

For First-Time Homebuyers in The City of Campbell:

Housing Funds Available for

Deferred Loan Program

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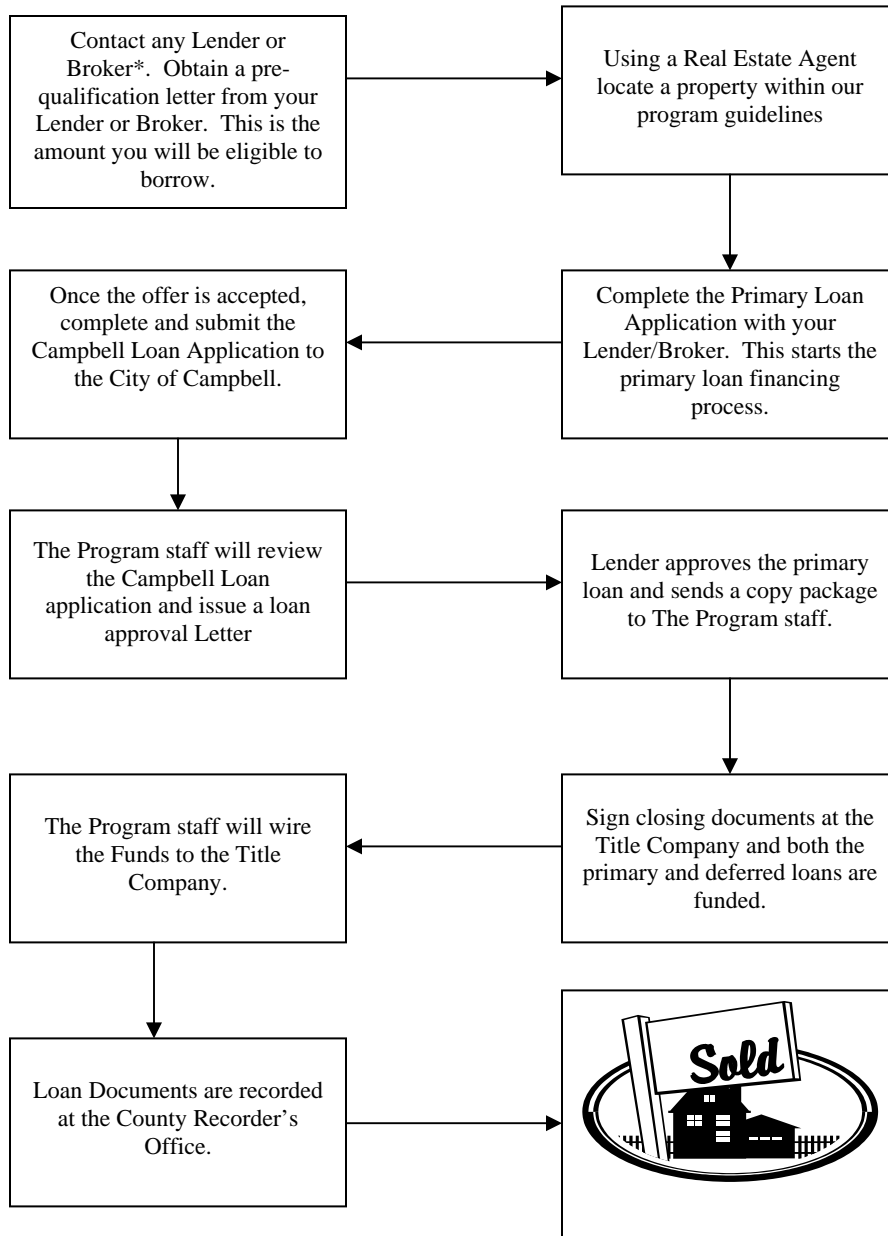
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CITY OF CAMPBELL DEFERRED LOAN PROGRAM MANUAL

Flowchart of Sample Loan Process for Campbell's Loan Program



- * You may use any lender or broker you choose, or, you may wish to contact the following lenders who are CalHFA approved:

American Home Mortgage – (408)364-0300
 Bank of America – (408)369-2912; 277-7100
 Chase Manhattan –(408)626-8488
 Countrywide Home Loans – (408)558-7700
 First Horizon – (408)399-7600
 GMAC Mortgage – (408)279-8810

Neighborhood Housing Services –
 Silicon Valley – (408)279-2600 x221
 USE Credit Union – (408)271-8945
 Washington Mutual – (408)423-5300
 Wells Fargo Bank – (408)248-2019

PROGRAM GOALS

The Deferred Loan Program (“The Program”) is a project of the City of Campbell Redevelopment Agency (“The Agency”), funded by the Redevelopment Tax Increment Housing Funds. The Program provides creative financial assistance to make homeownership more affordable.

The Program offers a Deferred Loan¹ up to \$25,000 at 0% interest. The principle is deferred and payable upon sale of the property, the refinance or maturity of the first loan, which ever occurs first. An equity share amount may be added to the principle owed if the buyer does not sell the property to another qualified first-time homebuyer. See the Promissory Note and Affordability Restrictions for details. Any financial institution can finance the remainder of the purchase price.

ELIGIBILITY REQUIRMENTS

To be Eligible the homebuyer must:

1. Not have owned a principle residence in Santa Clara County within three (3) years from date of application to The Program.
2. Have a gross annual income that does not exceed \$121,325², for a household of four; \$109,250 for a household of three; \$97,060 for a household of two; and \$85,043 for a household of one.
3. Have an Executed Purchase Contract for the intended subject property³.

¹ In some cases, the Program’s loan may be subordinated to other Second & Third Mortgage programs, making it a third or fourth loan.

² April 2003 Santa Clara County 115% medium income. Revised every year.

³ An executed purchase contract is a sales/purchase agreement, for a property, which has been accepted and signed by both the buyer(s) and seller(s). The borrowers MUST have an executed purchase contract to apply to The Program.

ELIGIBILITY OF PROPOSED HOME

- Location of Home:** The home to be purchased must be located within the City of Campbell and pay property taxes to Campbell.
- Type of Home:** Single-family detached, condominiums, townhomes, or mobile homes in approved mobile home parks.

FINANCIAL TERMS

City of Campbell Deferred Loan Amount:

The maximum program loan amount is up to \$25,000. Any financial institution may finance the remainder of the purchase price. The Program will review the applicant's household income and assets and determine whether or not other homebuyer assistance programs are being used.

Amount required for Down Payment/Closing Costs:

The City of Campbell does not require a minimum down payment, however your primary Lender may have down payment requirements. Check with them for more details.

The Program loan repayment Terms:

The City of Campbell's deferred loan is a 0% interest loan and is payable upon the sale of the property, the refinance, or maturity of the first loan which ever occurs first. An additional equity share amount may be added to the principle owed if the buyer does not sell to another qualified first-time homebuyer. (See Exhibit A for an example of the resale price if the property is sold on the open market). For further clarification regarding resale if needed, ask Campbell Redevelopment for a copy of the Affordability Restrictions Agreement and the Promissory Note.

DEFERRED LOAN PROCESSING PROCEDURES

Submit Application Directly to the Lender

- The borrower submits the Deferred Loan Application along with all required attachments, directly to their participating mortgage lender or broker.
- The mortgage lender or broker verifies the package for completeness and for The Program eligibility and proceeds with their normal loan process.
- The mortgage lender or broker forwards a copy of the package (see below) to The Program.
- If qualified, The Program will issue a **Loan Commitment Letter** and wire the funds to the borrower's escrow account upon receipt of Wire Instructions from the Title Company.
- The Program Staff will provide to the Title Company, their Deed of Trust, Deed of Trust Rider, Truth & Lending Disclosure Statement, Promissory Note, and Affordability Restrictions documents.

Extension of Commitment: The borrower can request, in writing, an extension of the Commitment. An extension can be granted where reasonable efforts have been made to close escrow within the 90-day period by unforeseen circumstances. An extension will be granted at the discretion of The Program staff and may be denied.

UNDERWRITING THE FIRST MORTGAGE LOAN

Once a purchase and sales agreement is executed, the first mortgage lender proceeds with the normal loan underwriting process. (See Exhibit B for an example of CalHFA loan). Upon completion of loan underwriting, the lender forwards to The Program staff a "copy package", consisting of the following items if not previously provided.

- City of Campbell Deferred **Loan Application**
- Executed Purchase Contract
- Loan Application
- Preliminary Title Report and Wiring Instructions

Upon receipt of the copy package The Program staff conducts a final review and wires the funds to the borrowers Escrow Account. Normally this entire process should be completed within 10 working days, assuming the information provided is complete and accurate.

The Program Staff will then provide to the Title Company, their Deed of Trust, Deed of Trust Rider, Truth & Lending Disclosure Statement, Promissory Note, and Affordability Restrictions documents.

LOAN DOCUMENTS

Standard form legal documents have been developed for the City of Campbell Deferred Loan Program. They include:

- Promissory Note (Repayment terms for the Deferred Loan)
- Deed Of Trust
- Deed of Trust Rider
- Truth & Lending Disclosure Statement
- Affordability Restrictions

CONTACT US

The Deferred Loan Program is offered through The Campbell Redevelopment Agency.

Submit applications or inquiries to:

**Campbell Redevelopment Agency
Attn: Sharon Teeter
70 N. First Street
Campbell, CA 95008**

City of Campbell Tax ID# 94-6003997

You may also contact us by phone, fax or e-mail:

Phone: 408-866-2137
Fax: 408-866-8381
E-mail: SharonT@ci.campbell.ca.us
Web: www.cityofcampbell.com

EXHIBIT A
EQUITY SHARING ILLUSTRATION

I. Equity Sharing Percentage Calculation:

Original Sales Price of the unit.....\$448,000
 Total Campbell Redevelopment Agency Second Mortgage Loan Balance
 initially).....\$ 25,000

Equity Sharing Ratio = \$25,000 / \$448,000 = 5.58%

II. Equity Subject to Sharing Calculation:

Equity Subject to Sharing =

(Sales Price to Non-Eligible Person) - (Original Sales Price [if first sale] or Subsequent Purchase Price [if subsequent sale]) - (reasonable Capital Improvement(s)) - (Seller's Closing Costs)

III. Steps in Equity Sharing Process:

- Step 1: The Original Sales Price [if first sale] or Subsequent Purchase Price [if subsequent sale]), is subtracted from Sales Price to Non-Eligible Person, yielding accrued equity.
- Step 2: From accrued equity, reasonable Capital Improvement(s), once approved by the Campbell Redevelopment Agency, are deducted;
- Step 3: From this ensuing total, Borrower's Selling Costs are subtracted, yielding: "Equity Subject to Sharing"*

IV. Equity Sharing Scenario Illustration (only an estimation):

One possible sales price, 2005** (Sales Price to Non-Eligible Person.....\$500,000
Original Sales Price 2000.....\$448,000
 Accrued equity.....\$ 52,000
 Less: Reasonable Capital Improvement(s) (as approved by Campbell Redevelopment Agency).....\$ 2,000
 Less: Seller's Closing Costs on sale (approximate).....\$ 30,000
Equity Subject to Sharing.....\$ 20,000

Campbell Redevelopment Agency Equity Percentage (comprised of \$25,000/\$448,000 in this example)..... 5.58%
 Seller's share of Equity Subject to Sharing..... 94.42%

Campbell Redevelopment Agency's Total Equity (5.58% of \$20,000).....\$ 1,116
 Seller's Share of Equity Subject to Sharing 94.42% of \$20,000).....\$ 18,884

Given the above assumptions as an example, the seller would receive approximately \$18,884 on the sale of his/her unit after paying off the Campbell Redevelopment Agency's second mortgage. The Campbell Redevelopment Agency would receive \$1,116 in addition to its loan balance of \$25,000.

***it is assumed that no further encumbrancing of the property has occurred since the initial sale. Further encumbrancing of the unit is prohibited without the official written permission of the Campbell Redevelopment Agency.**

****The Agency offers no assurance or guarantee whatsoever that the property will increase in value to any extent, or that it will not decrease in value. This illustration is solely created to serve as an illustration of calculated Equity Share.**