

The City of Watsonville offers a **First Time Home Buyer Program (FTHB)** to help low income homebuyers buy a home.

### Eligibility Criteria

Homebuyer cannot have owned or held an ownership interest in a home or other real estate within the last three years.

Homebuyer's annual gross household income cannot exceed the following based on household size and available funding:

Household Size	Annual Income Limit
1	\$74,350
2	\$85,000
3	\$95,600
4	\$106,200
5	\$114,700
6	\$123,200
7	\$131,700
8	\$140,200

(Effective 4/30/2020)

Homebuyer must be able to provide cash investment of at least 3% of the purchase price of the home. These funds may be applied to the purchase price and/or closing costs.

**Note:** Your lender or the seller may require a larger cash investment.

Homebuyer's proposed housing debt ratio must be between 30-45% (front end) and combined debt ratio cannot exceed 50% (back end)

Property is:

- located within the City Limits
- does not exceed the max. allowable sales price
- on a permanent foundation
- is either vacant or owner-occupied
- able to pass a Housing and lead-based paint inspection

**Note:** New homes must have the foundations poured prior to offer to purchase.

Homebuyer(s) must successfully complete a City-approved homebuyer education class.

### Loan Criteria

FTHB loans are second mortgage loans, also known as silent seconds, because the payments are deferred for 30 years at 1% simple interest.

These loans must be repaid in full when the first of the following occurs:

- The home is sold or transferred;
- The borrower no longer lives in the home as their principal residence;
- The first mortgage loan becomes due;
- The home is refinanced with cash out; or
- 30 years after the FTHB loan date.

FTHB loans cannot exceed:

- Program subsidy limits
- Affordability gap (difference between cost of home and buyer's available funds)

**1<sup>st</sup> Mortgage Loan** must be fully amortized over a minimum of 30 years and carry a fixed interest rate. Interest rate cannot exceed prevailing market rate (no sub prime rates). Balloon payment, negative amortization,

interest-only, or stated income loans are NOT allowed.

### How to Apply

Homebuyers should start by pre-qualifying for a first mortgage with a lender who is familiar with the FTHB loan program or willing to learn about it.

Once you have been pre-qualified for a first mortgage and have found a home to purchase, your lender may contact the City to begin the application process. A fully executed purchase contract will be required to submit your application. Upon receipt of a complete application packet, the City will review your application and notify your lender when your application has been approved, denied, or determined incomplete.

### Additional Criteria

The information provided in this brochure is a summary of the main requirements for the Program.

For a complete list of requirements and other additional information, please read the First Time Homebuyer Program Guidelines on the City's website at

<http://cityofwatsonville.org/housing/first-time-homebuyers>

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# City of Watsonville



## First Time Homebuyer Program

