City of Newark
Down Payment Assistance Loan Program Implementation Manual

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SECTION 1 - INTRODUCTION

The City of Newark's Down Payment Assistance Loan (DPAL) Program for First-Time Homebuyers (the "DPAL Program") provides down payment assistance to eligible First-Time Homebuyers in purchasing a home within the city limits of Newark. This Implementation Manual is intended to provide general information about the DPAL Program as well as information about the application and review process. For a more detailed description of the DPAL Program and the eligibility requirements, please refer to the City's DPAL 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 Newark 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 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 Newark's Down Payment Assistance Loan Program.

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: Items of ownership which can be converted into cash; total resources of a person or business, such as cash, notes and accounts receivable, securities, inventories, goodwill, fixtures, machinery, or real estate. *(See City's DPAL Program Guidelines – Appendix 1 for details)*

Back-end ratio: Ratio of the amount of monthly income that will go toward paying Housing Expenses plus all monthly debts, post-purchase, for a DPAL Program Applicant, at the time their application is submitted.

Below Market Rate (BMR) Homes: A BMR home is priced to be affordable to a Household that is at or below certain designated Income Levels. BMR homes have restrictions recorded against them to ensure they remain affordable for a set period. If they are resold before that time expires, they are sold for a BMR Affordable Sales Price and the time limit is reset for the new owner.

BMR Affordable Sales Price: The City and developer will enter into an agreement and establish a Low to Moderate Income limit and the Maximum Sale Price for the BMR Unit(s).

The price shall be a purchase price which is affordable to a Low to Moderate Income Household, as adjusted by the assumed household size which is determined based on the number of bedrooms in the BMR Unit. For each BMR unit in a project, the City establishes an Affordable Sales Price for which the BMR unit will be sold. The Affordable Sale Price is known as the BMR Purchase Price.

Borrower: Refers to an Applicant for the Program that has been approved for a loan or has obtained a loan from the Program**.**

Borrower 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, a Deed of Trust and an Occupancy, Shared Appreciation, and Refinancing Restriction Agreement.

Closing Disclosure: A 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 DPAL Program Administrator and the City that determines whether the Applicant qualifies for the 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 DPAL Loan funds for a period of 120-days.

Community Development Department: A department within the City of Newark responsible for overseeing the DPAL 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.

Displacement by a Proposed Residential Project: Having moved out of a rental property located in the City of Newark due to a new residential project being proposed at the rental property site. For displacement-based priority/preference, the Applicant must currently meet the criteria at the time of submitting a Pre-Application. Evidence of displacement from a rental property in the City of Newark due to a proposed residential project will be required.

Down Payment: A down payment is a sum a buyer pays upfront when purchasing a larger expense 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 DPAL Program Guidelines – Section 4.10 Loan Default for details)*

DPAL: City of Newark's Downpayment Assistance Loan Program

DPAL Program Administrator: The city-designated third-party administrator of the DPAL Program.

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 Borrower Closing Package have been approved and the Applicant meets the eligibility criteria of the DPAL Program as set forth in *Section 3.3.***.**

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

First-Time Homebuyer: Individuals that have not owned a Primary Residence in any state or country during the three-year period before applying for the DPAL Program.

Exceptions to this definition include:

a) An individual who previously owned a home with a former spouse or registered domestic partner during their marriage or domestic partnership. The Applicant must submit a recorded divorce decree or Notice of Termination of Domestic Partnership.
b) An individual who has owned a principal residence that was not permanently affixed to a permanent foundation, according to applicable regulations;
c) An individual who has owned timeshares;
d) An individual who was a loan cosigner from a previous real estate transaction;
e) An individual who has appeared on title for property solely in the capacity as a trustee for a trust, where the trustor is living at the time and in the residence;
f) An individual named as a beneficiary of a trust that includes a housing unit amongst the trust assets, but only if the trustor is living at the time and occupying the residence.

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.

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

Front-end Ratio: An individual's monthly Housing Expenses divided by their monthly gross income, at the time their application for the DPAL Program is submitted. It is evaluated in conjunction with the back-end ratio.

Gross Household Income: All income, before any deductions are taken from whatever source derived, of all adult Household members (18 years of age and older), whether such income is exempt from federal income tax. *(See City's DPAL Guidelines, Appendix 1 for details)*

Living in the City of Newark: Occupying and renting, at the time of application and for at least a full six months (180 days) prior to the application date, a bona fide rental dwelling within the Newark city limits, as evidenced by valid third-party documentation (a lease, a California driver's license or identification card showing street address (not a post office box) of such residence, current California vehicle registration card, or gas/electric/water bills). For residency-based priority/preference, the Applicant must currently meet the criteria and have met the criteria for at least the past 6 months at the time of submitting a Pre-Application. Evidence of payment of a lease and rental contract for the 6-month period will be required.

Loan Funding Package: Final verification by the DPAL Program Administrator and the City that the DPAL 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.*

Occupancy, Shared Appreciation, and Refinancing Restriction Agreement: A document used to establish the terms of down payment assistance programs which require owner-occupancy, repayment of the down payment assistance loan plus a portion of the home's appreciation in value, and limitations on refinancing. Once fully executed, notarized, and properly recorded, the Occupancy, Shared Appreciation, and Refinancing Restriction Agreement becomes a Lien against the property.

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.

Primary Residence: Program participants must occupy their home as their primary residence, defined as living in the home a minimum of ten months out of the year.

Program: City of Newark's Down Payment Assistance Loan Program, otherwise known as DPAL Program, (the "DPAL 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: Single-family homes, townhomes, condominiums, Accessory Dwelling Units, BMR units located within the city limits of Newark and live/work units located in the city limits of Newark.

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. 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.

Working in the City of Newark: Earning one's primary source of annual income (salary, wages, commissions) through employment by a Newark employer licensed and permitted by the City, at a primary worksite in the City of Newark; or through operation of a Newark-based business that is licensed and permitted by the City of Newark. Working in the City of Newark does NOT include volunteer or unpaid work, or self-employment consisting solely of operating a business entity established solely for the purposes of investment in a rental property. Income earned in the City of Newark must be verified by your paycheck stubs, tax returns, and/or other documentation described in the application forms. The Applicant's qualifying household member must be a person whose name will appear on title for the home purchased with DPAL funds and who will use the unit as their primary residence. For employment-based priority/preference, the Applicant must currently meet the criteria and have met the criteria for at least the past 6 months at the time of submitting a Pre-Application. If an applicant works from home either part-time or full-time, employment must be with an employer licensed and permitted by the City at a place of business located within the City limits and verified by the employer.

1.2 Overview of the Down Payment Assistance Loan Program

The DPAL Loan will be offered as a deferred payment loan. Repayment is required upon the Sale or Transfer of the property, and it will be recorded as a second deed of trust to the First Mortgage Loan. However, per the city's discretion, it may further subordinate to another Down Payment Assistance Loan, should this loan exceed the DPAL loan amount. The loan shall be due in full at the end of the 30-year term, or upon Sale, Transfer of the property, an unapproved refinance of the first mortgage, or any Event of Default under the City DPAL loan documents. There shall be no payments due on principal or interest owed during the term of the loan if the Borrower continues to owner-occupy the home and an Event of Default has not occurred. Once the loan is due, the Borrower will be required to pay back the loan principal and the greater of accrued interest or share of appreciation.

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.

DPAL loan funds may be used for a purchase of BMR units within the city limits of Newark priced for buyers at or below 80% of AMI. In the case of newly constructed BMR units, the BMR

Affordable Sales Price must meet the City's standards for affordability without relying on the DPAL loan. The DPAL loan funds can only be utilized if it's necessary for the buyer to afford the unit. This ensures that developers cannot adjust pricing to capitalize on the availability of a DPAL loan. No more than 10% of the DPAL loan funds will be invested in BMR properties.

1.3 Interest Rate

The interest rate for a loan from the DPAL Program will be fixed at 3%.

1.4 Share of Appreciation

If the property has appreciated in value from the date of purchase to the date of repayment, the Promissory Note and Deed of Trust include Shared Appreciation provisions so that the City recoups a percentage of the profit made from selling the home in direct proportion to the dollars loaned at the time of purchase. The share of appreciation shall be based on the ratio of the original DPAL loan amount to the original purchase price of the property. At the time that the property is sold or the loan is repaid, the City will determine the Fair Market Value of the property (hereafter the "Resale Price"). The Fair Market Value shall be the greater of the actual Resale Price or the Appraised Value at the time of repayment. However, once the loan is due, the Borrower will be required to pay back the loan principal and the greater of accrued interest or share of appreciation.

The share of appreciation on BMR units will be calculated based on the change in the BMR Affordable Sales Price, which will generally be less than the appreciation on comparable market rate units.

If the property has not increased in Fair Market Value from the date of purchase to the date of repayment, the Borrower shall be obligated to repay the principal amount of the loan along with the simple interest calculation as noted in the Promissory Note.

1.5 Down Payment Assistance Loan Amount

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

- The loan amount for households at or below 120% AMI is capped at $150,000.
- The loan amount for households at or below 100% AMI is capped at $200,000.
- The loan amount cannot be greater than the First Mortgage regardless of the tiered assistance noted above.

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

Program 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 Program 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 https://www.housing.newarkca.gov/resources#homebuyerassistance upon the opening of a pre-application process. Potential applicants can also request a paper version of the Pre-Application and mail the Pre-Application to the DPAL Program Administrator at the address contained in the Pre-Application. The DPAL 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 First-Time Homebuyer Status
- Stated combined annual Gross Household Income for all adults
- Total household Assets
- Name and relationship to the primary applicant of all household members
- Household demographic information
- Stated eligibility for the City of Newark Preference Criteria

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

The DPAL 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 containing a unique identification number.

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 the DPAL Program 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 DPAL 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 two (2) business days after the pre-application closes. Applicants who do not include an email address in their application will be notified through the US Postal Service and must submit 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.

Following the closing of the Pre-Application period, all Applicants that submitted an eligible Pre-

Application will be invited to attend a mandatory application workshop. After the workshop, all Applicants that attended will have their unique identification number entered into a lottery and assigned a lottery position. Priority will be given to eligible Applicants based on the priority categories defined in the City of Newark Preference Criteria. *(Refer to Section 3 – The City of Newark Preference Criteria)*

2.2 The Application Lottery

The DPAL Program Administrator will conduct a lottery to assign ranking positions for all Preference/Priority categories. In lottery ranking order, Applicants will be invited to submit a Program Application for an opportunity to receive a Conditional Approval and Reservation of Funds. The following guidelines will be applicable to the lottery process:

- At least thirty (30) calendar days prior to a lottery, the DPAL Program Administrator will start to accept complete Pre-Applications.
- All households that submit an eligible Pre-Application will receive a unique identifying number (Unique ID) and following attendance at a mandatory workshop, shall be included in the lottery that fits their Preference/Priority category.
- At the lottery, the DPAL Program Administrator will use an electronic system to randomly rank the Unique ID within each Preference/Priority category. Each Applicant will subsequently be notified of their ranking position ("lottery position").
- The lottery for the DPAL Program will be held in the presence of City staff.
- Lottery results will be emailed to all eligible Applicants and posted on the program website. The list will not include the names of Applicants but will include the lottery numbers and corresponding lottery positions.
- The top-ranked lottery positions will be invited to move forward in the application process and given the opportunity to submit a Program Application for review.
- The DPAL Program Administrator reserves the right to move to a First-Complete First-Served process if a sufficient number of applications are not received during the Pre-Application process.

The City has established a priority system for allocating the limited amount of DPAL funds to eligible households. Priority will be given to income-eligible Applicants based on the priority categories defined in the City of Newark Preference Criteria. *(Refer to Section 3 – The City of Newark Preference Criteria)*

2.3 The Program Application

Upon completion of the lottery, Applicants will be invited to submit a Program Application in lottery ranking order. Applicants will be provided a link to complete an online application and also have the option to submit a paper application via mail.

The DPAL Program Administrator will underwrite Applicants in lottery ranking order to determine eligibility and their maximum loan amount. An Applicant's Program 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
- Supporting documentation for 1st Priority or 2nd Priority in City of Newark Preference Criteria (if applicable)
- Additional documents as requested by Program Administrator in order to verify program eligibility

The DPAL Program Administrator shall review Program Applications and notify the Applicant of any and all missing and/or additional required application documents.

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

2.4 Program Application Submittal Timelines

Once invited to submit a Program 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.

2.5. DPAL Conditional Approval and Loan Reservation Process

Upon the DPAL 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 DPAL 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 a DPAL. Conditional Approvals are always subject to the availability of DPAL Program funds and are conditioned upon meeting the criteria for Final Loan Approval through the submission of the First Loan Package and Borrower Closing Package as noted below in *Section 3.*

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

- Applicant Front-End Ratio meets the minimum requirement of 28% (Applicants receiving a Section 8 homeownership voucher are exempt from this requirement)
- Applicant Back-End Ratio does not exceed 45%
- Property meets Property Eligibility Requirements
- Household Income remains within maximum income limits for the loan size
- DPAL amount is not greater than the First Mortgage.

A. Reservation Period

I. A DPAL 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 30-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 two 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 DPAL Program Administrator. If this occurs, the Applicant may attempt to enter into a new contract within their Reservation of Funds timeline and should extenuating circumstances exist, may be granted a one-time extension of 30 days.

All extension requests must be submitted in writing to the DPAL Program Administrator along with supporting documentation at least five (5) business days before the DPAL reservation expires.

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 DPAL funds will be unencumbered and made available to the next qualified Applicant. After termination of a reservation, if an Applicant would like another opportunity to purchase a Residential Unit they may reapply during a future funding cycle.

SECTION 3. The City of Newark Preference Criteria

The City of Newark has established a priority system for allocating the limited DPAL funds to eligible households. Priority will be given to income-eligible Applicants based on the priority categories defined in the City of Newark Preference Criteria below. **The priority must be met by at least one of the Applicant's household members that will be listed as owners on title to the subject property for the DPAL Program.**

The preference system will be used to establish a ranking of Applicants. Applicants that meet the 1st Priority criteria will be reviewed first, then Applicants who meet the 2nd Priority criteria, and so on and so forth. Preferences will be evaluated at the time of the Pre-Application submittal and Application Lottery, and will be verified during the Program Application process. If it is discovered that an Applicant does not meet the preference or lacks evidence that they meet the preference, they will lose their lottery priority ranking number and will be reassigned to the appropriate preference category for which they do qualify and placed at the bottom of the list within that group.

PREFERENCE/PRIORITY CRITERIA	
1st Priority **(Displacement by Proposed Residential Project)**	At least one of the Applicant's household members who will be listed as an owner on the title of the property purchased with DPAL funds has been displaced from the City of Newark by a proposed residential project.
2nd Priority **(Live or Work)**	At least one of the Applicant's household members who will be listed as an owner on the title of the property purchased with DPAL funds either lives OR works within the City of Newark.
3rd Priority **(All Others)**	Any other qualified Applicant household without regard to displacement, residency, or employment.
NOTE	The Applicant's qualifying household member must be a person whose name will appear on title and who will use the unit as their primary residence. For residency and employment-based preferences, the Applicant's household member must currently meet the criteria and have met the criteria for at least the past 6 months at the time of the Pre-Application submittal.

SECTION 4. The DPAL Program Final Approval and Closing Process

The DPAL Program requires a minimum of thirty-five (35) calendar 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 DPAL Program Administrator and the City. The City reserves the right to set a maximum escrow period by which the loan must close should the closing timeline exceed sixty (60) calendar days.

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

3.1 First Loan Package

The DPAL 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 DPAL Program Administrator which contains the following information:

- Copy of all Applicants' credit report(s)
- 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
- Hazard Insurance Policy or HO6 Insurance Policy (a Flood Insurance Policy if applicable) with a loss payable endorsement to the City of Newark, as follows:

  City of Newark, its Successors and/or Assigns
  c/o Community Development Department
  Attn: Community Development Director
  37101 Newark Blvd., Newark, CA 94560

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:

- Closing Disclosure

3.2 Borrower Closing Package

The Applicant must submit a complete Borrower Closing Package to the DPAL 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.

Borrower Closing Package

- General Release and Waiver of Liability
- General Home Inspection Report
- Pest Control Inspection Report
- Evidence of attendance at a Homebuyer Education Program from an approved agency
- Any additional documents requested by the DPAL Program Administrator to ensure ongoing eligibility requirements

Borrower Closing Package Review Period

The DPAL 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 DPAL Program eligibility requirements.

If the Applicant receives a disqualification letter at this stage based on a property-specific reason (e.g. appraisal shows that the 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 period should DPAL Program funds become available.

3.3 Final Approval of Down Payment Assistance Loan

If the DPAL Program Administrator verifies that Applicant meets all DPAL 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 DPAL Program. Final Approval criteria include, but are not limited to the following:

- Applicant Back-End Ratio does not exceed 45%
- Applicant Front-End Ratio is at least 28%
- Residential Unit meets Property Eligibility Requirements
- Applicant has sufficient funds for closing costs
- Applicant is a First-Time Homebuyer
- Evidence of attendance at a Homebuyer Education Program from an approved agency.

3.4 Loan Funding Package

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

- The executed original City Note (DPAL Program Note)
- Copy of the signed City Escrow Instructions
- Certified copy of the executed City Promissory Note (DPAL Program Note)
- Certified copy of the executed City Deed of Trust (DPAL Program Deed)
- Certified copy of the Occupancy, Shared Appreciation, and Refinancing Restriction Agreement
- If the property purchased is a City BMR unit, Certified copy of the BMR Deed Restrictions
- 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 DPAL.

SECTION 5. Loan Repayment Calculation Examples

The DPAL 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, or if the loan is paid off early, due to a sale, transfer, or an unapproved 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 or 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
DPAL Amount	$100,000
Fair Market Value Resale Price (after 5 years)	$635,000
Total Appreciation *Fair Market Value – Original Purchase Price*	$135,000
City's Proportional Share of the DPAL *DPAL ÷ Original Purchase Price*	20%
Share of Appreciation *% of City's Proportional Share x Appreciation amount*	$27,000
Total Amount Due *Original loan + Share of Appreciation*	$127,000

Chart #2 - Example Assumptions	**Accrued Interest**
Original Purchase Price	$500,000
DPAL Amount	$100,000
Interest Rate	3%
Fair Market Value Resale Price (after 5 years)	$635,000
Total Interest Owed *(Loan amount x Interest rate) x 5 years of ownership*	$15,000
Total Amount Due *Original loan + accrued interest*	$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 that is the greater amount of the two options. However, if the home is a BMR unit, the share of appreciation on BMR units will be calculated based on the change in the BMR Affordable Sales Price, which will generally be less than the appreciation on comparable market rate units.

APPENDIX A: DPAL PROCESSING SUMMARY

Steps	Actions
1. Submit a Pre-Application	**Applicant** submits a complete Pre-Application via Program Administrator's website, or delivery by mail, before the Pre-Application deadline.
2. Submit a Program Application	All Pre-Applications will be placed on an interest list in the order that they are received. The DPAL Program Administrator shall review the Pre-Application information submitted to determine basic eligibility to move forward in the application process. Program Administrator will invite households to submit a Program 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 **reserve DPAL funds for up to one hundred twenty (120) days**. Extensions of Reservations are possible, as described in Section 2.4.
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	**First Mortgage Lender** must submit a complete 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. **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.** **Lender** must submit a complete First Loan Package – Part 2 to Program Administrator at least (5) business days before the close of escrow.
5. Submit a Borrower Closing Package	**Applicant** must submit a complete 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 complete Loan Funding Package to Program Administrator at minimum four (4) business days prior to the close of escrow.
8. Fund and Close the DPAL	City will fund the DPAL within four (4) business days from the time of approving the Loan Funding Package documents.