

## COUNTY OF SAN DIEGO PERMANENT LOCAL HOUSING ALLOCATION DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES

### Program Overview:

The Permanent Local Housing Allocation Down Payment Assistance (DPA) Program is a first-time homebuyer program designed to make funds available to moderate-income households to help with the purchase of a home located in the County of San Diego program area including the Cities of Coronado, Del Mar, Imperial Beach, Lemon Grove, Poway, Solana Beach and all Unincorporated Areas of the County of San Diego.

“Moderate-Income” has the meaning set forth in HSC Section 50093, which is a maximum of 120 percent Area Median Income (AMI) using income limits issued by the California Department of Housing and Community Development at the following link: [State and Federal Income, Rent, and Loan/Value Limits | California Department of Housing and Community Development](#)

### Eligible Borrowers:

- Households whose income is 120 percent or less than the San Diego County Area Median Income (AMI), as adjusted for household size. Gross income will be calculated based on the program guidelines stated below. To establish program eligibility, income of all household members 18 years and older must be taken into account. For the purpose of determining household size, any person claimed as a household member must have lived with the borrower for a minimum of six months.

Maximum Income Limits <i>effective June 6, 2023*</i>			
Household Size	120% Income Limit	Household Size	120% Income Limit
1	\$98,100	5	\$151,350
2	\$112,100	6	\$162,550
3	\$126,150	7	\$173,800
4	\$140,150	8	\$185,000

*\*Maximum income limits change annually*

- Qualified applicants and all household members over the age of 18 must be a first-time homebuyer. First-time homebuyer means a person who has not owned a home during the three-year period prior to purchase of a home using assistance from the County of San Diego. This timeframe includes those 36 months previous to the date the mortgage is executed. The following individual or individuals who may not be excluded from consideration as a first-time homebuyer under this definition:
  - A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by a spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive 12-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without compensation to care for his or her home and family; or
  - A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried and has one or more minor children for whom the individual has custody or joint custody (borrower must have child a minimum 51% of the time if joint custody).

**Eligible Properties:**

Single family homes, townhomes and condominiums located within the County of San Diego program area.

The price paid for the property must not exceed the current maximum purchase price limit (adjusted monthly).

The price paid for the property must be substantiated by a qualified appraiser. 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 30 days prior to submission of the purchase offer by borrower.

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

**Property Condition:**

Termite Clearance:

A termite report and clearance is required on all properties. Section I and II clearance required. This requirement *cannot* be waived.

Property Standards Inspection and Assessment for Lead-Based Paint:

The subject property must be inspected by an approved home inspector. The inspector will evaluate the property to ensure it meets the County of San Diego property standards and is healthy and safe for occupancy. In addition, if the property was built prior to 1979, the inspector will conduct a visual lead-based paint assessment. Upon completion of the property inspection, a report will be provided for review. All inspection repairs identified must be addressed and repaired prior to escrow closing.

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

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

Please be advised, the property standards inspection and assessment for lead-based paint are not a complete home inspection. It is strongly recommended the borrowers obtain a full property inspection from a licensed residential property inspector.

**Borrower Down Payment Contribution**

Minimum of three percent (3%) of the sales price. The borrower's contribution towards the down payment must be from their personal funds. If the borrower's contribution towards the down payment exceeds eight percent (8%) of the sales price, the County's DPA loan amount will be reduced according to the methodology described in the "Loan Amount" section below.

Any seller contributions or subsidies the borrower receives are in addition to the required borrower contribution of three percent (3%) towards the down payment.

**Loan Amount:**

Up to 17% of the purchase price or appraised value whichever is less for down payment assistance. The total amount of the borrower's down payment plus the County's down payment assistance cannot exceed 25% of the sales price. If the borrower's contribution towards down payment exceeds 8%, then the County's down payment assistance will be reduced in order to keep the total down payment below 25% of the sales price.

The borrower may apply for a loan less than 17% of the sales price if needed to keep debt-to-income ratio or assets within guidelines or to keep the total down payment under the established threshold.

**Loan Terms:**

1. Simple three percent (3%) interest, deferred payment loan with a term of 30 years. No monthly payments of principal or interest are required. When the buyer sells the property or requests to pay the loan in full, in addition to payment of the principal balance, the buyer must pay all the outstanding accrued interest.
2. The Deed of Trust contains an acceleration clause, which will call the entire loan due and payable upon certain events, including the following:
  - Transfer or sale of the property
  - If the borrower no longer occupies the property
  - Discovery of willful misrepresentation or fraud in connection with any aspect of the DPA loan
  - Renting of the property
  - Uncured default by borrower on the first trust deed note, or deed of trust, or any other senior or junior loan or encumbrance on the property
3. The ratio of total financing to purchase price may not exceed 100%, with an additional 5% to be allowed toward closing costs for a total maximum Combined Loan To Value (CLTV) 105%. Except in the case of Federal Housing Association (FHA) and Veterans Affairs (VA) financing when Up Front Mortgage Insurance Premiums (UFMIP) and VA funding fees are financed by the 1<sup>st</sup> trust deed.

*Borrowers are required to have a minimum down payment or closing costs of 3% from their personal funds.*

4. Subordinate financing to the DPA deferred loan is allowed provided that the Lender qualifies the Borrower for the highest possible first mortgage, while adhering to the guidelines of the applicable subordinate financing program. The gap between the first mortgage for which the Borrower qualifies and the price of the home shall not be in excess of the maximum allowed DPA loan amount plus the Borrower's down payment. The DPA loan and any subordinate financing cannot exceed the maximum loan amount thresholds established above.
5. Co-borrowers or co-owners, other than owner occupants, are not permitted. This rule is included to prohibit investors from utilizing qualified persons to purchase a property for their own investment purposes and financial gain. The non-borrowing spouses are considered co-borrowers for eligibility purposes, such as income and debt calculations, even if they will not be on the loan for the first mortgage.
4. Loan Assumption – Generally, DPA loans are not assumable. The DPA loan must be paid in full upon the sale or transfer of the property. However, under certain terms and conditions, the DPA loan may be assumed *with the prior written consent of the County of San Diego*.
5. Refinance/Subordination Agreements – DPA loan can be subordinated to the refinancing of the existing first trust deed loan in order to lower the interest rate or reduce the loan term. Cash out refinances are not permitted.

**Credit Guidelines:**

- Minimum credit score: 640
- Borrowers with a foreclosure within the last five years must provide a letter of explanation and substantial back-up documentation as to the cause of the foreclosure;
- A letter of explanation is required for all derogatory reporting's dated within two years of the close of escrow; all collections and judgments must be paid in full through escrow or prior to the close of escrow, back-up documentation showing the account has been paid is required if paid outside of escrow; and
- A credit report for a non-borrowing spouse is required. All debt of the non-borrowing spouse will be used in the debt-to-income ratio calculations.

- All collections (including medical collections) and judgments must be paid in full.

#### **Income Qualifying for Eligibility Only:**

The combined income of all members of the household 18 and over who are currently living together as a family and will be living in the property must be included in the determination of income. The household's income must be projected as an annual income. It should be assumed that today's circumstances would continue for the next 12 months, unless there is verifiable evidence to the contrary. Income on assets is considered when determining if a household is 120% or less of AMI. All households must be income-qualified no more than 90-days prior to the close of escrow. For the purpose of determining eligibility income, all income is included even if there is less than a two-year history. Only the income from the borrower's current employer will be used. The income from past employers is reviewed solely for the purpose of determining job history and will not be factored into the income calculation.

#### **Income Calculations for Underwriting:**

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

Applicants, co-applicants and non-borrowing spouses must have a minimum of a two-year continuous work history. Volunteer and intern work does not count toward the two-year work history requirement.

#### **Asset Reserve / Limitation:**

- *Asset reserve minimum* requirement of \$1,000 at the close of escrow
- *Asset limitation* of \$25,000 for one person and \$500 for each additional household member.

Liquid assets of all family members, including children, must be considered. If a portion of the assets will be used towards the purchase and have or will be placed in escrow, they will not be considered.

#### **Debt-to-Income Ratio:**

The borrowers monthly housing debt, including principal, interest, property taxes, property insurance, and if applicable mortgage insurance and homeowner's association dues, must be at least 30 percent of the borrower's gross monthly income. The borrowers monthly housing debt, *plus* all other household monthly debt (including credit cards, automobile payments, etc.), cannot exceed 45 percent of the borrower's gross monthly income. The County may consider ratios outside of these limits on a case by case scenario at the County's discretion.

The income of a non-borrowing spouse *is* included when calculating the debt-to-income ratios.

#### **First Trust Deed Loan:**

The loan must be a 30-year, fixed interest rate loan. Conventional, FHA and VA financing are acceptable. First trust deed lenders are required to collect and manage an impound account for payment of taxes, assessments and property insurance for the term of the first mortgage.

#### **Homebuyer Education Class:**

All applicants, co-applicants and non-borrowing spouses, whether on title or not, are required to attend a homebuyer education class given by a Contractor approved agency.

*NOTE: Effective August 1, 2020 there is a HUD-mandated requirement that any housing counseling/homebuyer education is provided by a HUD-certified counselor employed by a HUD-approved agency.*

## ELIGIBILITY VERIFICATION

<b>Applicant Eligibility</b>	<b>Standards</b>
Co-Signers	Co-signers who will not occupy the property are prohibited.
Documentation	<ul style="list-style-type: none"> <li>• If married: spouse must sign Contractor's forms, disclosures and promissory note; regardless of vesting.</li> <li>• If unmarried: need copy of final divorce decree and judgment from the court.</li> <li>• Death certificate for deceased spouse.</li> <li>• Non-US Citizen: copy of permanent alien registration card (green card)</li> <li>• Copy of driver's license or other photo ID</li> </ul>
<b>Income</b>	<b>Standards</b>
Alimony and Child Support	Copy of divorce decree and/or child support agreement, with six months proof of payment.
Disability Income	Copy of award letter from payer.
Social Security Income	Copy of award letter from payer.
Retirement or Pension Income	Copy of award letter or W-2 from payer.
Workers Compensation Benefits	Copy of award letter from payer.
Unemployment Compensation	Copy of award letter from payer.
Financial Aide (student loans, etc.)	Copy of award letter from payer.
Interest or Dividend Income	Two years 1040s, copies of current statements verifying buyer's assets.
Tax Returns	Three years tax returns, signed.
Salaried Borrowers	Most recent pay stubs covering minimum of two month's income. If there are multiple employers, all pay stubs showing year-to-date earnings.
Part-Time Employment	Most recent pay stubs covering a minimum of two month
Bonus and Overtime Income	Must be documented on pay stub. Will be used if there is a two-year history and likelihood of continuation.
Self-Employed	Two years tax returns with schedule C and a year-to-date signed profit and loss statement.
Commission Only	Two years tax returns with schedule C and a year-to-date signed and dated profit and loss statement <u>or</u> most current pay stubs covering a minimum of one month
<b>Assets</b>	<b>Standards</b>
Checking and Savings Accounts	Three months most recent bank statements.
Stocks and Bonds	Must be verified by brokerage firm or similar company and statement of account.
Saving Bonds	Copy of bond.
401K or Retirement Accounts	Copy of account statement and letter from employer verifying that borrower does <u>not</u> have access to the funds, if applicable.
<b>Liabilities</b>	<b>Standards</b>
Alimony/Child Support	Include as debt if over six months remaining. Need copy of divorce decree.
Installment Loans	Include as debt if over six months remaining.
Revolving Accounts	Use payment stated on credit report or application, whichever is higher. If payment is not stated, use the higher of \$10 or 5% of the outstanding balance owing.
Student Loan	If loan is deferred for one year or more, do not include

	as a monthly obligation. If less than a year deferment or borrower making payments, include as a debt.
<b>Credit History</b>	<b>Standards</b>
Credit Reports	Must be a "three-repository merged" credit report. Any items not belonging to borrower must be removed from the report. Credit report cannot be dated more than 60 days from underwriting.
Collections	All unpaid collections must be paid. Need letter of explanation from borrower.
Derogatory Credit	Letter of explanation is required for all derogatory credit. No accounts can be past due at the time of loan application.
Bankruptcy	General rule is that a minimum of two years has elapsed since the bankruptcy was discharged with no derogatory rating since the discharge. Buyer must have rebuilt their credit. A copy of the bankruptcy filing, the discharge and letter of explanation required.
Short Sales / Foreclosures	A minimum of three must have elapsed since the short sale or foreclosure. Buyers must provide a letter of explanation and back-up regarding the cause of the short sale or foreclosure.
Judgments, Garnishments and Involuntary Liens	No outstanding judgments, garnishments or involuntary liens are allowed.
Inquires	Any inquires within the last 90-days must be explained.
No or Limited Credit History	Alternative credit history is required. Utility payment records (at least three months most recent statements), rental payments (past 12 months) or other personal loans (past 12 months). Need three forms of credit history, at least one must be a rental history.

