

# City of Concord

## Summary of Below Market Rate (BMR) Program Eligibility Criteria and Requirements

### Eligibility Qualifications and Requirements

#### Deed of Trust and Resale Restriction Agreements

- Buyers will execute a Deed of Trust and an Occupancy, Refinancing, and Resale Restriction Agreement with Option to Purchase that will restrict the resale cost and how the buyer can sell the home. Restrictions will be in effect for 45 years.

#### Owner Occupancy

- All owners who are listed on title must live in the home for at least 10 out of 12 months per year

#### Preference Categories

- Applicants who live and/or work in Concord will receive a preference point in the application process. A maximum of one preference point per applicant household is possible so households that both live and work in Concord will need to claim only one of the preference categories. However, Concord residency/employment status is not a requirement for eligibility, and all individuals and households may apply.
  - Live in Concord – One member of the applicant household currently lives in the City of Concord.
  - Work in Concord – One member of the applicant household currently works a minimum of 24 hours at a business that is physically located within the incorporated area of the City of Concord.

#### First Time Homebuyer

- All members of the household must not have had their name on the title to a home within the past three years as of the closing date of the new home.

#### Household Income

- The applicant must provide income documentation to verify income eligibility.
- Household income refers to the combined income of household members aged 18 and over who will be living in the unit.
- Household income cannot exceed the current median income limit for the household size and area median income designation for the BMR unit. The BMR program uses the State of California Department of Housing and Community Development income limits that are released annually, and are based on Area Median Income (AMI) in the Oakland Metropolitan Statistical Area.
- Determination of income:  
The following are **included** in establishing income eligibility:
  1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fee, tips and bonuses

2. The net income from operation of a business or professional service or from rental or real or personal property
3. Interest and dividends
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts
5. Payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay
6. Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
  - The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
  - The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities
7. Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling
8. Income Calculation Example:  
The applicant's annual income is calculated by projecting the next 12 months based on each adult household member's current income earnings. For example, if a head of household is currently working for \$7.00 per hour, 40 hours per week, it is assumed that this household member should continue to work at the same pay scale and hours for the next year. The estimated earnings: \$7.00 per hour x 2,080 (40 hours a week x 52 weeks) hours or \$14,560 as annual income.

The following are **excluded in establishing income eligibility**:

1. Casual, sporadic or irregular gifts
  2. Amounts which are specifically for or in reimbursement of the cost of medical expenses
  3. Lump-sum additions to family assets, such as inheritances, insurance payments, capital gains and settlement for personal or property losses
  4. The special pay to a serviceman head of a family away from home and exposed to hostile fire
  5. Relocation payments made pursuant to federal, state or local relocation law
  6. Child care payments for foster care.
- Exceptions can be made when documentation is provided showing the income is about to increase or decrease.

## Household Size

- Minimum household size is one person per bedroom and maximum household size is one person per bedroom plus one. Household size is determined by all of the people who intend to live in the home. All such persons must be included on the application.
- Pregnant household members will count as just one, and any children subject to a custody agreement must reside in the household at least 50% of the time (as evidenced by a custody agreement).
- The following household members do not count when determining family size for the purpose of income limits: foster children, unborn children and children being pursued for legal custody or adoption who are not currently living with the household.

## Assets

- Households must have a reserve equivalent to one month's worth of mortgage payment, including principal, interest, prorated taxes and insurance in liquid assets in an accessible account at the time of closing.
- When a household has net household assets in excess of \$5,000, the gross income calculation for a household shall include the greater of actual income derived from the assets or .06% passbook rate. Assets considered include, but are not limited to, savings accounts, checking accounts, stocks, bonds and other forms of capital investment. Retirement accounts will be excluded.

## Credit Report

- All applicants on Title must have a minimum credit score of 640.
- Unpaid collection accounts or unpaid charge-offs on a credit report are prohibited.
- Applicants with active Bankruptcies are prohibited

## Down Payment and Gift Funds

- The homebuyer must provide a minimum of 3% of the purchase price up to a maximum of 17% of the purchase price.
- Down payment of 3% of the purchase price is required and must be seasoned in the applicant's accounts for a minimum of three months.
- Applicant(s) may be gifted funds in an amount not to exceed 17% of the purchase price plus closing costs.
- Gifted funds will count towards assets.
- Gift funds but must be seasoned in the giftor's account or the applicant's account for three months.
- Gift letters are required for all gift funds.

## Deposits

- Deposits or withdrawals that total five hundred dollars (\$500) individually or in aggregate in a thirty (30) day period must be sourced. The Program Administrator and

City reserve the right to request sourcing documents for any deposit or withdrawal.

### Required Documents

- First-Time Homebuyer Certificate
- Signed copy of Buyer's Disclosure
- Copy of Lender Prequalification
- Copies of two recent (within past two months), consecutive pay-stubs that cover at least one month and indicate the total gross year-to-date income.
- Copies of executed federal income tax forms for 2017, 2018 and 2019, with all attachments and W-2's (please, no state forms).
- Copies of one recent (within past three months) statement for all accounts- checking, savings, certificates of deposits, stocks, bonds, mutual funds, and retirement accounts.
- Copies of documentation for any other sources of income including unemployment, social security, disability, annuities, pension, etc., even if not required for first mortgage approval.
- Copy of court ordered divorce settlement, if applicable, indicating child custody, alimony, and child support.

### **First Mortgage Qualifications**

#### Mortgage Type and Terms

- The term of the first mortgage shall be for 30 years and fixed.
- Mortgage loans for the primary lender shall not include provisions for negative amortizations, principal increases, balloon payments or deferred interest.
- Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required minimum down payment. Excess cash, over that described above, shall be credited as a principal reduction to the homebuyer's loan.

#### Debt to Income (DTI) Ratios

- Minimum front-end ratio of 28%, maximum front-end of 35%.
  - The front-end ratio, also known as the mortgage-to-income ratio, is a ratio that indicates what portion of an individual's income is allocated to mortgage payments (principal, interest, taxes, insurance, HOA dues and mortgage insurance). The front-end ratio is calculated by dividing an individual's anticipated monthly mortgage payment by their monthly gross income.
- Maximum back-end DTI of 45%.
  - The back-end ratio, also known as the debt-to-income ratio, is a ratio that indicates what portion of a person's monthly income goes toward paying debts. Total monthly debt includes expenses, such as mortgage payments (principal, interest, taxes, insurance, HOA dues and mortgage insurance), credit card payments, child support, and other loan payments. The back-end ratio is calculated by dividing an individual's monthly debt expense by their monthly gross income.

### Combined Loan to Value

- Buyer's combined loan-to-value ratio shall not exceed 100%.
  - The combined loan-to-value (CLTV) ratio is the ratio of all secured loans on a property to the value of a property. Lenders use the CLTV ratio to determine a prospective home buyer's risk of default when more than one loan is used. The CLTV is calculated by dividing an individual's total loan debt from all sources of loans by the BMR purchase price.