DISCLOSURE STATEMENT

SOUTH SAN FRANCISCO'S EMPLOYEE DOWN PAYMENT ASSISTANCE LOAN PROGRAM

The Employee Down Payment Assistance Loan Program ("EDPA Program") is established by the City of South San Francisco (the "City") to help full-time employees, in purchasing a home closer to work. The City is providing a loan (the "City Loan") to provide homeownership opportunities for South San Francisco employees. As a condition of providing the City Loan, the City will require you to sign a Promissory Note and a Deed of Trust. You and the City will also enter into an Occupancy, Shared Appreciation, and Refinancing Restriction Agreement with Option to Purchase on Default (the “Shared Appreciation Agreement”). **The Shared Appreciation Agreement and Deed of Trust will be recorded against your property.** The Promissory Note, Deed of Trust and Shared Appreciation Agreement relating to the City Loan are referred to in this Disclosure Statement as the "City Loan Documents." This Buyer's Disclosure Statement explains the major provisions of the Shared Appreciation Agreement, Promissory Note and the Deed of Trust to make sure that you understand their requirements. **You should, of course, read all of the City Loan Documents yourself and become completely familiar with them.**[1]

I. PRIMARY RESIDENCE AND CONTROLS ON RENTING OR LEASING YOUR HOME Under the terms of the City Loan Documents, the house you buy with the City Loan funds must be your main place of residence. This means that you must live in the house no less than ten months out of each calendar year. On or before February 1 of each year, you must certify to the City that you continue to occupy the home as your principal place of residence. The form of certification that you must provide to the City is attached as Exhibit D to the Shared Appreciation Agreement. In addition, you cannot rent-out your home. You must provide the City or its agent with an annual verification that you are not renting your home and that you are occupying it as your primary place of residence.

II. REPAYMENT OF CITY LOAN FUNDS. Your City Loan is a "deferred" loan. This means that you do not have to pay it back until the end of the 30-year term of the loan, so long as you own the home and you do not violate any of the terms of the City Loan Documents. However, if you sell or transfer the home or if you break the terms of the City Loan Documents, the loan will become immediately due and you will have to pay it back. The City Loan includes the requirement to pay "Shared Appreciation" which is described in the next section.

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[1] Numerical examples are included in this Disclosure Statement to help you better understand the concepts, terms, and provisions of your City Loan. Please be aware that these are simply to show how things work and that they are not intended to represent your specific situation or loan amount. If you follow along with a calculator, you may not get exactly the same answers. Any differences are probably due to how your calculator "rounds-off" numbers.

A. **Shared Appreciation**. As mentioned earlier, the City wants to help full-time employee homebuyers who would otherwise struggle to afford homes in the City and County without additional financial assistance. City resources, however, are limited. You benefited from City financial help; it is only fair that you repay the City in proportion to that benefit. That is why the City has included "Shared Appreciation" in your loan repayment. In general, Shared Appreciation is a percentage of the difference between the original purchase price of your home and the price at which you sell it. This difference is called the "Appreciation Amount."

The Shared Appreciation you pay represents the benefit you received through receipt of the City Loan. It is the percentage that is calculated by dividing the amount of the City Loan by the original purchase price that you paid for your home. For example, if the City Loan provided sixteen percent of the original purchase price of your home, when you sell the home, sixteen percent of the appreciation amount is owed to the City as Shared Appreciation. Examples 1 and 2 sets this out with numbers.

EXAMPLE 1 You sell your home after living in it for 3 years. Your City Loan is $100,000. The original purchase price you paid for the home when you bought it was $625,000.

Shared Appreciation: $100,000 ÷ $625,000 = 16%

This means that the City will receive 16% of the <u>appreciation</u> on your home which is the difference between the original purchase price of your home and the price at which you sell it. If we use $700,000 as the actual sales price, the following would result:

Resale Price	$700,000
Original Purchase Price	- $625,000
Total Appreciation Amount	$75,000
City Share of Appreciation (16% of $75,000)	- $12,000
Share of Appreciation That You Keep	$63,000

Under these assumptions, if you sell your home in 3 years, the total you would owe the City is the following:

City Loan Amount	$100,000
City Share of Appreciation	+ $12,000
TOTAL AMOUNT YOU OWE THE CITY	$112,000

EXAMPLE 2 You sell your home after living in it for 10 years. Your City Loan is $100,000. The original purchase price you paid for the home when you bought it was $625,000.

Shared Appreciation: $100,000 ÷ $625,000 = 16%

This means that the City will receive 16% of the appreciation on your home which is the difference between the original purchase price of your home and the price at which you sell it. If we use $975,000 as the actual sales price, the following would result:

Resale Price	$975,000
Original Purchase Price	- $625,000
Total Appreciation Amount	$350,000
City Share of Appreciation (16% of $350,000)	- $56,000
Share of Appreciation That You Keep	$294,000

Under these assumptions, if you sell your home in 10 years, the total you would owe the City is the following:

City Loan Amount	$100,000
City Share of Appreciation	+ $56,000
TOTAL AMOUNT YOU OWE THE CITY	$156,000

In cases where transfer of your home to another person is by means other than sale (with the exception of a creditor taking title), or at the end of the 30-year term of the Note, the appreciation is the difference between the original purchase price and the Fair Market Value of the home at the time of transfer. The Fair Market Value is determined as set out in Section II.B. below.

If there is no increase in the value of your home when the City Loan is repaid, you will still owe the outstanding principal amount of the City Loan, but Shared Appreciation will not be due at the time of repayment.

B. Fair Market Value. Under the terms of the City Loan Documents, the Fair Market Value must be determined by a licensed California Certified Appraiser issued by the Office of Real Estate Appraisers), preferably with a Member of the Appraisal Institute member designation (issued by the Appraisal Institute). If possible, the appraisal will be based on the sales prices of homes similar to yours which are sold in your area during the preceding three-month period.

The cost of the appraisal will be paid by you. For example, if the appraisal costs $500, you will be responsible for $500.

III. **<u>PREPAYMENT OF CITY LOAN</u>** You have the right to prepay part or all of the City Loan. If you prepay all of the City Loan, shared appreciation on your loan will be due based on the Fair Market Value of your home at the time of prepayment. Fair Market Value shall be determined by an appraisal (conducted as set forth in Section II.B. above). In the case of prepayment, you will be responsible for paying the cost of the appraisal. If you prepay only a part of the City Loan, the payment that you make will be applied to both the amount of principal and the amount of Shared Appreciation you owe based on the following calculations:

Amount of Prepayment Applied to Principal	Amount of Prepayment Applied to Shared Appreciation
Principal Amount of City Loan	City Shared Appreciation
÷	÷
(Principal + Shared Appreciation Due at Time of Prepayment)	(Principal + Shared Appreciation Due at Time of Prepayment)

In addition, your Shared Appreciation percentage will change because you paid off a portion of the original City Loan amount (the principal). Example 3 shows how this would work.

EXAMPLE 3 You have a City Loan in the amount of $100,000 (the principal). The original purchase price of your home was $625,000. Shared Appreciation is 16% (the result of $100,000 ÷ $625,000). You decide to prepay $75,000 of the loan. At the time of prepayment, the fair market value of the home is $675,000.

Fair Market Value (established by new appraisal)		$675,000
Original Purchase Price	-	<u>$625,000</u>
Total Appreciation Amount		$50,000

City Share of Appreciation $8,000
(Shared Appreciation = 16%)

Your $75,000 prepayment is applied to principal and Shared Appreciation in the following manner:

Amount of Prepayment Applied to Principal	Amount of Prepayment Applied to Shared Appreciation
$100,000 ÷ ($100,000 + $8,000)	$8,000 ÷ ($100,000 + $8,000)
$100,000 ÷ $108,000	$8,000 ÷ $108,000
0.93 or 93% of the prepayment of $75,000 is applied to principal or **$69,750**	0.07 or 7% of the prepayment of $75,000 is applied to Shared Appreciation or **$5,250**

Principal Amount of City Loan Left Owing: $100,000 - $69,750 = $30,250

New Shared Appreciation: New Principal Amount ÷ Original Purchase Price
(for future loan repayment) $30,250 ÷ $625,000

New Shared Appreciation = 4.8%
(for future loan repayment)

IV. DEFAULT PROVISIONS When you accept City Loan assistance, you agree to meet all of the conditions of all of the City Loan documents. If you violate any provisions of the documents, you are considered to be in default under your City Loan. Also, if you default under any other loan on the home, such as your first mortgage loan, you would also be considered to be in default under the City Loan. If you do not correct the violation, the City could require you to repay the City Loan. The City could also go to court and get a court order to enforce the provisions of the City Loan documents. In addition, if you fail to meet the requirements of City Loan, the City has the right to foreclose and take your home. The City also has an option to purchase should you default under your Shared Appreciation Agreement.

V. REFINANCING FIRST MORTGAGE LOAN All refinances must be approved in advance by the City. Any amount received from the refinancing of your first mortgage loan can be no more than the outstanding principal amount of your first mortgage at the time of refinancing. The refinance cannot result in a cash out to you. If you do not obtain City consent to a refinance, choose to refinance your first mortgage for a larger amount, or the refinance results in a cash out payment to you, you will be required to repay the principal and Shared Appreciation owed to the City.

VI. **<u>INSPECTIONS</u>** Under the terms of the City Loan Documents, you agree to allow the City and its authorized representatives the right to enter your home at reasonable times and in a reasonable manner in order to inspect the home to determine that you are meeting the provisions of your City Loan.

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Please sign the enclosed copy of this Buyer's Disclosure Statement in the space provided below and return it to: Hello Housing, 121 San Anselmo Ave #2440, San Anselmo CA, 94979, Attn: Jennifer Duffy.

I have read and understand the above Buyer's Disclosure Statement.

By: ______________________________ __________________

Signature of Buyer Date

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Printed Name of Buyer

By: ______________________________ __________________

Signature of Buyer Date

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Printed Name of Buyer