



CITY OF EL CAJON

FTHB LOAN # _____

ADVANCE LOAN DISCLOSURE (AMERICAN DREAM FIRST-TIME HOMEBUYER PROGRAM)

You have applied to the City of El Cajon (the "City") for down payment and/or closing cost assistance under the American Dream First-Time Homebuyer Program. The City now requires that any new applicant be furnished this form to clarify certain terms of the loan you are applying for before signing City loan documents. This form supplements other disclosures or agreements you may have received from the City of El Cajon, your loan agent and those documents you will sign at loan closing.

SECTION 1. PERIOD OF AFFORDABILITY. In connection with this mortgage loan:

- The American Dream First-Time Homebuyer Program has a Period of Affordability (or minimum loan term), as required by under the Home Investment Partnerships Program ("HOME") through the Department of Housing and Urban Development ("HUD"), for not less than the specified time periods as follows: *five (5) years for less than \$15,000 in assistance; ten (10) years for \$15,000-\$40,000; fifteen (15) years for greater than \$40,000.* However, the CalHome Program requires a loan term of not less than thirty (30) years. The affordability period affects the terms of resale/recapture of HOME and CalHome funds if the property is sold during the affordability period. **Therefore, the City of El Cajon has established the period of affordability for the American Dream First-Time Homebuyer Program at THIRTY (30) years.**

SECTION 2. EQUITY-SHARE. In connection with this mortgage loan:

- The American Dream First-Time Homebuyer Program has equity-share provisions that run for a period of **THIRTY (30) years**, which may or may not be equal to the Period of Affordability or loan term.
- During the equity-share period, the property can only be transferred to an Eligible Person or Family to avoid payment of equity-share to the City.
 - If the property is sold to an Eligible Family during equity-share period, the buyer(s) must meet:
 - City low-income first-time homebuyer requirements (with the exception of first-time homebuyer status), and
 - Submit and execute all documentation required by the City.
- During the equity-share period and if the property is sold, rented or refinanced without the express written consent of the City of El Cajon, the principal loan amount plus equity-share, as applicable, will immediately become due and payable.
- The Maximum equity to be shared by the City shall not exceed the amount equal to the percentage of the value of the residence financed by the HOME and CalHome Program loan(s). That is, if the loan(s) equal twenty percent (20%) of the Original Purchase Price of the residence, a maximum of twenty percent (20%) of the Net Appreciation may be charged by the City.
- However, the City shall not recapture more than is available from the net proceeds of the sale.

The following *example* assumes the following: (a) **Current Sales Price** or **Current Appraised Value** (as may be the case of a refinance), in the example, of \$260,000, (b) **Original Purchase Price (OPP)** of \$180,000, (c) initial **Gross Appreciation** of \$80,000 (the Current Sales Price of \$260,000 minus the Original Purchase Price of \$180,000), (d) \$26,000 in closing costs (estimated at 10% of the **Current Sales Price**), (e) initial **Net Appreciation** of \$54,000, and an equity share schedule based on the percentage of CalHome assistance of \$30,150 (16.75% of OPP) and HOME assistance of \$14,850 + \$5,000 (11.03% of (OPP)) on an Initial Purchase Price of \$180,000. **The table is for the purpose of illustration only and will apply to any form of default of the City administered Programs. Actual sales price and net sales price will vary. The principal amount of the loans remains due and is in addition to any equity-share that may be owed to the City.**

# Months After Date of Agreement	Current Sales Price or Current Appraised Value (a)	Original Purchase Price (b)	Gross Appreciation (c) (difference of a-b)	Seller's Closing Costs (d) (10% of Current Sales Price)	Net Appreciation (e) (c-d)	Seller's Equity Share of Net Appreciation (f) (72.22% of [e])	CalHome & City Equity Share of Net Appreciation (g) (27.78% of [e])	Principal Amount Due to City (h)	Total Amount due to City (g+h)
0-180	\$260,000	\$180,000	\$80,000	\$26,000	\$54,000	\$38,998.80	\$15,001.20	\$50,000	\$65,001.20
181 and thereafter	\$285,000	\$180,000	\$105,000	\$28,500	\$76,500	\$76,500.00	\$0	\$50,000	\$50,000.00

In this *example*, the finance charge/equity-share varies between \$0¹ and \$15,001.20 through year fifteen (15). Your amount will differ, depending upon gross sales price, net sales price, the amount of equity, the number of months after the date of agreement that the sale, transfer, rental or refinance occurs, etc.

In the event that no Net Appreciation exists at the time of transfer or sale, the CalHome and HOME funds will still be due and payable. In the event that a negative Net Appreciation situation exists, and the full amount of the HOME funds are not available to be recaptured, the City at its sole discretion may require the amount of HOME funds to be repaid to the City may be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

$$\frac{\text{HOME/CalHome Investment}}{\text{HOME/CalHome Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME/CalHome amount to be recaptured}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME/CalHome Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{Amount to Homeowner}$$

Provided that Borrower is not in default under the terms of the Note, the Note interest/equity share shall be forgiven in its entirety and interest in the equity of the Property shall be relinquished by the City THIRTY (30) years from the date of the execution of the Note, as provided in the loan documents.

“CalHome Funds” or “CalHome Loan” is defined as funds received pursuant to the CalHome Program administered through the California Department of Housing and Community Development.

“Current Sales Price” is defined as the price obtained for the property in the open market and shall include anything of value given for consideration (e.g., cash, personal property, real property, etc.)

“Current Appraised Value” is defined as the value of the property obtained from an independent appraiser licensed by the State of California. The City reserves the right to obtain an independent appraisal.

“Documented Capital Improvements” is defined by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City for review. Please contact the City of El Cajon Building Division to ensure that any Documented Capital Improvement meets current code and permits are obtained when required.

“Direct HOME Subsidy” is the amount of HOME assistance; including down-payment, closing costs or any other HOME assistance provided directly to the homebuyer/homeowner.

“Effective Period” or “Period of Affordability” is defined as the period commencing on the date of this Agreement and ending on the earlier of the repayment of the loan from the City or thirty (30) years after recordation of the Deed of Trust.

“Equity Share Period” is defined as the **THIRTY (30) year period** after recordation of the Deed of Trust in which the City shall share Net Appreciation if the property is sold, rented, refinanced, conveyed or transferred (except as provided in the Note), without the express written consent of the City.

“Gross Appreciation” is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value.

“HOME Funds” or “HOME Investment” is defined as funds received pursuant to the HOME Investment Partnership Program.

“Homeowner investment” is defined as the amount of Seller’s Cash Contribution and Documented Capital Improvements made by the owner since purchase.

“Net Appreciation” is calculated by subtracting the Seller’s Applicable Closing Costs, Seller’s Cash Contribution in the Original Purchase Price transaction, and the documented value of capital improvements from the Gross Appreciation amount.

“Net Proceeds” is defined as the sales price minus superior loan repayment and any closing costs. Under no circumstances can the City (American Dream FTHB Program) recapture more than is available from the Net Proceeds of the sale.

“Original Purchase Price” is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs as listed on the Closing Disclosure Statement.

“Seller’s Cash Contribution” is defined as cash deposited by the Borrower plus any gift funds approved by the City (less any refund) in the Original Purchase Price transaction. Seller’s Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.

“Seller’s Applicable Closing Costs” include those costs of broker’s commissions, escrow fees, title costs and fees, recording fees, etc.

“Term” The amount of a time set by the Lender for a Borrower to pay a 1st mortgage. Most 1st Deed of Trust mortgages have a 15-year or 30-year term. Term also refers to Effective Period.

¹ Equity-share would equal \$0 in the event the property is sold to another qualified family who applies for CalHome/HOME assistance and the City elects to forgive the entire equity-share portion due to the City.

By signing below, applicant(s) acknowledge that you have read and understand the requirements of the American Dream First-Time Homebuyer Program you are about to undertake and the financial consequences of this program. By your signature, you also acknowledge you have received a copy of this document.

_____	Signature	_____	Date
_____	Signature	_____	Date
_____	Signature	_____	Date
_____	Signature	_____	Date