make no monthly payments on the Authority Loan.

Loan Principal Forgiven after 45 Years: After 45 years of continued residence and ownership, the principal balance of the Authority Loan will be forgiven.

Appreciation Share: The Authority Loan contains an “Appreciation Share” provision, defined as the Authority’s proportionate share of appreciation in the property. If the principal amount of the Authority Loan becomes due and payable within 45 years, the Appreciation Share will also need to be paid in full. After 45 years of continued owner-occupancy, Appreciation Share will not become due and payable.

If, however, within 45 years, you sell the property, prepay the Authority Loan, or if the Authority Loan otherwise becomes due and payable, you will have to repay the principal amount of the Authority Loan plus Appreciation Share, as described below.

Appreciation Share is a percentage of the remaining proceeds after the following have been deducted from the sales price or appraised value of the property:

1. Balance of the first mortgage loan;
2. Principal reduction payments on the first mortgage loan;
3. Principal amount of the Authority Loan;
4. Original Borrower Down Payment;
5. Documented Capital Improvements Costs; and
6. Specific costs and fees related to the transaction.

The Housing Authority’s proportionate share of appreciation in the property is greater in the first five years of the loan and decreases after five years.

Calculation of Appreciation Share in First Five Years: If the Authority Loan becomes payable during the first five years of the loan, the Authority’s proportionate share of appreciation is calculated as follows:

$\text{Authority's Proportionate Share} = \frac{\text{Authority Loan Amount}}{\text{Authority Loan Amount} + \text{Borrower's Down Payment}}$

Example: If Authority Loan Amount is \$45,000 and Borrower’s Down Payment is \$12,500, the Authority’s Appreciation Share would be 78.3% and is calculated as follows:

$$\text{Authority's Proportionate Share} = \frac{\$45,000}{\$45,000 + \$12,500} = \frac{\$45,000}{\$57,500} = 78.3\%$$

In the above example, the Housing Authority would be entitled to 78.3% of the appreciation of the property in addition to the principal amount of the Authority Loan.

Calculation of Appreciation Share after Five Years and Before 45 Years: If the Authority Loan becomes payable after five years and before 45 years, the Authority's proportionate share of appreciation is calculated as follows:

$$\text{Authority's Proportionate Share} = \frac{\text{Authority Loan Amount}}{\text{Original Purchase Price of Property}}$$

Example: If the Authority Loan Amount is \$45,000 and the Original Purchase Price of the Property is \$250,000, the Authority's Proportionate Share would be 18% and is calculated as follows:

$$\text{Authority's Proportionate Share} = \frac{\$45,000}{\$250,000} = 18\%$$

In the above example, the Housing Authority would be entitled to 18% of the appreciation of the property in addition to the principal amount of the Authority Loan.

If the Authority Loan becomes payable after 45 years, Appreciation Share will not be payable.

Refinancing of First Mortgage Loan

You may refinance your First Mortgage Loan with Chase Bank for an interest rate reduction.

Example of refinance with an interest rate reduction: If your First Mortgage Loan has a current balance of \$162,000 with an interest rate of 7½%; and interest rates later decline to 6¼%; you may refinance your First Mortgage Loan with Chase Bank to obtain a lower interest rate. The loan term must be for 30 years with a fixed interest rate.

You may also refinance your First Mortgage Loan with Chase Bank to take limited equity out of your home for other purposes. The equity limitation requires that the new first mortgage loan amount not exceed the value of the original First Mortgage Loan amount from when the home was purchased.

Example of refinance with limited cash out: If the original First Mortgage Loan is \$200,000 and through principal payments, the balance of the First Mortgage Loan has been reduced to \$195,000, then you could refinance with Chase Bank for a loan amount not to exceed the original First Mortgage Loan of \$200,000, provided that the interest rate on the new loan is the same or lower rate than your current loan. The additional \$5,000 cash could be taken out to use as you choose. The loan term must be for 30 years with a fixed interest rate.

You may not refinance your First Mortgage Loan with a lender other than Chase Bank.

If you choose to refinance your First Mortgage Loan with a lender other than Chase Bank or refinance for an amount exceeding the original First Mortgage Loan amount, the Authority Loan will become immediately due and payable, including principal and Appreciation Share.

Junior Liens (Third Mortgage Loans)

You may use the property as security to obtain a mortgage loan that is junior to the Authority Loan provided that all of the loans on your property do not exceed the original purchase price of the property when you purchased it OR the fair market value of the property, whichever is less.

Right of First Refusal to Purchase

If, within 45 years of purchase, you decide to sell the property, the Authority will have a Right of First Refusal to Purchase the property on the same terms and for the same purchase price as the proposed sale. For example, the Authority may want to purchase the property and resell it to another moderate-income homebuyer or include it in a future affordable housing project. If the Authority exercises this right, the property would be purchased on the same terms and for the same purchase price as the proposed sale.

I have reviewed and understand the contents of this Summary of First Time Home Buyer Program.

Applicant (Print name)

Applicant (Signature)

Date

Co-Applicant (Print name)

Co-Applicant (Signature)

Date