

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

FIRST TIME HOME BUYER

**Downpayment Assistance and Closing Costs Assistance
Program**

GENERAL INFORMATION



This brochure is intended to provide a general overview of the Riverside County First Time Home Buyer Down Payment Assistance Program for prospective first-time home buyers, real estate agents and other interested persons. After reviewing this material, if you feel that you qualify for the program, please contact a participating lender. A list of participating lenders is included with this information packet.

July 1, 2008 through June 30, 2009

For more information. If you would like to apply for the FTHB Program, please contact one of the participating lenders. They will review your qualifications and assist in applying for the program.

If you have any questions or need additional information about the FTHB Program, please contact:

Riverside County
Economic Development Agency
First Time Home Buyer Program
PH: (800) 909-0079
FAX: (951) 955-3426

Located at:
1325 Spruce Street, Suite 400
Riverside, CA 92507

www.rivcoeda.org

**RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM
INFORMATION PACKET**

What is the First Time Home Buyer Down Payment Assistance Program (FTHB)? The Riverside County FTHB Program is designed to provide assistance to lower income persons in the purchase of their first home. Assistance may be provided for the downpayment in the purchase of a home. The amount of assistance available depends upon the buyer's qualifications and the price of the home. In general, a buyer may only receive what they need, up to 20 % of the purchase price of the home.

What is the First Time Home Buyer Closing Cost Assistance Program? The Riverside County FTHB Program is designed to provide closing cost assistance to lower income persons in the purchase of their first home. Assistance may be provided for the closing costs associated with the purchase of a home. The amount of assistance available depends upon the buyer's qualifications and the price of the home. In general, a buyer may only receive what they need, up to a maximum of \$2,000 in non-recurring closing costs.

Combined total of downpayment assistance and closing cost assistance may not exceed \$75,000.

Who qualifies for the FTHB Program? The three basic qualifications for the FTHB Program are (1) the buyer must be a first time homebuyer; (2) the buyer's annual income must be eighty percent (80%) or less of the area median income; and (3) the home being purchased must be located in a qualifying location and the purchase price must be within the program price limit. Priority is given to Housing Authority Section 8 Voucher Program participants' who participate in the Family Self Sufficiency (FSS) Program.

What is a first time homebuyer? In order to qualify as a first time homebuyer, the purchaser cannot have owned a home for the previous three years from the date of application to the FTHB program. The purchaser must sign a sworn application attesting that they have not owned a home. In addition, the last three years tax returns will be reviewed to ascertain that no mortgage interest or real estate tax deductions have been claimed. Exception: A person that qualifies as a displaced homemaker or a single parent and, while previously married, owned a home with his or her spouse, does not need to meet the first time homebuyer requirement. For the purposes of determining home ownership, a dwelling unit that was not permanently affixed to a permanent foundation (i.e. a mobile home) shall be not included in the three-year requirement.

What are the qualifying incomes? In order to be eligible for this program, the buyers' annual income shall not exceed 80% of the area median income, as determined by HUD, adjusted for family size. In addition, assets shall not exceed these limits. Currently, the income limits are as follows:

Maximum Annual Household Income Adjusted for Family Size Effective February 14, 2008	
Household Size	Maximum Annual Income
1	\$37,300
2	\$42,650
3	\$47,950
4	\$53,300
5	\$57,550
6	\$61,850
7	\$66,100
8	\$70,350

What are the other buyer requirements? The buyer must have sufficient income and creditworthiness to qualify for a first mortgage through one of the participating lenders. In addition, the buyer must accept the highest loan-to-value ratio first loan for which they qualify. In order to be eligible for participation in the FTHB Program, prospective purchasers must complete the minimum requirements of education in a Home Buyer's Seminar through an agency approved by the EDA.

What is the maximum home price? The maximum home purchase price under this program is currently \$380,000. The appraised value of the property cannot exceed this limit. The downpayment assistance will be based on a percentage of the home sales price which shall be justified by an appraisal.

What are the qualifying locations? This Program may be utilized to purchase a home in the following locations: (1) all unincorporated areas of Riverside County, such as Cabazon, Glen Avon, Jurupa, Highgrove, Mira Loma, Mead Valley, Mecca, Menifee, North Shore, Nuevo, Pedley, Quail Valley, Romoland, Rubidoux, Sun City, Thermal, Thousand Palms, Valle Vista, Wildomar or (2) within the City Limits of the following jurisdictions: Banning, Beaumont, Blythe, Canyon Lake, Cathedral City, Desert Hot Springs, Indio, Lake Elsinore, La Quinta, Murrieta, Norco, Perris, San Jacinto, Temecula and Wildomar.

There are separate funding sources for unincorporated areas and areas within City limits and at times funds may only be available for unincorporated areas.

Please note that the following cities are **not eligible** for the FTHB Program and assistance **cannot** be given to purchasers of homes located within the City Limits of these cities: Calimesa, Coachella, Corona, Hemet, Indian Wells, Moreno Valley, Palm Desert, Palm Springs, Rancho Mirage, and the city limits of Riverside.

What kinds of properties are eligible? The FTHB program may be used to purchase any new or resale home that is: (1) permanently fixed to a permanent foundation, (2) has a minimum of two bedrooms, and (3) is currently occupied by the Seller or vacant (tenant occupied homes are not eligible). Homes with in-ground pools or spas are not eligible. The home must be in sound condition and meet the Housing Quality Standard as determined by EDA. The purchaser must reside in the home as his or her **principal** residence within sixty (60) days of purchase and the home shall not be used as a business nor as a vacation (second) home.

A home shall not be eligible for purchase under this program unless it is in standard condition and suitable for occupancy upon purchase. The County will require that a Home Inspection be performed for all existing homes, and repairs may be required. The County will not make nor pay for repairs to homes at any time. The borrower shall agree to maintain the home in standard condition for the term of the EDA assistance. To this end, the purchaser shall be required to obtain a one-year home warranty as part of the home purchase.

What is the process to apply for the FTHB Program?

- (1) If you are a first-time homebuyer whose income is within the Program limits, the first step is to contact a participating lender for eligibility screening. The lender will take a loan application at this time and pre-qualify you for a first loan and the FTHB Program. The lender will also determine the maximum home price that you can afford.
- (2) If you are a Section 8 Family Self Sufficiency Program participant and/or first-time homebuyer whose income is within the Program limits, the first step is to contact a participating lender for eligibility screening. The lender will take a loan application at this time and pre-qualify you for a first loan and the FTHB Program. The lender will determine the maximum home price that you can afford, and will also determine whether you are eligible for assistance under the County of Riverside FTHB Program.
- (3) After the lender has determined if you are eligible for the program, you will need to attend a Homebuyer Education class for the FTHB Program. The lender will provide the names and phone numbers of approved homebuyer education providers, and you will need to call one of the providers to schedule a class. There may be a minimal charge to attend this class, which may be an eligible expense for FTHB assistance.
- (4) Once you are pre-qualified for the program and have a maximum home price, you may locate a home to purchase. If you are interested in an existing home, it is recommended that you contact a Realtor to assist you in locating a home to purchase. Note: Make sure that you look for homes in participating locations for this program.
- (5) Once you have located a home, you will need to make a purchase offer and start escrow. Your real estate representative or new home salesperson and your lender

can assist in this process. You must provide a Homeownership Notice (FTHB-3) to the sellers as an addendum to the purchase contract (your lender can provide you with a copy of this Notice). Once your purchase offer is accepted and escrow begins, your lender will assist you in completing the application materials for the FTHB Program.

- (6) During escrow your lender will process your loan application for the first mortgage and FTHB Second mortgage. You will be required to sign forms authorizing the lender to submit a FTHB Reservation on your behalf and disclosing your current income from all sources. Prior to the close of escrow you will sign loan documents and both the first and second mortgages will be funded.
- (7) When escrow closes, you will become a homeowner and will be responsible for maintaining the property in sound condition. You will begin making monthly payments on your first mortgage. The FTHB Second Mortgage will not require payments until you sell your property or a cash out refinance on the first mortgage. After the 15 year affordability period, the FTHB assistance is converted to a grant with no repayment of funds. The closing cost assistance is provided in the form of a grant and will not require any repayment.

What are the first loan terms? The purchaser shall apply for a first mortgage from a participating lender. The first loan must be a fully amortized, fixed rate, thirty-year mortgage and the EDA Down Payment Assistance will be a deed recorded in second position to the first mortgage. The purchaser must accept the highest first mortgage amount (principal amount at going interest rate) for which they can qualify. Loan terms and qualifications (interest rate, creditworthiness, etc.) in addition to those specified above will be determined by the participating lender.

What costs can be paid by FTHB Program? The FTHB financial assistance can be provided as down payment assistance and closing cost assistance. The amount of assistance available depends upon the buyer's qualifications. The FTHB assistance absolute maximum is \$75,000.

In general, FTHB funds shall be used exclusively for down payment assistance. However, closing cost assistance is available to all eligible homebuyers who qualify for FTHB. The maximum amount of assistance for closing cost is \$2,000 for non-recurring costs only.

The closing cost assistance can be provided to cover some closing costs associated with the home purchase. Eligible costs may include, but are not limited to, permanent interest rate buy-downs, non-recurring closing costs (as defined by the County of Riverside), homebuyer education class, home inspection and home warranty. The amount of assistance available depends upon the buyer's qualifications. Repairs, recurring closing costs and other similar borrower obligations are currently not eligible for payment with FTHB funds.

What are the terms of the Downpayment Assistance? The minimum amount of assistance that may be provided is \$1,500 per home purchase. The maximum amount of assistance is 20% of the purchase price of the home. However, this assistance amount may be further reduced if the buyer does not need the full amount to purchase a home. The FTHB assistance is recorded as

a second mortgage on your home. This deferred second mortgage does not require any monthly payments and is not interest bearing. In exchange for receiving funds to assist in the purchase of a home, the purchaser must agree to a fifteen (15) year affordability period. If the home is sold during the term of the affordability period, it must be sold to a low income buyer who qualifies for the FTHB Program or the full amount of the assistance must be repaid.

What are the terms of the Closing Cost Assistance? The maximum amount of assistance that may be provided is \$2,000 per home purchase for non-recurring closing costs. However, this assistance amount may be further reduced if the buyer does not need the full amount to purchase a home.

Is there a deadline to apply for this program? The County will accept Reservations as long as funds are available. It is anticipated that additional funds will be allocated to the Program in the future, depending upon fund availability.

Who are the Approved Lenders? The County of Riverside typically has nine to twenty participating lenders, with multiple branches throughout the County and elsewhere in Southern California, to participate in the First Time Home Buyer (FTHB) Program. The current list of participating lenders and branch offices is attached. **Purchasers must use one of these lenders and are encouraged to compare prices and loan terms among these lenders.**

How were the Approved Lenders selected for the FTHB Program? The Economic Development Agency published a Request for Qualifications (RFQ) for qualified lenders. The RFQ was published in a newspaper of general circulation, and invitations were mailed to lenders participating in other homebuyer assistance programs administered by EDA as well as lenders requesting to be placed on the mailing list. All lenders were invited to submit materials detailing their qualifications for the program. All submittals that were received prior to the deadline were evaluated and ranked according to the criteria in the RFQ. Lenders that demonstrated in their submittals that they met all the program requirements were selected as participating lenders.