City of Newark
Down Payment Assistance
Loan Program Guidelines

SECTION 1. INTRODUCTION

Thank you for your interest in the City of Newark Down Payment Assistance Loan Program for first time homebuyers (the “DPAL Program”). This Program provides down payment assistance to eligible first-time homebuyers in purchasing a home within the city limits of Newark. These guidelines contain the specific requirements for eligibility and ongoing Program compliance. The City of Newark will review and update these guidelines from time to time to reflect changes in the market and better meet the community’s needs.

SECTION 2. DEFINITIONS

Accessory Dwelling Unit: An Accessory Dwelling Unit (ADU) is a secondary housing unit that is located on the same property as a primary residence. It may be detached from the main home or attached to the main home.

ALTA Policy: A type of Title Insurance provided by title companies in the American Land Title Association. Protects against everything covered in a CLTA policy, plus additional risks such as easements or encroachments not shown by public records, or conflicting boundary lines and water rights.

Amortizing Loan: A loan where the principal of the loan is paid down over the life of the loan. Fully amortizing payment refers to a periodic loan payment, where if the Borrower makes payments according to the loan's amortization schedule, the loan is fully paid off by the end of its set term. If the loan is a fixed-rate loan, each fully amortizing payment is an equal dollar amount. Negative amortization is an increase in the principal balance of a loan caused by making payments that fail to cover the interest due.

Applicant: A Household that has submitted an application for the City of Newark Down Payment Assistance Loan Program.

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.

Arm’s Length Transaction: Transaction in which the buyer and seller act independently and with no interest in the other's benefit.

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 Appendix 1 for the types of Assets that are counted and not counted for the purpose of DPAL Program eligibility.

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.

Beneficiary: For loans secured with a Deed of Trust, the beneficiary named in that deed typically refers to the lender.

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

CalHFA: The California Housing Finance Agency.

Covenants, Conditions and Restrictions (CC&Rs): A document that controls the use, requirements, and restrictions of a property that is part of a Homeowners Association.

City: The City of Newark.

City Staff: An employee or designee of the City of Newark responsible for actions related to the program or these guidelines.

CLTA Policy: A type of Title Insurance provided by title companies in the California Land Title Association. Protects homeowners from financial loss associated with title fraud or forgery, including recorded claims on the title and unpaid taxes by a previous owner. Offers less coverage than ALTA policies.

Combined Loan to Value (CLTV): The ratio between the amount of all indebtedness secured by a property to the lesser of the appraised value or the purchase price of that property.

Debt-to-Income Ratio: See Back-End Ratio and Front-End Ratio.

Deed and Note: Shorthand for a Deed of Trust and its accompanying Promissory Note.

Deed in Lieu of Foreclosure: A deed to real property accepted by a lender from a defaulting Borrower to avoid the necessity of foreclosure proceedings by the lender.

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.

Domestic Partnership: A partnership formally registered with the California Secretary of State. As of January 1, 2020, all couples that are eligible to be married, regardless of sexual orientation or age, may be registered as Domestic Partners.

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

Fair Housing: State or federal laws that govern the fair and unbiased treatment of buyers and renters when selling or renting a house.

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.

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

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.

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. Refer to Appendix 1 for a list of income sources and exceptions.

HCD: California Department of Housing and Community Development.

Homebuyer Education: A HUD-approved course designed to provide basic education for First-Time Homebuyers. The date on the completion certificate for the class must be no more than one year before the program application is submitted.

Homeowners Association (HOA): A nonprofit association that manages the common areas of a condominium or planned home development. Homeowners pay a fee to the HOA to maintain areas owned jointly.

Household: All those persons—related or unrelated—who will occupy the home they intend to purchase that is associated with their application to participate in the City's DPAL Program.

Household Income: Combined anticipated gross income for the 12-month period following date of determination of income for all members of the Household who are 18 years of age or older.

Household Size: Number of persons who will be living in the home that meet the requirements in Section 3.9 Occupancy Limits.

Housing Expenses: Principal and interest on a mortgage loan, including any loan insurance fees, private mortgage insurance, property tax assessments, homeowner insurance, and HOA dues.

HUD: United States Department of Housing and Urban Development.

Income: Anticipated gross income for the 12-month period following date of determination of income.

Income Levels: Income categories determined periodically by HCD based on AMI (Area Median Income) and adjusted for actual Household Size. HCD determines AMIs on a county-by-county basis and Newark uses the Alameda County AMI. To qualify for the DPAL Program, a Household must earn at or below the designated Income Level.

a) Moderate Income = 101%-120% of AMI
b) Median Income = 81%-100% of AMI
c) Low Income = 51%-80% of AMI
d) Very Low Income = 50% or less of AMI

Joint Tenancy: The holding of an estate or property jointly by two or more parties, the share of each passing to the other or others on death.

Junior Accessory Dwelling Unit: A Junior Accessory Dwelling Unit is a separate housing unit located within the primary dwelling that is less than 500 square feet, has kitchen facilities and separate access from the main unit to the space.

Lien: A legal hold or claim to keep possession of property belonging to another person until a debt owed by that person is discharged.

Loan Subordination: See Subordination and Subordination Agreement.

Live/Work Unit: A single unit (e.g., studio, loft, one bedroom) consisting of both commercial space or office and a residential component that is occupied by the same resident.

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, the Applicant must currently meet the criteria and 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 to Value: The ratio between the amount of the first mortgage lien against a property to the appraised value of that property.

Maximum Household Income: The maximum combined gross Income that a Household can have, adjusted for Household Size, to be able to qualify for program participation, according to the designated Income Level of the DPAL Program Guidelines.

Monitoring: See Owner Occupancy Monitoring.

Occupancy Limits: Minimum household occupancy is one person or the number of bedrooms, whichever is greater. Maximum household occupancy of a home is determined as follows: each bedroom may have a maximum of two people; one additional person may live outside of a bedroom within the home. The Household Occupancy Limits are applicable if the standards do not violate Fair Housing requirements and comply with any applicable state and federal laws and regulations. See Guidelines in Section 3.9.

Owner Occupancy Monitoring: Program participants are periodically monitored to ensure compliance with the requirement that they occupy the home as their primary place of residence for at least ten months of the calendar year. Upon request, program participants are required to submit a signed and notarized affidavit and Valid Third-Party Documentation such as, but not limited to, a property tax statement or utility bill.

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.

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 is 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.

Qualifying Household: A Household that meets the requirements listed in Section 3: Applicant Eligibility.

Reasonable Accommodation: Accommodations in program rules, policies, practices, or services, when such accommodations may be necessary to afford a disabled person, or a Household with a disabled member, equal opportunity to apply for, as would be available to non-disabled persons or Households in similar circumstances. The requested accommodation must be reasonable, must be reasonably related to the disability of the Household member, and must be necessary to provide the Household with equal access to housing.

Refinance: Getting a new mortgage to replace the original mortgage is called refinancing. Refinancing is done to allow a Borrower to obtain a better interest term and rate. The first loan is paid off, allowing the second loan to be created. See also Subordination and Subordination Agreement.

Sale: 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.

Short Sale: A Sale of real estate in which the proceeds from selling the property will fall short of the balance of debts secured by Liens against the property and the property owner cannot afford to repay the Liens' full amounts, whereby the Lien holders agree to release their Lien on the real estate and accept less than the amount owed on the debt. Any unpaid balance owed to the creditors is known as a deficiency.

Subordination: In banking and finance, refers to the order of priorities in claims for ownership or interest in various Assets, such as real property. A first mortgage Lien is given higher priority than a second mortgage Lien and will be paid first. A Lien that is recorded second has second priority and will be paid second, and so forth. In the case of a Short Sale or foreclosure, the order of the Liens is an important issue.

Subordination Agreement: A document which is typically required by a lender if a Borrower wants to Refinance their first mortgage and they have other Liens or mortgages on title. In a subordination agreement, a prior Lienholder agrees that its Lien will be subordinate (junior) to a subsequently recorded Lien.

Tenancy in Common: A type of shared ownership of property, where each owner owns a share of the property. Unlike in a Joint Tenancy, these shares can be of unequal size, and can be freely Transferred to other owners both during life and via a will.

Title: A legal document evidencing a person's right to or ownership of a property.

Title Insurance: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property. See also CLTA Policy and ALTA Policy.

Total Household Income: All Gross Household Income and Assets received.

Transfer: See Sale.

Trustee: Holder of legal Title to a property. Typically, a title company processing an escrow will be named as the trustee in the deed(s). The trustee holds the Title as security for a loan (debt) between a Borrower and lender. The equitable Title remains with the Borrower.

Trustor: A trustor named in a Deed of Trust is synonymous with a Borrower.

Valid Third-Party Documentation: Documents issued directly by a public agency, private utility company, taxing entity, creditor, financial institution, school, employer, business, landlord/property manager or certified public accountant on such entity's own letterhead, verifying one or more eligibility criteria of any Applicant, Co-Applicant, their dependents or other Household members. Such documentation may be verified by DPAL Program staff through direct contact with such agency/issuer by phone, email, or written inquiry to verify accuracy of document's contents.

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.

SECTION 3. APPLICANT ELIGIBILITY

This Section describes the requirements an Applicant must fulfill to qualify for the DPAL Program. These requirements include limitations on household income, eligible home types, and occupancy limits among others. Other Applicant requirements include meeting specified ratios between Housing Expenses and household income and debt and household income.

SECTION 3.1 City of Newark Preference/Priority 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 3.2 Household Income Requirements

The total household income can be no greater than 120% of Area Median Income for Alameda County, adjusted by household size, as updated annually based on the State of California Department of Housing and Community Development (HCD) State Income Limits.

Calculating total Household Income is key to determining whether the Applicant(s) is (are) income eligible for a DPAL loan. Total Household Income consists of all sources of income of **ALL** Household members aged 18 or older who will occupy the purchased property, regardless of dependency or ownership status.

Requirement of a Divorced or Separated Applicant

When determining a household's Gross Annual Income, the income of an Applicant's spouse or domestic partner must be included. This applies unless an Applicant is legally divorced or legally separated, or their domestic partnership has been terminated.

Exemptions: If an Applicant or Household member has been divorced, legally separated, or their domestic partnership has been dissolved within the past three (3) years, certain conditions must be met to qualify for an exemption from including the spouse's or domestic partner's income:

- **Legal Documents:** A finalized judgment or order, endorsed by the court, must be provided. This includes:
  - Judgment of Dissolution of Marriage
  - Order of Legal Separation
  - Notice of Termination of Domestic Partnership
- **Financial Separation:** There must be no ongoing financial connection that is not otherwise verified by the courts between the Applicant and their ex-spouse or ex-domestic partner. This includes:

    - No joint assets
    - No joint tax filings

Required Documents: Before determining household eligibility, Program Administrator will require a copy of the court-endorsed final judgment or order, with all necessary exhibits, forms, and schedules. These documents must verify details such as:

- Division of assets
    - Division of debts
    - Spousal support
    - Child support, custody, and visitation

These documents must be complete and signed by a judge and entered into the court records.

Applicants whose income from employment has declined in the past 6 months must provide evidence verifying that the change was not voluntary – for example that the Applicant did not quit a job or choose to reduce hours.

More information regarding household income, including what types of income and assets are considered and not considered, can be found in Appendix 1: Household Income and Assets.

SECTION 3.3 First-Time Homebuyer Eligibility

No individual in the household may have owned a Primary Residence in any state or country for past three years. Notwithstanding the foregoing, the following interests shall not, by themselves, disqualify an Applicant from being considered a First-Time Homebuyer:

- Ownership of 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;
- Ownership of a principal residence that was not permanently affixed to a permanent foundation, according to applicable regulations;
- Ownership of timeshares;
- Being a loan cosigner from a previous real estate transaction;
- Appearing 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;
- Being 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 in the residence.

SECTION 3.4 Homebuyer Education

Each Household member aged 18 and older who is an Applicant and will appear on the title of the purchased property must attend 8 hours of HUD certified homebuyer education, through a Homebuyer Education Provider. Homebuyer Education workshops cover topics such as: the loan application process, closing costs and escrow fees, recurring housing expenses, refinancing, budgeting, responsibilities of homeownership, home maintenance, and the importance of maintaining good credit. When all required members of an Applicant Household have completed the Homebuyer Education requirement, their Homebuyer Education Provider will issue a Certificate of Completion of Homebuyer Education, which shall be provided to the City as a condition of final loan approval. The Certificate of Completion of Homebuyer Education must have been issued within twelve (12) months from the date of application.

SECTION 3.5 Mortgage Pre-Approval

Applicants are encouraged to shop around to find the best Lender that suits their needs but must choose only one Lender in connection with the DPAL loan. Applicants must submit a First Mortgage Loan pre-approval letter as part of their DPAL application submittal. The pre-approval letter must:

- Name the Borrower and any co-borrowers to the loan;
- Be dated within one hundred twenty (120) days of the Applicant's application; and
- Include a maximum sales price that meets or exceeds the actual sales price of the property to be purchased, a maximum first loan amount, the DPAL loan amount, and any other subordinate loan amount (if applicable).

SECTION 3.6 Title and Loan Requirements

All adult Household members must appear as an owner or co-owner on the property title and must co-sign for any purchase loan for the property, including the City DPAL Loan, with the following exceptions:

- Household members younger than age 24 who are the child of a titleholder who will reside in the housing unit as their primary residence, regardless of being named as a dependent on the federal tax form or a titleholder.
- Legal dependents of titleholders as claimed on the two most recent federal income tax returns or legal minor children of titleholders. Spouses or Domestic Partners are not considered dependents.

Certain exceptions may be granted by the City on a case-by-case basis and in its sole discretion.

SECTION 3.7 Eligible Homes

Eligible homes include single-family homes, townhomes, condominiums, Accessory Dwelling Units supported under Assembly Bill 1033, and live/work units located in the city limits of Newark.

Housing types excluded from the Program are:

- Multi-unit properties such as a duplex, triplex or other multi-family property;
- Properties purchased through a non-Arm's Length Transaction, with a connection or relationship between the buyer and seller or other parties participating in the sales transaction unless authorized by the City. Approval may be granted by the City on a case-by-case basis and in the City's sole discretion;
- Tenant Occupied Properties, under which any unlawful rental eviction has occurred.
- Tenancy In Common ownership units
- New Construction units that have not received a Certificate of Occupancy at the time of purchase contract execution.

The list above is not comprehensive and is subject to change at any time at the City's discretion. The City reserves the right to identify additionally prohibited housing types.

DPAL loan funds may be used for a purchase of Below Market Rate (BMR) units 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. Appreciation share 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. No more than 10% of the DPAL loan funds will be invested in BMR properties.

SECTION 3.8 Owner Occupancy Requirement

Applicant must agree to occupy the purchased property as their principal place of residence. Everyone on title to the property (per section 3.5 above) and all Household members must occupy the property as their principal place of residence within sixty (60) days of close of escrow. Owner occupancy must be maintained for at least ten (10) months of the calendar year.

SECTION 3.9 Front-End Ratio and Back-End Ratio Requirements

Applicants must meet the minimum front-end ratio depending on the Applicant's household income relative to the Area Medium Income (AMI). A front-end ratio represents the percentage of Housing Expenses (i.e., principal, interest, taxes, insurance, and HOA dues) to household income.

The minimum required Front-End Ratio is 28%. Applicants receiving a Section 8 homeownership voucher are exempt from the minimum 28% Front-End Ratio requirement. There is no maximum front-end ratio.

Applicants must also fall under the maximum back-end ratio based on the Applicant's household income relative to the AMI. The back-end ratio represents the percentage of all debt to household income.

The maximum Back-End ratio is as follows:

- Maximum Back-End ratio requirements of 45% for all households below 120% AMI.

Debts to be included in the Back-End Ratio

Generally, all recurring debt payments, such as installment payments, revolving account payments, lease payments, child support and other loan payments shall be included into the Applicant's back-end ratio.

- **Installment Payments:** Installment debts with a remaining term of 10 months or more shall be included to the total back-end ratio.
- **Revolving Accounts:** Use greater of $10 or 5% of the balance if no payment amount is listed on the credit report.
- **Lease Payments:** Lease payments must always be included as a debt when determining the total back-end ratio.
- **Child Support:** Include all child support (including alimony or separation maintenance) obligations with a remaining term of 10 months or more.
- **Student Loans:** Student loans must be included in the Applicant's liabilities regardless of the payment type or status of payments. If a student loan is in deferment or forbearance at the time of review of the Applicant's credit report, the Program will use 0.5% of the outstanding balance on the loan on the Applicant's credit report. However, if the future scheduled monthly payment amount is available from the lender, the Program will allow this amount to be used. Student loans with a remaining term of ten (10) months or less, or on an income-driven payment plan with a zero $0 payment (as verified through student loan documentation), will be excluded from the total back-end ratio.
- **Loans Secured by Financial Assets:** When an Applicant uses his/her/their financial assets – life insurance policies, 401(k) accounts, individual retirement accounts, etc. – as security for a loan, the Applicant has a contingent liability. The Program will include this contingent liability as part of the Applicant's recurring monthly debt obligations when determining the Applicant's total back-end ratio. A copy of an applicable loan

instrument that shows the debt payment shall be included when submitting the DPAL program application.

- **Court-Ordered Assignment of Debt:** When an Applicant has outstanding debt reflected on the credit report that was assigned to another party by a court order (such as under a divorce decree) and the creditor does not release the Applicant from liability, the Applicant has a contingent liability. The Program will exclude this contingent liability as part of the Applicant's monthly debt obligation. A copy of divorce decree shall be provided in the DPAL program application in order to exclude it from the back-end ratio. Exceptions may be granted by the City on a case-by-case basis, and in its sole discretion.
- **Open 30-Day Charge Accounts:** Open 30-day charge accounts require the balance to be paid in full every month. Open 30-day charge accounts will be excluded from the total backend ratio. However, sufficient funds must be verified to cover the account balance, in addition to any funds required for closing costs and reserves.
- **Debts Paid by Others:** When an Applicant is obligated on a debt - but is not the party who is actually repaying the debt - the monthly payment may be excluded from the Applicant's recurring monthly obligations. In order to exclude the debts from the Applicant's total backend ratio, Applicant must submit the most recent twelve (12) months of canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.
- **Authorized User Accounts:** The Applicant must qualify for the DPAL loan with all payments under accounts where there is another authorized user that is not the Applicant unless one of the following applies: • The authorized user credit line belongs to a Co-Applicant on the loan, or • It can be documented someone else other than the Applicant is making the payment. See Debts Paid by Others above for requirements.

SECTION 3.10 Occupancy Limits

Household occupancy limits for purchasing a unit will be based upon Section 503(b) of the Uniform Housing Code, which specifies allowable minimum and maximum household sizes based upon the number of bedrooms in a unit. The minimum occupancy is one person per bedroom. Maximum occupancy of the unit is determined as follows: each bedroom may have a maximum of two people; one additional person may live outside of a bedroom within the unit.

Applying these standards, to purchase a two-bedroom unit, there must be a minimum of two people in the household and a maximum of five. See table below for occupancy limits by unit type:

Unit Type	**Minimum Occupancy/ Maximum Occupancy**
Studio	1 Person Minimum/ 2 Person Maximum
1 Bedroom	1 Person Minimum / 3 People Maximum
2 Bedrooms	2 People Minimum / 5 People Maximum
3 Bedrooms	3 People Minimum / 7 People Maximum
4 Bedrooms	4 People Minimum / 9 People Maximum

All of the following criteria must be present to be considered a bedroom:

- Size: A bedroom must be at least seventy (70) square feet (exclusive of closets, bathrooms, or similar spaces) with no less than seven (7) feet in any horizontal direction.
- Door Window: A bedroom must have a door and window. The window must open to an area which leads either to a street or open space.
- Direct Connection or Bathroom: A bedroom must either: (1) have a direct connection to the living space of the property, OR (2) have a separate bathroom with a toilet and sink, and a bathtub or shower.

A bonus room or finished room will be considered a bedroom if the room meets all the above criteria, regardless of its legalization. This includes the bedrooms in an Accessory Dwelling Unit or as part of a Junior Accessory Unit, or any other part of the property. The number of bedrooms determined according to the DPAL Program Guidelines may differ from the number of bedrooms reflected in the appraisal or public records.

SECTION 3.11 Home & Pest Control Inspection Reports

A “general home inspection” performed by an independent third-party home inspector is required for all properties purchased with DPAL loans. The Borrower, loan officer or real estate agent is responsible for contacting a home inspector to schedule the inspection. The inspection should include electrical, wiring, plumbing, roofing, insulation, and structural features. Any reported deficiencies that pose an immediate health and safety hazard or code violation must be corrected as a condition to funding of a DPAL loan.

In addition, the City requires a “pest control inspection” report for wood destroying pests and organisms to be conducted by a reputable license holder issued by the California Department of Consumer Affairs and the California Structural Pest Control Board. The Pest Control Inspection Report cannot be more than 90 days old at the time of submission to Program Administrator. Items listed in Section I of the pest control inspection indicate evidence of active infestation, infection or conditions that have resulted in or from infestation or infection, which generally need to be addressed to ensure that the property has been appropriately treated, and the damage has been repaired for health and safety reasons. It is important to note that the City will not be held liable for any misrepresentation, false claims, or information contained in the inspection reports. The City maintains the right to deny the DPAL loan due to the condition of the property. If the first mortgage lender requires repairs to the property, a copy of the clearance report must be obtained and submitted before close of escrow. All health and safety construction or repairs must be complete at the close of escrow and the home must be ready to occupy. Escrow holdbacks for construction and repairs up to $10,000 may be permitted at the City’s sole discretion.

SECTION 4. LOAN TERMS

This Section contains information regarding loans provided by the City to qualified Applicants as well as requirements for Borrowers.

SECTION 4.1 Loan Type

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. See Section 4.10 Loan Payoff and Appendix 2 for more detail.

SECTION 4.2 Maximum Loan Amounts

The DPAL Program includes a tiered assistance system based on 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 4.3 Interest Rate

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

SECTION 4.4 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.

SECTION 4.5 Borrower Contribution

There is no minimum personal down payment required. A Borrower may borrow up to 100% of the property's Combined Loan to Value (CLTV). Should a Borrower choose to include a personal down payment, the down payment funds may be from any source other than loan funds, such as the Borrower's own funds, gift funds, or grants. Any gift funds provided by friends or family to the Borrower must be accompanied by a gift letter acknowledging that the funds are not a loan and do not need to be paid back.

SECTION 4.6 Eligible Use of Funds

The DPAL Loan can be utilized for down payment only, and funds cannot be used to cover closing costs.

SECTION 4.7 Ineligible Use of Funds

The DPAL Loan cannot be used to pay for improvement and/or repair costs.

The DPAL Loan cannot be used to pay down the First Mortgage principal, debts or liens or to buy down the First Mortgage interest rate. If the Applicant is required by the First Mortgage Lender to pay off debts in order to qualify for the First Mortgage, these items must be paid by the Applicant, and reduced from the maximum assets allowable under the DPAL Program. In such case, the First Lender is required to evidence the need by providing the underwriting documents such as Underwriting Transmittal Summary (Form 1008), and Desktop Underwriter/Loan Prospector (DU/LP) findings. The amount of the debts must match the amount on the Closing Disclosure or Settlement Statement, as applicable.

SECTION 4.8 Documentation and Security

The following documents must be executed by the Borrower to secure a DPAL loan after satisfaction of all requirements for funding:

- Program Affidavit, executed by Borrower, acknowledging that they have read these guidelines and program restrictions.
- Deed of Trust, executed at the close of the escrow by Borrower for the benefit of the City to secure the Promissory Note. The Deed of Trust is subordinate to the first mortgage deed of trust, and in the second lien position unless otherwise approved by the City.
- Promissory Note, executed at the close of the escrow by Borrower for the benefit of the City and secured by the Deed of Trust. The Note provides for the greater of a share of appreciation or simple interest, and is due and payable, in full, according to the loan terms.

SECTION 4.9 Payoff Requests

If a Borrower would like to repay their DPAL Loan before it is due, they must submit a written request for payoff. In addition, if selling their home, Borrowers must submit a ratified Purchase Agreement (if applicable), and/or a fair market appraisal report obtained at their own cost. The amount due and owing will be the principal plus the greater of accrued interest or share of appreciation, plus the loan payoff fee. The share of appreciation will be determined by a Purchase Agreement and/or a fair market appraisal report, dated within ninety (90) days of submitting the payoff request. Share of appreciation on BMR units will be calculated based on the change in the affordable price, which will generally be less than the appreciation on comparable market rate units.

SECTION 4.10 Loan Default

It is important that Borrowers understand the program rules and procedures fully. Any violation of the program rules and restrictions may result in the City declaring the Borrower to be in default of the loan and may lead to the immediate repayment of the DPAL loan and/or other enforcement actions. Borrowers are encouraged to contact the City as soon as possible if they are at risk of a loan default or a foreclosure, or if HOA payments/special assessments become unaffordable.

The following are the most common causes for the City to declare the DPAL loan in default. The list is not exhaustive, and Borrowers shall review the Deed of Trust to confirm the Events of Default.

- Failure to occupy the home as your principal place of residency.
- Failure to comply with the Annual Owner Occupancy Monitoring.
- Non-payment of HOA fees or property taxes.
- Renting or sub-letting of the property, without the City's prior consent.
- Loans, liens, or lines of credit taken out against the property, without the City's prior consent.
- Default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to the DPAL loan.
- Sale, Transfer or Conveyance of the property, without the City's prior consent.

SECTION 5. MORTGAGE LOAN RESTRICTIONS

This Section describes the requirements for Mortgage Loans.

SECTION 5.1 First Mortgage Loan

The First Mortgage Loan must be no more than a 30-year, fully amortizing fixed-rate mortgage. It may not have negative amortization, principal increases, balloon payments, or deferred interest payments. The City reserves the right to identify additionally prohibited loan programs and/or characteristics.

SECTION 5.2 Adjustable-Rate Mortgage Restriction

The senior mortgage may not be an adjustable-rate mortgage.

SECTION 5.3 Maximum Total Loan to Value Ratio

A Borrower of a senior loan may borrow up to 100% of the property's Combined Loan to Value (CLTV). The first mortgage must be for at least 50% of the purchase price. However, the first mortgage may be less than 50% of the purchase price if the total of the first mortgage plus additional subordinate financing approved by the City is at least 50% of the purchase price.

SECTION 5.4 Third-Party Credits and Contributions

Credits and contributions from a third party, such as the seller, the real estate agent or broker, or the Lender, are allowed for non-recurring loan closing costs. All credits must be used in escrow; no more than $250 cash may be paid to Borrower at close of escrow. Any excess cash must first be applied towards the reduction of the DPAL loan amount.

SECTION 6. REFINANCE/OTHER LIENS POLICY

This Section covers refinancing First Mortgage Loans and other loans the Borrower may take out against the property. This section also describes the City's approach to approving the short sale of a loan.

SECTION 6.1 Refinancing First Mortgage Loan

Borrowers must obtain the City's written approval to refinance their First Mortgage Loan. Refinancing the First Mortgage Loan will not require repayment of the DPAL loan if the new first mortgage is for an amount equal to, or less than, the original first mortgage and the city's lien position is to be maintained. All other requirements for senior financing under Section 5 apply to the new first mortgage. The same individuals that were named as Borrowers on the DPAL Loan must also be named as Borrowers on any refinanced First Mortgage Loan, unless the City has approved the addition of a Borrower by marriage or domestic partnership or the removal of a Borrower by death, divorce or dissolution of domestic partnership or similar change to the household configuration in writing. Failure to obtain city written approval to refinance a first mortgage is in violation of the program restrictions and will require the DPAL loan to be immediately due and payable.

SECTION 6.2 Other Loans/Liens Post Escrow

Borrowers must obtain the City's written approval for the addition of any loan/lien on the property regardless of the lien position post close of escrow. At all times the City's lien position must be maintained and will only be subordinated in accordance with the City's subordination policy. Failure to obtain city approval is in violation of the program restrictions and will require the DPAL loan to be immediately due and payable.

SECTION 6.3 Request City Authorization

When requesting approval to refinance or to obtain an additional loan or lien on the property, Borrower must:

- Be in compliance with Owner Occupancy Monitoring and DPAL Program guidelines;
- Pay an administrative fee posted on the City's website;
- Submit all the required documents on the refinance checklist;
- Satisfy any other requirements outlined in Section 5 of the Program Guidelines.

SECTION 6.4 Subordination of DPAL Loan

While the City has the ability to require repayment of the City's loan upon refinancing the primary loan, as established in the program's promissory note and deed of trust, the City may agree to subordinate to a new first mortgage, under the conditions stated above, in order to help Borrowers stabilize or reduce their housing costs.

SECTION 7. GENERAL REQUIREMENTS

This Section describes the general requirements of the DPAL Program.

SECTION 7.1 Title Insurance Policy

The outstanding principal balance of the down payment assistance loan must be covered by a separate ALTA Lender's Policy of Title Insurance naming the City of Newark c/o Community Development Department, 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

SECTION 7.2 Non-Discrimination

All Applicant eligibility requirements contained in these guidelines must be applied without regard to the race, creed, color, gender, religion, or national origin of the Borrower. Information received by the City is only for purposes of verifying the Applicant's eligibility for a DPAL loan.

SECTION 7.3 Maintenance

Borrower will maintain the property in compliance with all applicable laws, ordinances, and regulations and in a good and clean condition. The Borrower will not destroy, damage, or impair the property, allow the property to deteriorate, or commit waste on the property.

SECTION 7.4 Hazard or Property Insurance

The property must be covered by a property insurance policy for a minimum of its replacement value. The City must be named as an additional insured or loss payee on the insurance policy. For Condominiums or attached Townhouses, if HOA master policies do not cover replacement of the interior of the property, the Borrower must obtain and maintain separate HO-6 condominium or other homeowner insurance policy that lists the City as an additional insured or loss payee for the life of the loan. The loss payee clause must read 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

SECTION 7.5 No Renting

The Borrower is prohibited from renting or sub-leasing any part of the property without prior written approval from the City at their sole discretion. No part of the property can be rented or sub-leased as a short-term rental or listed on short-term rental or vacation rental sites at any time.

Appendix 1: Household Income and Assets

This appendix provides a detailed description of the types of Household income included in consideration of Applicant eligibility for the DPAL Program.

A. Income Inclusions

The following sources of income are included in the income calculation.

Wages, Salaries, Tips: The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, fringe benefits, tips, and bonuses. Includes compensation for services rendered, such as freelance, online businesses, side businesses, consulting, and self-employment.

Business Income: The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of Assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or Assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or Assets invested in the operation by the family.

Interest and Dividends: Interest, dividends, and other net income of any kind. Expenditures for amortization of capital indebtedness may not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in Business Income (above).

Retirement and Insurance Income: The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount.

Social Security Income (SSI) and Supplemental SSI: Deferred periodic amounts from Social Security and SSI benefits that are received in a lump sum amount or in prospective monthly amounts.

Unemployment and Disability Payments: Payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation, and severance pay (except as provided in Inheritance and Insurance Income under Income Exclusions).

Welfare Assistance Payments: Welfare assistance payments made under the Temporary Assistance for Neey Families (TANF) program are included in annual income except any amount designated for shelter or utilities.

Armed Forces Pay: All regular pay, special pay, and allowances of a member of the

Armed Forces (except as provided in Armed Forces Hostile Fire under Income Exclusions).

Adoption Assistance, Child Support, and Alimony Payments. All forms of adoption assistance, child support, and alimony payments**.**

Cash income: From all bank accounts held in whole or part from each member of the Household over 18 years old.

Periodic Payments: Periodic payments made on your behalf by others including but not limited to, rent and living expenses such as retirement and insurance income including Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and a lump-sum amount or prospective monthly amount for the delayed start of a periodic payment, alimony and child support payments, or regular contributions or gifts received from organizations or from persons not residing in the dwelling. See Income Exclusions for exceptions to these cases.

Certain Assets: Certain Assets will be included in the income calculation and are specified in this Appendix, below.

Income from Rental Property: If an Applicant meets the First Time Homebuyer definition and owns rental property that has not been their Primary Residence for the three year period preceding their DPAL application, the annual rental income received will count towards their Household Income.

B. Income Exclusions

The following sources of income will not be included in the income calculation.

Income of Children: Income from employment of children (including foster children) under the age of 18 years and full-time students living elsewhere at the time of application.

Foster Care Payments: Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant, who are unable to live alone).

One-Time Inheritance and Insurance Income: One-time additions to Household Assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains, and settlement for personal or property losses (except as provided in Unemployment and Disability in Income Inclusions).

Medical Expense Reimbursements: Amounts received by the Household that are specifically for, or in reimbursement of, the cost of medical expenses for any Household member.

Student Loans: The full amount of student financial aid, including grants, scholarships, educational entitlements, work study programs, or financial aid packages.

Armed Forces Hostile Fire Pay: The special pay to a Household member serving in the Armed Forces who is exposed to hostile fire.

Home Care Assistance: Amounts paid by a state agency to a Household with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled Household member at home. This exclusion does not apply to a Household member that earns income providing home care assistance outside of their Household.

Certain Assets: Certain Assets will be excluded in the income calculation and are specified in this Appendix, below.

C. Asset Calculations

At the time of application and prior to purchase, Applicant can have up to $225,000 in Assets listed under Asset Inclusions. If an Applicant's assets exceed $225,000 at the time Household Income is determined, Applicant will not qualify for a DPAL loan. If Applicant's assets are less than or equal to $225,000 at the time the property is purchased, Applicant may retain a maximum of $60,000 total in assets and must apply any assets in excess of $60,000 toward the purchase of the property.

Evidence that assets have been transferred to another individual or into an unavailable asset account, or have been spent (except on unexpected emergencies, such as funeral expenses, travel costs related to illness, repair of a vehicle, medical needs and housing needs) to avoid use in the purchase will result in disqualification of the Applicant's application.

In determining whether a Household's Assets are within the Asset limits, the most recent three months of account statements for each monetary Asset (bank, credit union, non-retirement investment account statements) will be reviewed and the current balance of each account will be included in the calculation of total Assets. Non-monetary Assets, such as stock options, mobile homes, commercial real estate, etc., will be valued based on a current valuation (not less than 90 days old) to be provided by a qualified third-party appraiser or estimator, which must be included in the Applicant's Full Application. The Household's current total combined Household Assets on the application date (most recent monthly statements/valuations in application) must be within these Asset limits.

The City or their designee reserves the right to request additional documentation, if needed, to accurately assess the value of Assets.

D. Asset Inclusions

The following types of assets are included in the asset calculation.

1. Cash held by a member of the Household in savings accounts, checking accounts, safe deposit boxes, etc. Includes all custodial accounts held for minors.
2. Cash value of revocable trusts available to a member of the Household.

3. Cash value of stocks, bonds, Treasury bills, certificates of deposit, and money market accounts.
4. Cash value of life insurance policies available to the individual before death (e.g., the surrender value of a whole life or universal life policy).
5. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements, gifts, and other amounts not intended as periodic payments.
6. Equity in cooperatives.
7. Assets in IRS-recognized retirement accounts (IRAs, 401(k)s, 403(b)s, etc.), that the Applicant can access prior to terminating employment or retiring, regardless of penalty (while Applicant is employed). If Applicant is retired, any amount they elect to receive as a lump sum will be counted as an Asset.

E. Asset Exclusions

The following types of assets are excluded from the asset calculation.

1. Necessary personal property, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by a member of the Household; that is, when Assets are held in an individual's name, but the Assets and any Income they earn accrue to the benefit of someone else who is not a member of the Household and that other person is responsible for income taxes incurred on Income generated by the Asset.
4. Assets not accessible to and that provide no Income for the Household, e.g., a battered spouse who owns a house with her husband but, because of the domestic situation, receives no income from the Asset and cannot convert the Asset to cash.
5. Term life insurance policies (i.e., where there is no cash value).
6. Assets that are part of an active business including business equipment and vehicles.
7. Future/potential pension benefits or insurance proceeds held in accounts not currently owned and controlled by the Applicant or co-Applicant(s). (However, amounts must be listed on the application, and documentation provided, as described on the application.) IRA, Keogh, and similar retirement savings accounts where benefits are being received through periodic payments will also be excluded from the calculation of Assets.
8. 529 college savings accounts.

Appendix 2: Loan Repayment Calculation

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 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	**Share of Appreciation**
Original Purchase Price	$500,000
DPAL Loan 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 Loan *DPA Loan ÷ 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 Loan 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

Based on the example calculations above, the Borrower's DPAL loan repayment amount would be $127,000, since the Share of Appreciation calculation is greater than the Accrued Interest calculation.