

*First Time Home Buyer Tax  
Credit Second Mortgage Loan  
Program Presentation*

*Artesia Redevelopment Agency*

*August 4, 2009*

# *Agenda*

## *First Time Home Buyer Tax Credit*

## *Second Mortgage Loan Program*

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- Introductions
- Overview of the First Time Home Buyer Tax Credit Program (pages 4-7).
- Overview of the Artesia Redevelopment Agency's First Time Home Buyer Tax Credit Second Mortgage Loan Program (pages 8-10) .
- Exhibit A-Program Guidelines
- Exhibit B-Income Limits

# Program Participants

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- Sponsor: Artesia Redevelopment Agency
- Administrator: California Housing Programs, LLC.
- Lender: Clearinghouse CDFI

## *What is the First Time Home Buyer Tax Credit?*

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- The American Recovery and Reinvestment Act of 2009 provides a federal income tax credit for first-time homebuyers of 10% of the sales price, up to a maximum of \$8,000, for the purchase of a new or existing home.
- The tax credit is available to qualified homebuyers who purchase a home before November 30, 2009.

# *Who is Eligible for the First Time Home Buyer Tax Credit?*

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- Any individual who has had no ownership interest in a principal residence during the prior three (3) years.
- The home remains the homebuyer's principal residents within 36 months of the acquisition of the home by the homebuyers eliminates any repayment obligation.
- The tax credit can be combined with a mortgage that is financed with proceeds of a tax-exempt qualified mortgage bonds or Mortgage Credit Certificates (MCC).
- The tax credit is phased out for adjusted gross income of \$75,000.00 for a single taxpayer, \$150,000.00 in the case of a joint tax return.
- Home must be purchased by November 30, 2009.

## *How Does the First Time Home Buyer Credit Work?*

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- Purchase a home prior to November 30, 2009.
- If eligible apply for the Tax Credit up to \$8,000.00.
- Home Buyers has 3 options to secure the Tax Credit from the IRS-US Treasury:
  - Claim the Credit on their 2009 Tax Return.
  - Amend their 2008 Tax Return.
  - File an extension (if one has not filed for 2008) by October 15, 2009 and include the Tax Credit on 2008 return.

# *Today's Challenge with the First Time Home Buyer Tax Credit?*

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- Tax Credit does not provide cash today that can be used by the home buyer to provide all or a portion of the down payment and closing costs associated with purchasing a home. Home buyer can afford a mortgage loan, but does not have the resources for the down payment and or closing costs.
- No State Agency in California has a program to monetize the Tax Credit into funds to assist to close a home buyers loan with down payment or closing costs assistance.
- Program expires November 30, 2009.
- Apply for the tax credit after you purchase a home.

## *How does Artesia Redevelopment Agency (ARA) make the Tax Credit work for its*

### *Residents, Lenders and Real Estate Agents?*

- Under Section 528 of the National Housing Act, a government agency, such as ARA may take a second lien behind an FHA-insured loan, which second lien secures a loan from the governmental entity to the borrower. The statute places no restrictions on the source of funding for this second loan.
- The second mortgage loan provides the down payment and or closing costs or a combination of both, up to \$8,000.00 for the home owner to use to purchase the home.
- After home buyer purchases home, then amends his 2008 tax return to receive tax credit which is used to pay off the second mortgage loan.
- IRS sends payment within 60 days (estimate). Upon receipt of funds second mortgage lien is released.

*Continued-How does ARA make the Tax  
Credit work for its Residents, Lenders and  
Real Estate Agents?*

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- ARA will offer a second mortgage loan to qualified buyers to help buyers that need down payment and closing cost assistance when purchasing a home. This second mortgage loan will be repaid with the homebuyer tax credit refund.
- FHA 1st Mortgage loan up to 96.5% LTV; 30 Yr Fixed offered by participating lender.
- Home must be located in the City of Artesia.
- Program allows home buyer to purchase a home with little to no money out of pocket.

# *Second Mortgage Loan Program Guidelines*

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- Detailed guidelines attached as Exhibit A.
- Key points:
  - Home buyer must a First Time home buyer.
  - Home must be located in the City of Artesia.
  - 1st Mortgage Rate set by Lender.
  - Loan must close by November 30, 2009
  - The 2009 income limitations for Los Angeles County are attached as Exhibit B.

# *Administrator & Lender*

## *Contact Information*

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## *In Summary...*

The Artesia Redevelopment Agency monetizes the Tax Credit with a second mortgage to facilitate the sale of existing, new or real estate owned (REO's) in the City of Artesia, California.

# Artesia Redevelopment Agency

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Thank you for attending today's meeting. We look forward to working with you on this Second Mortgage Loan Program.

# Program Guidelines Exhibit A

■ Guidelines Attached

**EXHIBIT A**  
**FIRST TIME HOME BUYERS TAX CREDIT**  
**SECOND MORTGAGE LOAN PROGRAM**  
**PROGRAM GUIDELINES**

Overview	This affordable housing program is designed to provide a 2nd mortgage to fund home buyers down payment and closing costs from funds provided by the Artesia Redevelopment Agency. Participating Mortgage Lender will verify that the potential home owner and the mortgage loan complies with these guidelines and originate an FHA 1 <sup>st</sup> mortgage loan in accordance with applicable FHA program guidelines in conjunction with a 2 <sup>nd</sup> mortgage on properties in the City of Artesia, CA.
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**2. LOAN PARAMETERS 1<sup>ST</sup> MORTGAGE**

Origination Period	The First Mortgage must be originated and closed on or before November 30, 2009.
First Mortgage	FHA 30 Year, Fixed Rate, Fully Amortizing loan.
Down payment and Closing Cost Assistance	Maximum Amount of down payment and closing cost assistance is \$8,000. Down payment and closing cost assistance will be secured by a 2 <sup>nd</sup> mortgage note and deed of trust.
Maximum First Loan Amount	Current FHA loan limit.
Participating Mortgage Lender	Participating Mortgage Lender is a Lender that executes the Lender Agreement, is any lender approved as such by FHA/HUD and legally licensed to operate in the State of CA and the City of Artesia.
First Time Home Buyer	Homeowner must be a first time homebuyer, meaning a homebuyer that has not owned his/her residence in the last three years.
Seller Contributions	Seller may pay up to 5% in seller concessions, in addition to the \$2,500 program participation fee, for purposes approved by FHA.
FHA and IRS Guidelines	Homebuyer must meet all other credit reputation provisions as determined by FHA.
Allowable Lender Fees	The Mortgagors shall pay no more than the usual and reasonable settlement costs (e.g., titling and transfer costs, title insurance, survey fees, and similar costs) and the usual and reasonable financing costs (e.g., credit reference fees, legal fees, appraisal expenses, points paid by the Mortgagors, application fees for assumption of mortgage, if any), or other usual and reasonable costs of financing the Home.

**3. HOME BUYER(S) QUALIFICATIONS**

Occupancy	Homebuyer whose income is used to qualify must intend and commit to live in the property as their principal residence for at least three years.
Qualify for 1 <sup>st</sup> mortgage	Homebuyer to qualify for FHA 30 Year, Fixed Rate, Fully Amortizing loan.
First Time Home Buyers	Homebuyer must not have owned his/her residence in the last three years
Income Limitation	No more than 120% of area median income, as required by California Health & Safety Code Section 50093 and 25 California Code of Regulations Section 6910, <i>et seq.</i>
Home Buyer Down Payment	Homebuyer responsible for FHA down payment requirement/funds not covered by the 2 <sup>nd</sup> mortgage advance.

Federal Tax Credit Advance	Down payment and closing cost advance is conditioned upon homebuyer amending his/her 2008 Federal Tax Return to secure the Federal Tax Credit to pay off the Agency mortgage.
FHA Guidelines	Homebuyer must meet all other credit reputation provisions as determined by FHA and must meet all applicable IRS guidelines.
Comprehensive Homebuyer Education	Agency requires at least one member of each household whose income is used to qualify for the program attends a homebuyer education class.

4. PROPERTY QUALIFICATIONS

Program Area	Properties must be located within the City of Artesia, CA.
Eligible Types	One-Unit, Single-Family detached, Condos and Planned Unit Developments. Manufactured Homes are not eligible. No Mobile Homes or Cooperatives.
Targeted Areas	None
Property Inspections	Agency encourages all homeowners to hire a licensed Property Inspector to inspect the home being purchased.
Home Warranty	A Home Warranty must cover each property for a period of one-year.

5. AFFORDABILITY REQUIREMENT

Housing Cost	The "housing cost" resulting from the purchase price, First Mortgage and the other costs described in 25 California Code of Regulations Section 6920 must be an Affordable Housing Cost for the applicable income category of the buyer/borrower under and as defined in California Health & Safety Code Section 50052.b and 25 California Code of Regulations Section 6920, 6924 and other applicable regulations.
Documentation	A copy of the borrower's purchase agreement, and other information available to borrower or requested by the Administration and necessary to verify such costs must be delivered to the Administrator before the loan can be made.

6. THE SECOND MORTGAGE

Term of the Note	The interest rate on the note is 8%, plus a monthly servicing fee of \$25.00. Interest will not commence until the earlier of six months after the date of the mortgage note, 10 days after receipt of the tax refund, or a sale of the residence or refinancing of the first loan.
Loan Amount	2 <sup>nd</sup> Mortgage loan amount not to exceed \$8,000.00.
Time of Repayment	The Note shall be due and payable in full ten (10) days after receipt of the tax credit refund or any sale, or any refinancing of the First Deed of Trust. After six months after the date of the mortgage note, there will be monthly payments of principal (amortized on a twenty year amortization schedule), interest, and a \$25.00 per month servicing fee.
Mortgagor/Beneficiary-2 <sup>nd</sup> Mortgage Funding	Second Mortgage Loan Documents must be drawn in the name of the Agency. Lender to advance funds for 2 <sup>nd</sup> mortgage and to be reimbursed by Agency. To the extent that the funds advanced by the homebuyer plus the first and second mortgage amounts exceed amounts required at the closing, the Lender will reduce the SECOND mortgage amount.
2 <sup>nd</sup> Mortgage Instruments and Title Insurance	Mortgages must be originated using the Second Note and Deed of Trust documents as provided by the Agency. Form of note and deed will be provided to any lender who decides to participate in the program, plus said documents will be posted on the following website: <a href="http://www.californiahousingprograms.org">www.californiahousingprograms.org</a> . Lender will, on behalf of the Agency prepare the Second-Lien-Truth-In-Lending statement, comply with RESPA, HOEPA, ECOA/FCRA and record the second lien.  Title insurance in favor of Agency in the amount of the Agency loan has been issued

	as of the closing of the loan and that it insures that the Agency's deed of trust is subordinate to no rights to purchase and no liens (except for the purchase money lien and for liens for property taxes and assessments that are not due and payable).
Administrator	California Housing Programs, LLC
Origination Period	The 2nd Mortgage must be originated and closed on or before November 30, 2009.
First Time Home Buyers	Homebuyer must be a First Time Home Buyer in order to receive the down payment and closing cost assistance. First time home owner is defined as a home buyer that has not owned his/her principal residence in the last three years
Federal Tax Credit Advance	Agency down payment and closing cost advance is conditioned upon homebuyer amending his/her 2008 Federal Tax Return to secure the Federal Tax Credit to pay off the Agency 2 <sup>nd</sup> mortgage. Lender to verify no Federal tax liens exist against the homebuyers.
Loan Reservation	Reservation requests will be submitted to the Program Administrator by fax at 949 489 1497. Reservations are not transferable to other borrowers or other properties. The Program Administrator will monitor program funds and notify Lender when Down Payment Assistance has been depleted. Mortgagors must be considered irrespective of race, color, religion, national origin, age, sex, veterans status, disability, or marital status of such Mortgagor.
Recordation Requirements	The Second Mortgage Loan must be recorded in the official public records of County such that it constitutes a valid second lien upon the property as shown by a lender's title policy issued in favor of Agency at borrower's cost.
Additional Subsidy	The use of a subsidy in addition to the Second Mortgage Loan Program will not be allowed.
Affidavits	All applicable affidavits must be accurately completed and included in the transmittal sheet submitted to Program Administrator. Neither the Agency nor the Program Administrator has the ability to alter or waive any applicable affidavits.

**2<sup>ND</sup> MORTGAGE PROGRAM FEES/REBURSEMENT OF 2<sup>ND</sup> MORTGAGE**

2 <sup>nd</sup> Mortgage Program Fees and Lender Reimbursement of 2 <sup>nd</sup> mortgage advance.	<ul style="list-style-type: none"> <li>• Program Administration Fee of \$2,500.00 paid by seller to the Agency at closing.</li> <li>• Home Warranty Fee paid by the Seller or Real Estate Agent for a one-year term.</li> <li>• Escrow Fee</li> <li>• Title Insurance Premium</li> </ul> <p>2 Mortgage funds advanced by 1<sup>st</sup> Mortgage Lender will be reimbursed daily upon receipt of closing documents listed on the Mortgage Submission Voucher by Program Administrator.</p>
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# Income Limits-Exhibit B

Los Angeles County Department of Public Health, 12501 Wilshire Blvd., Suite 200, Los Angeles, CA 90025

## Exhibit B

Artesia Redevelopment Agency

Program Income Limits

2009

County	Income Category	Number of Persons in Household							
		1	2	3	4	5	6	7	8
Los Angeles County	Extremely Low	16,650	19,050	21,400	23,800	25,700	27,600	29,500	31,400
Area Median Income: 62,100	Very Low Income	27,750	31,700	35,700	39,650	42,800	46,000	49,150	52,350
	Lower Income	44,400	50,750	57,100	63,450	68,550	73,600	78,700	83,750
	Median Income	43,450	49,700	55,900	62,100	67,050	72,050	77,000	81,950
	Moderate Income	52,150	59,600	67,050	74,500	80,450	86,400	92,400	98,350