



First Home Emeryville Down Payment Assistance Program Implementation Manual

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SECTION 1 - INTRODUCTION

“First Home Emeryville” the City of Emeryville’s down payment assistance program for first-time homebuyers (the “FTHB Program”), provides down payment and closing cost assistance to eligible First-time Homebuyers in purchasing a home within the city limits of Emeryville. This Implementation Manual is intended to provide general information about the FTHB Program as well as information about the application and review process. For a more detailed description of the FTHB Program and the eligibility requirements, please refer to the City’s FTHB Program Guidelines.

Down payment assistance plays a crucial role in helping First-time Homebuyers overcome one of the biggest barriers to homeownership—saving for the initial down payment. Many aspiring homeowners, especially those from low- and moderate-income backgrounds, find it challenging to amass the substantial funds required for a down payment, which can significantly delay or even derail their plans to own a home. By investing in a down payment assistance program, the City of Emeryville aims to bridge this gap, promoting greater homeownership and housing stability within the community. This initiative not only helps individuals achieve their dream of homeownership but also contributes to a stronger, more vibrant city by fostering stable neighborhoods and supporting local economic growth.

1.1 Overview of the FTHB Loan Program

The FTHB Program offers a 30-year loan with a fixed 3% simple interest rate. The loan is deferred with no monthly payments due during the loan term. At the end of the 30 years, the entire loan (including both principal and accrued interest) is forgiven. There shall be no payments due on the principal or interest owed so long as no Sale or Transfer of the property or Event of Default has occurred. If the loan is paid off early, due to a sale, transfer, or a refinance prior to the 30-year loan term, the principal and the greater of accrued interest or share of the property’s increased value is due.

If the property has *appreciated* from the date of purchase to the date of repayment, the City will evaluate whether the principal along with accrued interest will be due or whether the principal plus a share of appreciation in direct proportion of the dollars loaned at the time of purchase will be due.

If the property has *depreciated* and is worth less than when the property was purchased, the amount owed (both principal and accrued interest) is reduced by a portion of the decrease in value, based on how much the loan contributed to the original purchase price.

If the FTHB Loan is utilized to purchase a Below Market Rate (BMR) home, repayment of the loan prior to the 30-year term shall include the repayment of the FTHB Loan principal and accrued interest only. The repayment calculation does not include a share of appreciation due to

the affordable resale restriction that supports the long-term affordability of the home for future buyers.

1.2 FTHB Loan Amount

The FTHB Program includes a tiered assistance system based on Area Median Income (AMI) levels and size of the unit by bedroom count to determine the maximum loan amount. The amount the Applicant may receive will vary depending on each Applicant's individual circumstances, however the maximum FTHB loan an Applicant can receive is based on the following:

- The loan amount for a studio and one-bedroom is capped at \$100,000 to support homeowners earning 120% AMI or below.
- The loan amount for a unit with two or more bedrooms, is capped at \$150,000 to support homeowners earning 120% of AMI or below.
- The loan amount for households at 80% AMI or below is capped at \$200,000, regardless of the number of bedrooms.

1.3 Definitions

Area Median Income (AMI): The midpoint in the income distribution within a specific geographic area. The area median income adjusted for Household Size is published annually by the California Department of Housing and Community Development.

Applicant: A Household that has submitted an application for the City of Emeryville's FTHB Programs.

Appreciation: The increased value of a Residential Unit determined by subtracting the Purchase Price from the sales price at the time of resale or the Fair Market Value upon other events triggering repayment.

Assets: The assets to be counted when determining an Applicant's eligibility, including, but not limited, to the following: savings accounts, checking accounts, Certificates of Deposit, the total balance of any joint accounts, money market or mutual fund accounts, in trust for accounts (amount accessible), stocks or bonds, gifts, cash on hand, amounts borrowed (from a life insurance policy, IRA or retirement accounts), the amount of equity in any real estate owned, and other investments held by any the Applicant.

Back-end ratio: The ratio between monthly household income and monthly housing costs (e.g. principal and interest payments of mortgages and loans, property taxes and insurance) plus all recurring debt payments, such as installment payments, credit card payments, lease payments, child support and other loan payments.

Borrower: An Applicant who has entered into legal documents with the City securing a FTHB loan.

Borrowers Closing Package: Documents submitted to Program Administrator by Borrower as set forth in *Section 3.2*

City Loan Documents: City Loan Documents include a Promissory Note and a Deed of Trust.

Closing Disclosure: A five-page form, provided by the First Lender, that describes, in detail, the critical aspects of a potential borrower's mortgage loan, including purchase price, loan fees, interest rate, estimated real estate taxes and insurance, closing costs and other expenses.

Conditional Approval and Reservation of Funds: An evaluation of an Applicant by the FTHB Program Administrator and the City that determines whether the Applicant qualifies for an FTHB loan based on his/her/their income, and other eligibility criteria set forth in *Section 2.4*. If an Applicant is conditionally approved, the City will issue a conditional approval letter to the Applicant and reserve FTHB Loan funds for a period of 120-days.

Community & Economic Development Department: A department within the City of Emeryville responsible for overseeing the FTHB Loan Program.

Deed of Trust: A document used to establish the security for a loan, including for mortgage loans. Typically, uses the property to secure repayment of a loan or other obligation. Once fully executed, notarized, and properly recorded, the Deed of Trust becomes a Lien against the property.

Down Payment: A down payment is a sum a buyer pays upfront when purchasing an expensive good such as a home or car.

Event of Default: An event of default is a predefined circumstance that allows a lender to demand full repayment of an outstanding balance before it is due. (*See City's FTHB Program Guidelines – Section 4.11 Loan Default for details*)

FTHB Loan: City of Emeryville's Downpayment Assistance Loan

FTHB Program Administrator: Hello Housing.

Fair Market Value (FMV): The value of a property based upon the determination of an appraisal created by a qualified appraiser holding a California Certified Appraisal License (issued by the Office of Real Estate Appraisers), preferably with a Member of the Appraisal Institute member designation (issued by the Appraisal Institute), and with experience valuing similar properties in the Bay Area pursuant to Uniform Standards of Professional Appraisal Practice the cost of which shall be borne by the Applicant. After reviewing such appraisal, the City shall have the option, at its sole expense, to select an appraiser to conduct an additional appraisal of the Residential Unit. If the two appraisals are not in agreement as to the value of the Residential Unit, the amounts determined by the appraisals will be averaged to determine the Fair Market Value.

Final Approval: A written approval from the City to the Applicant and First Lender signifying that the First Loan Package and Borrowers Closing Package have been approved and the Applicant meets the eligibility criteria of the FTHB Loan Program as set forth in *Section 3.3*.

First Loan Package: Documents submitted to the FTHB Program Administrator by First Lender as set forth in *Section 3.1*.

First-time Homebuyer: Individuals that have not owned a residential property during the three-year period before applying for any Homebuyer Programs. The applicant may NOT own any real property in any state or country, as a Primary Residence or Non-owner-occupied property.

First Mortgage: the primary lien securing the First Loan on the Residential Unit which has priority over all other liens or claims on the Residential Unit in the event of default.

First Mortgage Lender: the private lender providing a First Mortgage Loan to the Applicant to finance the purchase of the Residential Unit.

Full Application: FTHB Program application with required supporting documents submitted by Applicants to the FTHB Program Administrator.

Front-end Ratio: The ratio between monthly household income and monthly housing costs, including the First Mortgage principal and interest payments, property taxes, hazard insurance and/or homeowner's association dues.

Gross Income: The amount of money made within one year before any taxes or other deductions are applied. This includes salary or wages, additional income sources such as bonuses, overtime pay, commissions, and interest or dividends from investments. *(See City's FTHB Guidelines, Section 3.1 Household Income Requirements for details)*

Interest List: A list of households who have submitted a pre-application and are awaiting an opportunity to submit a full application for the FTHB Program. Applicants are placed on the interest list in the order that their pre-application is submitted. Pre-applications will be reviewed and processed until funding for the program is exhausted. All applicants remaining on the interest list will be alerted of any new funding made available for the FTHB Program.

Hello Housing: an independent nonprofit organization which has contracted with the City of Emeryville to serve as the FTHB Program Administrator overseeing the day-to-day activities of the FTHB Loan Program.

Loan Funding Package: Final verification by the FTHB Program Administrator and the City that the FTHB Program's escrow instructions have been followed and all financing, household, and property details remain unchanged since Final Approval, as set forth in *Section 3.4*.

Pre-Application: Initial household eligibility based on stated information provided by Applicant, to determine eligibility of household to move forward in the application process. Upon request, applicants who prefer to submit a paper copy of the Pre-Application will be provided with instructions to submit a Pre-Application by mail.

Principal Residence: the residence occupied by the Applicant at least 10 months out of every calendar year.

Program: City of Emeryville's FTHB Down Payment Assistance Loan Program, otherwise known as FTHB Program, (the "FTHB Program").

Promissory Note: A written promise to pay a specified sum of money to a designated person or to his or her order, or to the bearer of the note, at a fixed time or on demand. The document

executed by loan recipients and dated concurrently with the Deed of Trust securing the Promissory Note. The Promissory Note establishes the principal loan balance and indebtedness.

Purchase Price: Borrower's cost of purchasing the Residential Unit excluding usual and reasonable settlement or financing costs.

Reservation of Funds: See "Conditional Approval."

Residential Unit: A Single-Family Residence, a townhome, or a condominium, limited equity coop units, Live/work units, co-housing and Below Market Rate (BMR) units located in the city limits of Emeryville.

Sales Contract (Purchase Agreement): A contract for the purchase and sale of the Residential Unit.

Sale or Transfer: Any voluntary or involuntary sale, conveyance, assignment, or Transfer of ownership of or any interest in the property, including a fee simple interest, Tenancy in Common, Joint Tenancy, community property, tenancy by the entireties, life estate, or other limited estate, leasehold interest or any rental of the residence, or any interest evidenced by a land contract.

Shared Appreciation: Often First-Time Homebuyer loan agreements include a shared appreciation component on Market Rate homes. In such a loan, when the borrower pays back the loan, they also pay a certain percentage of the increase in value (the appreciation) of the property, between the date of purchase and the date of the loan payoff.

SECTION 2. The Application Process

In order to be considered for a Reservation of Funds, Applicants must participate in a 2-step application process. The first step is to submit a Pre-Application, which requests basic household information. Pre-Applications determine an Applicant's basic eligibility to move forward in the process. The Full Application requires more detailed household information and complete supporting documentation for each household member. The purpose of this 2-step process is to respect Applicants' and Program Administrator's time by establishing initial eligibility based on stated household information before requiring a full application, which will reduce the time burden to potential program Applicants who are found to be ineligible at the Pre-Application stage.

2.1 The Pre-Application

Interested Applicants shall complete a Pre-Application through an online platform that can be found at www.hellohousing.info/emeryville-down-payment-assistance. Applicants can also request a paper version of the Pre-Application and mail the Pre-Application to the FTHB Program Administrator at the address contained in the Pre-Application. All Pre-Applications will be placed on an Interest List in the order that they are received. The FTHB Program Administrator shall review the Pre-Application information submitted to determine basic eligibility to move forward in the application process.

Pre-application materials and information collected include the following:

- Completed and signed Pre-application

- Current residence information
- Verification of FTHB Status
- Stated Combined Annual Gross Income for All Adults
- Total Household Assets
- Name and relationship to the primary applicant of all household members
- Household Demographic Information

Applicants will not be required to submit supporting documentation to verify the information indicated at the Pre-Application stage.

The FTHB Program Administrator shall review the Pre-Application information submitted to determine basic eligibility to proceed to the next steps of the application process. If the Applicant is considered eligible to proceed, they shall receive an email confirmation along with information about next steps and a link for completing a full application which will require the applicant to submit supporting documentation.

Confirmation of eligibility to proceed following the submittal of the pre-application does not mean approval of a funding reservation by the city. Qualification for a FTHB Loan will be evaluated at the time an applicant submits a complete Program Application.

If an Applicant is considered ineligible, the Applicant may request reconsideration of the ineligibility finding by submitting new information or documentation contesting the ineligibility finding to the FTHB Program Administer. Applicants who have included an email address in their application will be notified of their ineligibility status by email and must submit a request for reconsideration within three (3) business days from the date of the ineligibility notification email. Applicants who do not include an email address in their application will be notified through the US Postal Service and must resubmit a request for reconsideration within five (5) business days from the date of the ineligibility notification. If the applicant is not able to submit information within the stated timeframe, or the information that is submitted at the time is not sufficient to determine eligibility, the applicant may reapply for the program and will be placed on the Interest List in the order that their pre-application is received.

2.2 The Full Application

Upon receiving confirmation of the ability to move forward in the application process, the Applicant will also receive an invitation to schedule a call to discuss questions regarding the FTHB Program, the application process, and supporting materials that will be required when submitting a Full Application.

Applicants will also be provided with a weblink connecting them to the Full Application.

The FTHB Program Administrator will underwrite Applicants on a first-in, first-complete basis to determine eligibility and their maximum loan amount.

An Applicant's Full Application and supporting documents packet must include all of the following:

- Program Application

- First Mortgage Loan pre-approval letter
- Applicant(s) two months' most current and consecutive paystubs
- Award letter or two months' documentation for all other income sources including child support, social security, pension and disability income
- Applicant(s) Driver License or State Issued Identification Card
- Applicant(s) signed & dated federal tax returns for the past 3 years with all schedules & W-2s OR IRS Verification(s) of Non-Filing
- Applicant(s) three most current and consecutive months of financial account statements for all accounts
- Gift letter and evidence of donor availability of funds (if applicable)
- For self-employed Applicant: a) copies of Applicant's Federal Income Tax Returns (both individual return and business returns) that were filed with the IRS for the past three years with all schedules; b) YTD profit & loss statement
- Additional documents as requested by Program Administrator in order to verify program eligibility

The FTHB Program Administrator shall review applications and notify the Applicant of any and all missing and/or additional application documents. Request for additional documents from the Administrator to the Applicant shall be submitted within five (5) business days from the date of notification.

Failure by the Applicant to submit a complete Program Application within the application submittal period will result in a disqualification for an FTHB Loan.

2.3 Program Application Submittal Timelines

Once invited to submit a Full Application, Applicant will be provided thirty (30) calendar days to complete the Program Application and submit all required supporting documents. Upon Program Administrator review, any and all missing and additional documents required will be requested of Applicant, who will then have five (5) business days to submit the requested documents. If Applicant responds with the requested missing documents submitted and further clarifications or documents are still required that were previously requested, Applicant will be provided an additional two (2) business days to provide the outstanding documentation. Failure by the Applicant household to submit a complete Program Application with all required supporting documents within the application submittal period or failure to meet the subsequent document submission deadlines will result in program disqualification. Should Applicant desire to contest his/her/their disqualification, he/she/they must follow the steps listed in Section 2.1.

2.4. FTHB Conditional Approval and Loan Reservation Process

Upon the FTHB Program Administrator's review of a complete Program Application, the Administrator shall transmit to the City a recommendation for a Conditional Approval and Reservation of Funds or a FTHB Program disqualification, accompanied by the completed Program Application and a Summary of ineligibility findings.

A Conditional Approval and Reservation of Funds does not constitute Final Loan Approval nor guarantee that the Applicant will receive an FTHB Loan. Conditional Approvals are always subject to the availability of FTHB Program funds and are conditioned upon meeting the criteria for Final Loan Approval through the submission of the First Loan Package and Borrowers Closing Package as noted below in *Section 3*.

Final Approval criteria include, but are not limited to the following:

- Applicant Front-End Ratio meet the minimum requirements of 28% for households at 80% AMI or 30% for households between 80% and 120% AMI
- Applicant Back-End Ratio does not exceed 45%
- Property meets Property Eligibility Requirements
- Household Income remains within maximum income limits for the loan size

A. Reservation Period

- I. A FTHB Loan will be reserved and available for a 120-day reservation period to support Applicants shopping for a Residential Unit.
- II. Applicants will have the option to request that the City extend the reservation period for an additional 60 days by submitting evidence that they have been actively searching for a Residential Unit, but have been unsuccessful in the 120-day period. Evidence may include, but is not limited to, submitted, but unaccepted offers and/or evidence of extenuating circumstances that are beyond the Applicant's control. Common challenges in securing a contract such as limited availability of homes or a high volume of competitive offers will not be considered "extenuating circumstances."
- III. If an Applicant enters into a Sales Contract that is subsequently cancelled for any reason, the Applicant must immediately notify the FTHB Program Administrator. If this occurs, the Applicant may attempt to enter into contract within their Reservation of Funds timeline and should extenuating circumstances exist, may be granted a one-time extension of 60-days

All extension requests must be submitted in writing to the FTHB Program Administrator along with supporting documentation.

If a Conditionally Approved Applicant fails to enter into a Sales Contract by the end of the 120-day period plus any granted extensions, their reservation will be terminated, and the reserved FTHB funds will be unencumbered and made available to the next qualified Applicant on the Interest List. After termination of a reservation, if an Applicant would like another opportunity to purchase a Residential Unit they may reapply to be added to the Interest List and notified of future funding availability.

SECTION 3. The FTHB Program Final Approval and Closing Process

The FTHB Program requires a minimum of thirty-five (35) calendars days from the time of a Sales Contract submission to the close of escrow to ensure that there is sufficient time to prepare for the loan closing process as outlined below by the FTHB Program Administrator and the City.

The First Mortgage Lender will be responsible for submission of a First Loan Package and the Applicant will be responsible for submission of a Borrowers Closing Package, as outlined below. Any delay in submission of any documents in the First Loan Package or Borrowers Closing Package will likely result in a delayed close of escrow.

3.1 First Loan Package

The FTHB First Loan Package is required to be submitted by the First Mortgage Lender on behalf of the Applicant within five (5) business days of the Applicant entering into a Sales Contract. Any delays in the submission of the First Loan Package will delay the Applicant's close of escrow date.

A. First Loan Package Submittal (Part 1)

The First Mortgage Lender must submit a complete First Loan Package to the FTHB Program Administrator which contains the following information:

- First Residential Mortgage Loan Application - Form 1003 (signed and dated)
- Underwriting Transmittal Summary - Form 1008
- Loan Estimate
- Preliminary Title Report
- Wire Instructions
- FMV Appraisal
- Confirmation of Applicants' Names and Vesting

B. First Loan Package Submittal (Part 2)

Final First Mortgage Lender documents to be submitted by the First Mortgage Lender within five (5) business days before the Applicant closes escrow:

- Hazard Insurance Policy or HO6 Insurance Policy (a Flood Insurance Policy if applicable) with a loss payable endorsement to the City of Emeryville.

City of Emeryville, its Successors and/or Assigns
C/O EDH Division
1333 Park Avenue
Emeryville, CA 94608

- Closing Disclosure

3.2 Borrower Closing Package

The Applicant must submit a complete Borrower Closing Package to the FTHB Program Administrator at minimum twelve (12) business days prior to the close of escrow. Any delay in submittal will result in a delayed close of escrow.

Borrowers Closing Package

- General Home Inspection Report
- Pest Control Inspection Report
- Evidence of attendance at a Homebuyer Education Program from an approved agency prior the close of escrow.
- Any additional documents requested by the FTHB Program Administrator to ensure ongoing eligibility requirements

Borrower Closing Package Review Period

The FTHB Program Administrator will review the Borrower Closing Package within five (5) business days of receipt and will notify the First Mortgage Lender and Applicant if any terms included in the Borrower Closing Package do not meet the FTHB Program eligibility requirements.

If the Applicant receives a disqualification letter at this stage based on a property-specific reason (e.g. appraisal shows that they Residential Unit type is ineligible) or does not close the loan for the property indicated in the First Loan Package and Borrower Closing Package, the Applicant may attempt to enter into contract to purchase a different Residential Unit within the Reservation of Funds timeline.

Should Applicant's funding reservation expire, and they desire to re-apply, they may submit a new Pre-Application during the next open Pre-Application and be placed on the Interest List and notified should FTHB Program funds become available.

3.3 Final Approval of FTHB Loan

If the FTHB Program Administrator verifies that Applicant meets all FTHB Program eligibility requirements, a Final Approval Letter will be issued from the City to the Applicant and First Mortgage Lender signifying that the First Loan Package and Borrower Closing Package have been approved and the Applicant meets the eligibility criteria of the FTHB Program. Final Approval criteria includes, but are not limited to the following:

- Applicant Back-End Ratio does not exceed 45%
- Residential Unit meets Property Eligibility Requirements
- Applicant has sufficient funds for closing cost
- Applicant is a First-Time Homebuyer
- Evidence of attendance at a Homebuyer Education Program from a an approved agency prior the close of escrow.

3.4 Loan Funding Package

At least four (4) business days prior to the FTHB Program close of escrow date, the following Loan Funding Package must be electronically transmitted from Title Company to the FTHB Program Administrator for review to ensure that they meet FTHB Program requirements:

- The executed original City Note (FTHB Program Note)
- Copy of the signed City Escrow Instructions
- Certified copy of the executed City Promissory Note (FTHB Program Note)
- Certified copy of the executed City Deed of Trust (FTHB Program Deed)
- Certified copy of the Request for Copy of Notice of Default
- Certified copy of the Grant Deed
- Certified copy of the First Deed of Trust
- Certified copy of the First Note
- Estimated Master Settlement Statement
- Certified copy of the executed Deed of Trust and Promissory Note for any other liens behind the FTHB Loan.

SECTION 4. Loan Repayment Calculation Examples:

The FTHB Down Payment Assistance Program offers a 30-year loan with a fixed 3% interest rate. The loan is deferred with no monthly payments due during the loan term. At the end of the 30 years, the entire loan (including both principal and accrued interest) is forgiven. If the loan is paid off early, due to a sale, transfer, or a refinance prior to the 30-year loan term, the principal and the greater of accrued interest or share of the property’s increased value is due.

The following is an example of the loan repayment calculation based on the greater of accrued interest or share of the property’s increased value. Below are two charts. Chart #1 is an example of the calculation for determining the share of the property’s increase in value as a repayment method. Chart #2 is an example of the calculation for determining the accrued interest only. These are examples only for the purpose of sharing the calculation assumptions.

Chart #1 – Example Assumptions	Shared Appreciation
Original Purchase Price	\$500,000
FTHB Loan Amount	\$100,000
Fair Market Value Resale Price (after 5 years)	\$635,000
Total Appreciation <i>Fair Market Value – Original Purchase Price</i>	\$135,000
City’s Proportional Share of the FTHB Loan <i>FTHB Loan ÷ Original Purchase Price</i>	20%
Share of Appreciation <i>% of City’s Proportional Share x Appreciation amount</i>	\$27,000
Total Amount Due <i>Original loan + Share of Appreciation</i>	\$127,000

Chart #2 -Example Assumptions	Accrued Interest
Original Purchase Price	\$500,000

FTHB Loan Amount	\$100,000
Interest Rate	\$3%
Fair Market Value Resale Price (after 5 years)	\$635,000
Total Interest Owed <i>(Loan amount x Interest rate) x 5 years of ownership</i>	\$15,000
Total Amount Due <i>Original loan + accrued interest</i>	\$115,000

In the above example the repayment obligation would utilize the Shared Appreciation calculation for a market rate home since it is the repayment amount is the greater amount of the two options. However, if the home is a BMR, the repayment calculation will follow Chart #2 – Accrued Interest.

If the property has *depreciated* and is worth less than when the property was purchased, the amount owed (both principal and accrued interest) is reduced by a portion of the decrease in value, based on how much the loan contributed to the original purchase price. The following is an example of the loan repayment calculation based on a scenario of the home losing value at the time of early repayment.

Example Assumptions	Depreciation
Original Purchase Price	\$500,000
FTHB Loan Amount	\$100,000
Interest Rate	3%
Fair Market Value Resale Price (after 5 years)	\$450,000
Total Interest Owed <i>(Loan amount x Interest rate) x 5 years of ownership</i>	\$15,000
Total Repayment without reduction <i>Total FTHB Loan + Interest Owed</i>	\$115,000
Total Amount property depreciated	\$50,000
City's Proportional Share of the FTHB Loan <i>FTHB Loan ÷ Original Purchase Price</i>	20%
Total amount of repayment reduction <i>Proportional Share of FTHB Loan x Total Depreciation</i>	\$10,000
Total Repayment due Repayment without Reduction – Reduction Amount	\$105,000

APPENDIX A: FTHB LOAN PROCESSING SUMMARY

Steps	Actions
1. Submit a Pre-Application	Applicant submits a <u>complete</u> Pre-Application via Program Administrator's website, or delivery by mail, before the Pre-Application deadline.
2. Submit a Program Application	<p>All pre-applications will be placed on an interest list in the order that they are received. The FTHB Program Administrator shall review the pre-application information submitted to determine basic eligibility to move forward in the application process.</p> <p>Program Administrator will invite households to submit a Full Application online upon reviewing eligibility to move forward. Letters indicating Conditional Approval and Reservation of Funds or disqualification will be issued accordingly. Processing time may vary depending on the volume of applications received and the complexity of the loan. If an applicant meets the Program criteria, the City will issue a Conditional Approval and Reservation of Funds and <u>reserve FTHB Loan funds for up to one hundred twenty (120) days</u>. Extensions of Reservations are possible, as described in Section 2.4.</p>
3. Execute a Sales Contract	During the 120-day period, a Conditionally-Approved Applicant must enter into a contract of sale to purchase a Principal Residence.
4. Submit a First Loan Package	<p>First Mortgage Lender must submit a <u>complete</u> First Loan Package – Part 1 to Program Administrator within five (5) business days following the execution of a sales contract between an Applicant and a seller.</p> <p>Note: If a First Loan Package – Part 1 is received by Program Administrator containing a Sales Contract with less than 15 business days remaining to close, it will be returned to the Lender for contract extension.</p> <p>Lender must submit a <u>complete</u> First Loan Package – Part 2 to Program Administrator at least (5) business days before the close of escrow.</p>
5. Submit a Borrower Closing Package	Applicant must submit a <u>complete</u> Borrower Closing Package to Program Administrator a minimum of twelve (12) business days prior to the close of escrow.
6. Issue a Final Approval	Program Administrator and City will process the First Loan Package and Borrower Closing Package and issue a Final Approval Letter.
7. Submit a Loan Funding Package	Title Company must submit a <u>complete</u> Loan Funding Package to Program Administrator at minimum four (4) business days prior to the close of escrow.
8. Fund and Close the FTHB Loan	City will fund the FTHB Loan within four (4) business days from the time of approving the Loan Funding Package documents.

Exhibit B
Cooperative Purchases
(Artist Cooperative)

Housing cooperatives are democratically controlled corporations established to provide housing for members. Each household owns a share in the corporation, which entitles the member to occupy a unit of housing.

Limited Equity Housing Cooperatives are developed to offer permanently affordable homeownership opportunities for low- and moderate-income households. The development of these types of cooperatives is often funded with a combination of private and public funds. Share prices in these cooperatives are usually low, and member households may not own more than one share. The Artist Coop is a Limited Equity Housing Cooperative.

The information below represents steps that are unique to the Final Approval and Closing Process for First-time Home Buyers (FTHB's) who seek to purchase a unit within the Artist Cooperative.

The FTHB Program Final Approval and Closing Process

The FTHB Program requires a minimum of thirty-five (35) calendars days from the time of selection and approval of the Artist Cooperative Board to the close of escrow to ensure that there is sufficient time to prepare for the loan closing process as outlined below by the FTHB Program Administrator and the City.

The First Mortgage Lender (if applicable) will be responsible for submission of a First Loan Package and the Applicant will be responsible for submission of a Borrowers Closing Package, as outlined below. Any delay in submission of any documents in the First Loan Package or Borrowers Closing Package will likely result in a delayed close of escrow.

First Loan Package (If applicable)

The FTHB First Loan Package is required to be submitted by the First Mortgage Lender on behalf of the Applicant upon the Applicant selection and approval by the Cooperative Board. Any delays in the submission of the First Loan Package will delay the Applicant's close of escrow date.

C. First Loan Package Submittal

The First Mortgage Lender must submit a complete First Loan Package to the FTHB Program Administrator which contains the following information:

- First Residential Mortgage Loan Application - Form 1003 (signed and dated)
- Underwriting Transmittal Summary - Form 1008
- Loan Estimate
- Preliminary Title Report
- Wire Instructions
- Confirmation of Applicants' Names and Vesting

Prior to the close of escrow, the Lender must submit a final Closing Disclosure for review.

3.2 Borrower Closing Package

The Applicant must submit a complete Borrower Closing Package to the FTHB Program Administrator prior to the close of escrow. Any delay in submittal will result in a delayed close of escrow.

Borrowers Closing Package

- General Home Inspection Report
- Pest Control Inspection Report
- Evidence of attendance at a Homebuyer Education Program from an approved agency prior the close of escrow
- Approval from the Cooperative Board, with verification of a Stock Power Membership Certificate number
- Any additional documents requested by the FTHB Program Administrator to ensure ongoing eligibility requirements

Borrower Closing Package Review Period

The FTHB Program Administrator will review the Borrower Closing Package and will notify the First Mortgage Lender (if applicable) and Applicant if any terms included in the Borrower Closing Package do not meet the FTHB Program eligibility requirements.

If the Applicant receives a disqualification letter at this stage based on a property-specific reason (e.g. appraisal shows that they Residential Unit type is ineligible) or does not close the loan for the property indicated in the First Loan Package and Borrower Closing Package, the Applicant may attempt to enter into contract to purchase a different Residential Unit within the Reservation of Funds timeline.

Should Applicant's funding reservation expire, and they desire to re-apply, they may submit a new Pre-Application and be placed on the Interest List and notified should FTHB Program funds become available.

3.3 Final Approval of FTHB Loan

If the FTHB Program Administrator verifies that Applicant meets all FTHB Program eligibility requirements, a Final Approval Letter will be issued from the City to the Applicant and First Mortgage Lender signifying that the First Loan Package and Borrower Closing Package have been approved and the Applicant meets the eligibility criteria of the FTHB Program. Final Approval criteria includes, but are not limited to the following:

- Applicant Back-End Ratio does not exceed 45%
- Residential Unit meets Property Eligibility Requirements
- Applicant has sufficient funds for closing cost
- Applicant is a First-Time Homebuyer
- Evidence of attendance at a Homebuyer Education Program from a an approved agency prior the close of escrow.

3.4 Loan Funding Package

Prior to the FTHB Program close of escrow date, the following Loan Funding Package must be electronically transmitted from Title Company to the FTHB Program Administrator for review to ensure that they meet FTHB Program requirements.

- Certified copy of the executed City Promissory Note (FTHB Program Note)
- Certified copy of the executed Assignment of Occupancy Agreement
- Certified copy of the executed Borrowers Stock Power
- Certified copy of the City Security Agreement
- Certified copy of the Recognition Agreement
- Copy of the signed City Escrow Instructions
- Certified copy of the Request for Copy of Notice of Default
- Certified copy of the Occupancy Agreement
- Certified copy of the First Deed of Trust (if applicable)
- Certified copy of the First Note (if applicable)
- Estimated Master Settlement Statement
- Certified copy of the executed Deed of Trust and Promissory Note for any other liens behind the FTHB Loan (if applicable)