



Dear First-Time Homebuyer:

Thank you for your interest in the Fontana Housing Authority's First-Time Homebuyer Assistance Program (HAP). The Authority recognizes the difficulty first-time homebuyers face given the current cost of housing and financing in a region considered one of the highest in the nation.

In response to this problem, the Fontana Housing Authority is offering a Homebuyer Assistance Program (HAP), which provides extremely attractive financial incentives to first-time homebuyers. We strongly encourage you to thoroughly review the criteria outlined within the attached HAP program narrative, and determine your eligibility to participate in this program.

If you meet the established program eligibility criteria, the process for homeownership then includes the following simple steps:

- 1. Select an approved Lender from the attached Lender List.** The Lender you select will establish the actual size of mortgage you can afford, and determine your preliminary eligibility for the program.
- 2. Select a local realtor.** The realtor will help you in finding your "dream home," based on the lender's pre-qualification. Once you have selected your "dream home," the realtor will then assist you in entering into a purchasing agreement.
- 3. Once you have obtained preliminary loan approval and entered into a purchase agreement, your Lender will submit a reservation request to the Authority for your downpayment assistance. You will NOT have to contact the Authority or submit an application directly to the Authority.** The Lender will process all of the paperwork necessary for you to apply for the HAP Program.

The process is extremely simple, and we encourage you to immediately begin working with an approved Lender and local realtor. As trained professionals, these individuals can facilitate your purchase of a home and answer your questions regarding the HAP Program process.

It is also required that you attend a Community Homebuyers Training Program to participate in this program. You are encouraged to attend the training program at the beginning of the homebuying process. Your Lender will assist you in scheduling a training program.

Thank you again for your interest in the Homebuyer Assistance Program (HAP), and for considering homeownership opportunities within the City of Fontana.

Sincerely,

A handwritten signature in cursive script that reads "Vince Carstensen".

Vince Carstensen
Administrative Analyst

**Department of Housing and Business Development
Economic Development Center**

8434 Wheeler Avenue Fontana, CA 92335 Phone 909-350-6634 Fax 909-350-6616
Web Site: www.fontanabusiness.org

Lease Purchase Program

Home purchasing assistance is available for all homebuyers. California Cities Homeownership Authority (CCHOA) will purchase new or existing homes on behalf of qualified individuals who hope to become future homeowners. Lease purchasers may lease for three years and then have the right to exercise the option to purchase by assuming the mortgage.

Program Details

- 30-year mortgage with 7.40 percent fixed interest rate
 - Down payment and closing costs gifted
 - New and existing homes
 - Do not have to be a first-time homebuyer
 - Maximum income of \$75,740
 - Maximum home price of \$260,000
 - Minimum credit score of 580
 - Participants required to produce one percent commitment fee plus first month's lease
 - Participants required to complete a Home Owner's Education Class
 - Home must be primary residence
 - Program extended to March 2001
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How do I apply?

Interested homebuyers should immediately call CCHOA toll-free at 877-949-9833. Participating lenders will determine eligibility and process forms required for participation in this program.



City of Fontana
Department of Housing and Business Development
8434 Wheeler Avenue
Fontana, CA 92335
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CITY OF FONTANA
HOMEBUYER ASSISTANCE PROGRAM

(HAP)

The Homebuyer Assistance Program (HAP) makes available a limited number of deferred payment (principal and interest) second mortgages, in amounts up to 10 percent of the purchase price. This Program provides down payment and closing cost assistance to qualified first-time homebuyer for the purchase of a single family detached home in Fontana.

WHAT ARE THE ELIGIBILITY REQUIREMENTS?

- **Three (3) Year Requirement**

The applicant cannot have had ownership interest in a principal residence any time within the past three- (3) years ending on the date the mortgage is executed. To determine whether the borrower has claimed a deduction for mortgage interest or taxes on a Principal Residence, the Lender will examine the applicant's federal tax returns for the proceeding three (3) years.

- **Income Requirements**

The applicant's annual household income must be below the following for moderate-limits income households:

Family Size	2001 Annual Household Income Limits*
1	41,950
2	47,900
3	53,900
4	59,900
5	64,700
6	69,500
7	74,300
8	79,050

* California State Department of Housing and Community Development approved figures effective April 2001. **Figures are subject to change annually.**

- **Minimum Down Payment**

Applicants must contribute three (3) percent of the purchase price of the property as a purchase contribution. The HAP loan will provide up to 10 percent of the purchase price of the property as a down payment and/or closing cost expenses (minus costs associated with second trust deed financing). The maximum HAP loan is \$15,000.

- **Additional Program Eligibility Requirement**

Applicants must meet established “affordable” housing cost requirements, as defined by State Redevelopment Law. “Affordable” housing cost is strictly determined as the percentage of monthly gross household income which is utilized specifically towards the total cost of owning your home. This calculation, however, will be determined by the Lender, and varies depending on your actual annual household income and the home you select for purchase.

In addition, all homebuyers will be required to satisfactorily complete community homebuyers training, prior to receiving HAP assistance.

HOW IS THE LOAN REPAYED?

- **Repayment Terms**

The HAP loan is a second position deferred loan, secured by a deed of trust at zero (0) percent simple interest. THERE ARE NO MONTHLY PAYMENTS. In lieu of interest, the Authority will retain an equity share component in the property (as described below). The loan is due and payable only when the property is sold, refinanced or a change in title occurs, or at the end of the 30-year term.

The loan may be due and payable if the applicant fails to comply with program requirements. For example, revocation occurs if the home ceases to be the borrower’s Principal Residence.

Strict penalties may be imposed on any applicant making a material misstatement, misrepresentation, or fraudulent act on documents submitted to obtain a HAP loan. Any person making a negligent or willful material misstatement or misrepresentation while applying for this program shall be subject to all applicable fines and penalties.

- **Equity Share Component**

The Authority will share in a percentage of the equity accumulated on the property in an amount equal to the Authority’s proportionate share of the purchase price of the property. The Authority’s share of the home appreciation will be collected at time of resale or transfer of the home during the 30-year term of the mortgage. With proper documentation, capital improvements (\$2,500 or more) made to the property during the term of the loan will be deducted from the amount of equity accumulated on the property.

The following is an example of the equity share component:

<u>Second Mortgage</u>		<u>Purchase Price</u>		<u>Authority's Contribution</u>
\$15,000	of	\$150,000	=	10%
<u>Appraised Value at Term</u>		<u>Purchase Price + Capital Improvements of \$10,000</u>		<u>Accumulated Equity</u>
\$200,000	-	\$160,000	=	\$40,000
<u>Accumulated Equity</u>		<u>% of Authority's Contribution</u>		<u>Authority's Equity Share</u>
\$40,000	X	%10		\$4,000
<u>Second Mortgage</u>		<u>Authority's Equity Share</u>		<u>Total Repayment</u>
\$15,000	+	\$4,000	=	\$19,000

• **Lender Requirements**

Local Lenders have indicated that the potential Homebuyer should have approximately \$30,000 minimum annual household income and sufficient monies necessary for a portion of the closing costs in order to purchase property within the City of Fontana.

WHAT PROPERTIES QUALIFY?

• **Location**

The property to be purchased must be located within the City of Fontana.

• **Eligible Properties**

Existing single family detached homes located in the City of Fontana are eligible. Currently, new construction single family homes, condominiums, townhomes, and mobilehomes are NOT eligible for assistance through this program. Purchase price of the house must be at or below \$150,000.

WHO DO I CONTACT FOR ASSISTANCE?

If you are interested in receiving additional information, please contact an approved Lender for further information.

• **Eligible Lenders**

Only financing arranged by Participating Lenders that have received training and have entered into a HAP Participation Agreement are eligible.