

Fact Sheet

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BEGIN First-Time Homebuyer Mortgage Assistance Program 2008 PROGRAM GUIDELINES

BEGIN Program	The Building Equity and Growth in Neighborhoods Program (BEGIN) provides up to \$30,000 per dwelling unit in homeownership assistance to low-and moderate-income households who purchase a dwelling in a BEGIN Project. The primary intent of BEGIN is to encourage the reduction or removal of regulatory barriers that significantly increase the cost of housing development.
BEGIN Projects	BEGIN Projects are projects that have received an award of BEGIN funds. The funds are awarded by the State Department of Housing and Community Development (HCD) to the City or County of Sacramento based upon specific project applications.
Form of Assistance	Assistance to the homebuyer will be in the form of a deferred payment loan.
Maximum Loan Amount	\$30,000. The maximum loan shall not exceed \$30,000, or 20 percent of the sales price of the BEGIN assisted unit (whichever is lower).
Affordable Housing Costs	The Affordable Housing Costs for BEGIN buyers is established to ensure that the housing obligation can be paid by the borrowers, along with all of their other financial responsibilities, without endangering the financial stability of the household. This ranges from 28 percent to 35 percent on the front end ratio, to 40-45 percent on the back end, or total ratio. See Housing Debt Ratio.
Interest Rate	Three percent fixed rate, simple.
Term	30 years
Max CLTV	The loan-to-value ratio for the BEGIN loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual closing costs.
Repayment	Homebuyer BEGIN Program loans shall have the following terms and conditions: <ul style="list-style-type: none"> (1) principal and interest payments shall be deferred for the term of the BEGIN Program loan; (2) loans shall be repayable when the property ceases to be continuously occupied by the home buyer in the first five years after the date of recordation of the deed of trust securing the BEGIN loan; (3) loans shall be repayable upon the BEGIN Program loan maturity date;

- (4) loans are assumable by another income-qualifying homebuyer after five years from the recordation of the BEGIN Program loan

Hardship

However, if it is determined by the recipient that repayment of the BEGIN Program loan at the maturity date causes a hardship to the borrower, the borrower has two options:

- (1) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at zero percent additional interest), this may be offered one time, or
- (2) Converting the debt at loan maturity, that is the original principal balance and any accrued interest, to an amortized loan, repayable in 15 years at zero percent additional interest.

Refinancing

Refinancing may be allowed subject to Agency subordination policy.

Use of Funds

Funds may be used for down payment, mortgage assistance and non-recurring closing costs.

Developer Commitment Fee

In order to secure the BEGIN funding for the identified project, the developer shall pay the Agency a commitment fee of two percent of the total BEGIN funds to be allocated to the project.

BEGIN Program Fee

There will be a BEGIN Program Fee not to exceed two and one half percent of the BEGIN loan amount of \$30,000, or \$750. Of this fee, \$75 will be required upon application with the balance paid in escrow.

Eligible Households

To be eligible to receive the benefits of BEGIN funding, an individual household shall:

- (1) Be a lower-income or moderate-income household, when considering the gross income of all household residents eighteen (18) years or older.
- (2) Include as borrowers on the BEGIN Program promissory note all persons who will be on title to the property; and
Be a first-time homebuyer and intend to occupy the home as a principal place of residence.

First-Time Home Buyer

First-time homebuyer means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with BEGIN assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer:

- (1) a displaced homemaker;
- (2) single parent;
- (3) owned a structure which was not permanently affixed to a permanent foundation or was not in compliance with state, local, or model building codes.

Household Income

The BEGIN borrower household must have a gross annual income not exceeding 120 percent of county median income for the size of the household. Income also includes income from assets over \$5,000 calculated at two and one half of the value of the asset. As of February 13, 2008, the limits are:

1-person	\$59,600
2-person	\$68,200
3-person	\$76,700
4-person	\$85,200
5-person	\$92,000
6-person	\$98,800

Eligibility vs Lender Income

For program eligibility, the total annual income includes income of all

adult members of the household.

For underwriting purposes, the lender shall use standard industry methods for determining the borrower's annual gross income. Note that the gross income figure calculated for income-eligibility purposes may vary substantially from the annual income a lender will use to underwrite the first mortgage.

Housing Debt Ratio

Monthly housing costs shall be no less than 28 percent of the borrower's gross monthly income and no more than 35 percent. However, with compensating factors the housing costs can exceed 35 percent but not 40 percent. The total debt ratio may be determined by the lender's underwriting guidelines but in no event exceed 45 percent. On FHA insured loans, ratios are 29/41. These cannot be exceeded unless there are significant compensating factors.

Underwriting

The first mortgage lender will perform the underwriting using established credit guidelines for the particular program. The Agency will provide oversight of this function and may require credit explanations or payoff of collections if deemed necessary and prudent. There may be no outstanding unpaid judgments or involuntary liens at the time the BEGIN loan is recorded.

First Mortgage Restrictions

Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs outlined above.

The term of the loan shall be 30 years. Mortgage loans shall not include provisions for negative amortization, principal increases balloon payments or deferred interest. The first mortgage may be an FHA loan, conventional loan, or CalHFA financing. When using FHA funds the income limits will be based upon 115% of area median.

Fees and charges to the borrower for the first mortgage loan shall be reasonable and must be approved by the BEGIN lender.

The first mortgage lender is required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance according to the lender's requirements.

Subordinate Financing

Financing subordinate to the BEGIN Program loan must meet the following:

- (1) have fees and/or charges that are consistent with industry standards;
- (2) must not have a balloon payment due before the maturity date of the BEGIN Program loan;
- (3) must defer principal and interest payments for the term of the BEGIN Program loan

Escrow Prohibitions

Cash transactions and oral agreements outside of escrow are prohibited. Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required minimum downpayment.

Homebuyer Education

To help prepare applicants for the responsibilities of undertaking and maintaining homeownership, all applicants must complete Agency approved homebuyer education classes. These classes which shall cover the home buying process and well as property maintenance, good neighbor practices, and credit and budgeting.

Maximum Sales Price

The maximum allowable sales price of the assisted unit cannot exceed the HUD 203 (b) mortgage limit for the area which is currently \$362,790.

Application Procedures

To apply for the program please contact any of the lenders on the attached list. For additional information or questions call SHRA at (916) 264-1500, or visit our web site at www.shra.org.



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