



**City of Oceanside**  
**Neighborhood Services Department**  
**Moderate-Income Homeownership Program**

**Program Description**

August 2021



- I. PURPOSE OF THE PROGRAM- Oceanside City Council established this Pilot Program to determine the need and viability of a moderate-income homebuyer assistance program. The program will expand the ability of moderate-income residents to become homeowners by providing down payment and closing cost assistance as a deferred loan for up to three (3) qualified households. The program is funded by Inclusionary Zoning Fees collected from housing developers.
- II. LOTTERY DRAWING FOR ELIGIBLE PARTICIPANTS- This pilot program will assist 3 applicants. Applicants who meet income and residency requirements are invited to submit their prescreening form (addendum 1) contact information to Sue Harder, Housing Specialist beginning August 9, 2021 through August 31, 2021. Applicants will be assigned a number. Numbers will be drawn randomly in a blind lottery. If those drawn do not meet requirements on verification, or they cannot obtain financing, the next applicant will be invited to apply.
- III. QUALIFICATION OF HOMEBUYER  
 Combined gross income of all members of the household who will be living in the unit and/or on title to the property shall be above 80% of County Median Income adjusted for family size, referred to below as the Minimum Income. The Maximum Income permitted to qualify for Moderate-Income Homeownership Program-Pilot assistance is up to 115% of County Median Income. Referred to below as the Maximum Income.

<u>Family Size</u>	<u>Minimum Income is over*</u> (April 2021)	<u>Maximum Income is up to*</u> (April 2021)
1	\$67,900	\$97,600
2	\$77,600	\$111,550
3	\$87,300	\$125,550
4	\$97,000	\$139,450
5	\$104,800	\$150,650
6	\$107,200	\$161,350
7	\$112,250	\$172,950
8	\$128,050	\$184,050

Minimum income is any amount over 80% of Area Median Income as defined by California Department of Housing and Community Development (HCD). Maximum income is 115/80<sup>ths</sup> or 1.4375 times 80% of Area Median Income as defined by the National Homeownership Trust and the Federal Deposit Insurance Corporation (FDIC). Figures rounded to the nearest of \$50 increments.

OTHER HOMEBUYER QUALIFICATIONS

- (1) The applicant(s) must be a first-time homebuyer who has had no ownership interest in any home at any time during the three-year period prior to the date of application to the Moderate-Income Homeownership Program - Pilot Program.

(2) The applicant(s) must live in the City of Oceanside or be continuously employed by an Oceanside employer, for the past 2 years.

(3) The applicant(s) are required to contribute at least 1% and a maximum of 20% of the home acquisition price (subject to first Mortgage requirements) of personal funds towards downpayment and closing costs.

## II. ELIGIBLE PROPERTIES

- A. Eligible properties for homebuyer assistance must be located within the corporate boundaries of the City of Oceanside and may include single-family detached homes, condominiums, townhomes, or duplexes.
- B. The property that the applicant(s) wishes to purchase must be owner-occupied, vacant, or a unit occupied by the borrower. Tenant – occupied properties are ineligible.

## III. UNDERWRITING CRITERIA

- A. The First Trust Deed Lender shall be responsible for qualifying the applicant to available market programs (FHA, CalHFA, VA, Fannie Mae, Freddie Mac, conventional, etc.) with regard to the following guidelines:
  - 1. Front-end Debt Ratios must be between 28% minimum and 35% maximum.
  - 2. Loan-to-Value (LTV) Ratio, when combined with all other indebtedness secured by the property cannot exceed one hundred (100) percent of the sales price including closing costs.
  - 3. Lender will evaluate credit history for applicability to available low to moderate income, first-time homebuyer market programs.
  - 4. Neighborhood Services Department- Housing Division staff shall verify Lender has properly qualified applicants as to income eligibility with Moderate-Income Homeownership Program - Pilot guidelines.
  - 5. Neighborhood Services Department- Housing Division staff will provide a list of pre-approved First Trust Deed Lenders and will monitor Lender(s) for fee reasonableness, fair housing/non-discrimination, and to prevent predatory lending practices.
- B. The First Trust Deed Lender shall apply for a Mortgage Credit Certificate (MCC) on behalf of each approved Moderate-Income Homeownership Program - Pilot Borrower, if eligible, and to increase their purchasing power.

## IV. MODERATE-INCOME HOMEOWNERSHIP PROGRAM - PILOT LOAN TERMS AND CONDITIONS

- A. The Moderate-Income Homeownership Program - Pilot loan cannot exceed 20% of the acquisition price. Down payment and closing costs may be included as a part of the loan. Loan amount will not exceed \$120,000.

- B. Purchase Price Limits: \$600,000 Single Family Detached Homes  
\$450,000 Condominium, Townhome, or duplexes
- C. When considered with other available financing and assistance, the Moderate-Income Homeownership Program loan must not exceed the minimum amount necessary to ensure affordable monthly mortgage payments in accordance with program underwriting requirements.
- D. Loans are only for first-time homebuyers for mortgage assistance as permanent financing and must be on a unit ready for occupancy. The unit must be owner-occupied or vacant. Units with tenants do not qualify except a tenant may purchase the home they are renting using a Moderate-Income Homeownership Program loan. The real property will secure the Moderate-Income Homeownership Program loan.
- E. The term for the Moderate-Income Homeownership Program loan shall be 30 years from the date of the note, deferred for the loan term. The loan bears simple interest at 3% per annum. Accrued interest will be forgiven after 15 years. Loan principal must be repaid.
- F. Repayment is due on sale or transfer of the property, when the property ceases to be owner-occupied, upon the loan maturity date, or upon repayment or refinancing of the first mortgage. Subordination of the Moderate-Income Homeownership Program loan is prohibited unless the subordination meets the following guidelines:
  - i. No cash out to the homeowner
  - ii. Lower interest rates
  - iii. Reasonable closing costs
  - iv. Term of the new senior lien must be at least for the period of the loan
  - v. Negative amortization, balloon payments, or changes in payments are not allowed
- G. Moderate-Income Homeownership Program loans are not assumable.
- H. The following transfers of interest shall not require the repayment of the loan:
  - a. transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
  - b. a transfer, in which the transferee is a person who occupies or will occupy the property, which is:
    - i. a transfer where the spouse becomes an owner of the property;
    - ii. a transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
    - iii. A transfer into an inter vivos trust in which the homebuyer is and will remain the beneficiary and occupant of the property.
- I. A borrower may pay a portion of or the entire deferred payment loan amount at any time without penalty.
- J. Contact information: For more information contact Sue Harder, Housing Specialist at 760-435-3378 or [oceansidehomeownership@oceansideca.org](mailto:oceansidehomeownership@oceansideca.org)