



## PLEASANTON HOMEOWNERSHIP ASSISTANCE PROGRAM (PHAP)

# GUIDELINES FOR ELIGIBILITY AND PARTICIPATION

The City of Pleasanton Homeownership Assistance Program (PHAP) provides opportunities for income eligible, first time buyers to purchase Below Market Rate (BMR) homes in Pleasanton. Homes are restricted by the developer at the time of sale in accordance with City requirements. The information provided in these guidelines describes the household qualifications and participation requirements for purchasers of homes through PHAP. These guidelines may be updated from time to time and are subject to final interpretation by the City of Pleasanton Housing Division.

### Eligibility Requirements

To qualify for the purchase of a home, the applicant must meet the criteria listed below.

1. The following minimum and maximum household size requirements shall apply for applicants:

Number of Bedrooms	Minimum Household Size	Maximum Household Size
1	1 person	3 persons
2	1 person	5 persons
3	3 persons	7 persons
4	4 persons	9 persons

2. Income: Annual household income may not exceed the applicable percentage of the Area Median Income (AMI), adjusted for household size, as issued by the U.S. Department of Housing and Urban Development for the Oakland-Fremont HMFA. These income limits are adjusted annually by the City. In 2017, the income limits are:

Persons in Household	Maximum Annual Income	
	80% AMI (Low)	120% AMI (Moderate)
1	\$54,550	\$81,800
2	\$62,350	\$93,500
3	\$70,150	\$105,200
4	\$77,900	\$116,900
5	\$84,150	\$126,250
6	\$90,400	\$135,600
7	\$96,600	\$144,950
8	\$102,850	\$154,300

3. Household members include all individuals who will be residing in the affordable home. Households must demonstrate that they are currently residing together at the time of application.
4. Annual household income includes the income of all household members over the age of 18 years who will be residing in the home. Annual household income includes all income for the current calendar year to date (at the time of application submittal) plus the household's

anticipated annual household income for the remainder of the current calendar year. In the event a household, and/or a household member, recently experienced a significant increase in monthly income, generally defined as an increase of 20%, annual household income will be determined by projecting the new monthly income for a period of twelve months. Income shall include the following:

- a) The **gross amount, before any payroll deductions**, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
  - b) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
  - c) Interest and dividends;
  - d) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
  - e) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
  - f) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
    - (1) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
    - (2) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities;
  - g) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
  - h) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse;
  - i) In addition to the above, where a family has net assets in excess of \$25,000 (after subtracting the allowable down payment and closing costs to purchase the home), the applicants' annual income shall include the actual amount of income derived from the asset(s), or 10% of the value of the asset(s), whichever is greater. If the total assets are less than \$25,000, the actual amount of income derived from the asset will be included as income. For this section, assets is defined as equity in real property, trust funds, savings, stocks, bonds or other investment instruments such as mutual funds, certificates of deposit, etc. Assets do not include recognized retirement plans such as IRA's, Keogh plans, and 401K plans.
5. The applicant household must be a first-time homebuyer. First-time homebuyer is defined as a household where none of the members of the household has had an interest in residential property for three years prior to application. A household that at the time of preapplication or

application has a member that was residing in property for which it had an ownership interest, does not qualify as a first-time homebuyer.

6. Applicants must be a U.S. citizen or lawfully permitted for permanent residence.

### **Credit/Other Requirements**

7. Homebuyers must have sufficient creditworthiness to qualify for a first mortgage. Creditworthiness includes: a) not having filed bankruptcy in the last three years; and b) minimum FICO credit rating of 660 points. At the discretion of the City/City's Program Agent, this minimum rating may be adjusted if the buyer's down payment exceeds the 3% minimum requirement. The applicant may not have any outstanding judgements or accounts in collections.
8. Buyers may have no more than \$65,000 or 20% of the applicable affordable sales price, whichever is greater, in total liquid assets excluding pensions and federally approved tax savings accounts.
9. Homebuyer must successfully complete a City-approved first-time homebuyer training program prior to the close of escrow.

### **First Mortgage Requirements**

10. Buyers are required to demonstrate ability to obtain mortgage financing within a specific time frame established by the City. The City's Agent will review the Loan application and supporting documentation for program eligibility and will forward the loan package to the First Mortgage Lender. Failure to provide required financial information within the time frames established by the City will result in the household forfeiting its current application ranking number and being removed from further consideration.
11. The buyer is responsible for all closing costs related to the purchase which may include title fees, escrow fees, loan origination fees, etc., (approximately 2-3 percent of the purchase price). Homebuyer may be "gifted" funds to be used toward closing costs.
12. First mortgages must have a fixed interest rate for the term of the loan. First mortgages with negative amortization, interest only payments, or balloon payments are not acceptable.
13. Homebuyer's total Backend Debt to Income ratio may generally not exceed 40% of the homebuyer's total gross monthly income. At the discretion of the City's Agent, this limit may be adjusted to no greater than 43% if the Applicant's down payment and credit score exceeds the Program's minimum requirement.
14. The buyer will participate in a lender sponsored Impound Account for property taxes on the BMR unit. Property taxes shall be based on the affordable sales price at time of sale to the buyer.

### **Down Payment & Secondary Financing**

15. Applicant must provide a minimum of three percent (3%) of the purchase price, in their own funds, for use as a down payment:

- a) In general, lending institutions require that funds must be seasoned (on deposit in a financial institution) for a minimum of three months prior to the initial date of the application with documentation showing these funds are available for use as down payment.
  - b) Funds must be placed into escrow prior to close of escrow and proof of availability of funds provided to the City's Program Agent before close of escrow.
16. Buyers purchasing homes through the PHAP Program may use forms of secondary down payment financing from the State such as CHDAP.
  17. The City will not provide any direct financing, and buyers must qualify independently for mortgage financing to purchase the homes. However, buyers may apply separately for second mortgage assistance through the City's Down Payment Assistance (DPA) program. A summary of the DPA program is attached to this information. Review of the DPA application will be conducted separately from consideration of the Eligibility and Financing Application. Approval of DPA financing in conjunction with the PHAP program will be based on the applicant's demonstrated financial need.
  18. Buyers may be gifted funds in an amount not to exceed 15% of the purchase price, plus closing costs as evidenced by a gift letter which must be submitted at the time of the PHAP application submittal.

#### **Restrictive Covenant Requirements**

19. Owner must agree to occupy the property as the principal place of residence for at least ten (10) months of each calendar year. The property and improvements must be maintained in good condition and repair throughout the period of ownership. The property and any part of it may not be subleased.
20. Any Purchaser must agree to comply with the restrictive covenants placed on the property by the City which in part, restrict the sale of the home to eligible purchasers at a maximum resale price determined by the City. The buyer shall execute a Promissory Note and Performance Deed of Trust to capture any Excess Proceeds received in the case of an ineligible transfer of the property. The restrictive covenants, Note and Deed of Trust shall remain in perpetuity.
21. Buyers must agree to the City's subordination and refinancing conditions which generally prohibit the take out of equity or appreciation. Refinancing is limited to reduction of an interest rate or more favorable or lower payment terms. Only the existing balance of the loan may be refinanced and up to 2% for non-recurring closing costs.
22. The resale price will be based on adjustments (increases and decreases) in the Area Median Income (AMI) annually by U.S. Department of Housing and Urban Development (HUD). The formula for determining the maximum resale price shall also include an allowance for reasonable closing costs and marketing expenses as determined periodically by the City.

#### **Sample Maximum Sales Price Calculation:**

*Initial BMR Sales Price: \$230,000*

*Change in in HUD AMI Since Initial Sale: Increase 5%*

*New Maximum Sales Price at Resale: \$241,500*

## **Selection Process**

23. The City's selection process shall be conducted based on the City of Pleasanton approved Community Selection Preferences system (City of Pleasanton Resolution No. 02-012) for City-assisted affordable housing projects.
24. Available homes will be allocated to eligible purchasers with qualified financing based on application ranking numbers. Selection will be restricted to homes currently available for occupancy and applicants will not be given an opportunity to wait for specific properties which may be available at a later date, such as in a phased release of homes. Only those applicants who are able to meet project eligibility guidelines and to obtain project financing within a time frame established by the City will purchase a BMR unit.
25. In new construction units, builder provided home upgrades, such as improved carpeting, cabinetry, fixtures, etc., will generally not be available.
26. Falsification of eligibility information provided in the application will result in disqualification of the applicant and or termination of escrow.

## **City of Pleasanton Partners**

27. The City will be working with Hello Housing to process applications for the PHAP and will make additional requests for information to verify information stated in your application. Please note that your signature on the Pre-application signifies your authorization to share documentation and information among these parties pertaining to your application.
28. Homebuyer education for the PHAP and DPA Programs is coordinated by ECHO Housing.

## **Definitions**

**“Backend Debt to Income”** shall be defined as monthly debt to income ratio which includes monthly housing payments (principal, interest, taxes and insurance) and any other secured and unsecured debt payments (e.g. car loans and credit cards).

**“City's Agent”** shall be defined as Hello Housing or another third party administrator authorized by the City for the PHAP/City DPA Programs.

**“Disabled Person”** is defined as a head of household who has a medically documented permanent physical or mental impairment that prevents him/her from maintaining full-time regular employment. Any individual claiming Disabled Person status must submit verification from a licensed doctor of his/her disability and its effect on the ability to maintain full-time employment. A Disabled Person shall be assigned a number of points as if the person was employed regardless of the Disabled Person's employment status, plus one bonus point. If an individual has a disability that substantially limits one or more major life activities and has a medical record of such impairment but the disability does not prevent the ability to maintain full-time regular employment the individual shall be assigned the appropriate number of points as detailed in the City's Preference System in place at the time. Examples of a disability include limitations on caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, or working.

**"Pleasanton Employee"** is defined as a person who at the time the Eligibility and Financing Application is submitted for review, is employed solely, on at least a half-time basis (i.e., 20 or more hours per week), at a business that is physically located within the then-current incorporated area of the City of Pleasanton. Telecommuting or working from an address located in Pleasanton for an employer not located in the City of Pleasanton as defined above, shall not qualify as employment in the City of Pleasanton, unless the employer is providing the workspace in Pleasanton as part of its corporate/company offices. For persons who are retired at the time of application, the applicant's work history immediately prior to the date of retirement shall be considered in determining the length of employment in Pleasanton. The City may require applicants to submit pay stubs, W-2 forms, tax returns, or other satisfactory evidence as proof of employment at a Pleasanton business. Length of employment shall be calculated from the final date for submitting a City Eligibility Preapplication. "Employment" does not include volunteer work or any work without reportable income.

**"Pleasanton Resident"** is defined as a person or household who at the time the Eligibility and Financing Application is submitted resides permanently and continuously at a residential address which is physically located within the then-current incorporated area of the City of Pleasanton and where that location is considered to be the household's permanent place of residence. The City will require applicants to submit evidence as proof of residency in Pleasanton.

For persons who moved away from the City of Pleasanton less than 6 months prior to the final date for submitting a City Eligibility Preapplication and who resided in the City of Pleasanton continuously for at least ten (10) years immediately prior to moving away, the residency history prior to the date of moving away shall be considered in determining the length of residency.

In addition to the above, "Pleasanton Resident" includes individuals who have maintained a permanent address in the City of Pleasanton while a full-time college student at a university located outside of the City or while an active member of the armed forces. Proof of residency and academic and armed forces standing will be required.

Proof of Pleasanton residency is required and must be provided through the submittal of rent receipts or utility billing in the name of the applicant. In unique situations, the City may consider other documentation sufficient to determine residency, on a case-by-case basis, such as a notarized statement from a landlord or relative attesting to residency, if the above information is unavailable.

**"Single Parent Head of Household"** is defined as a biological or adoptive parent or guardian having legal and physical custody of a child under the age of 18, who will be living in the affordable home.