

CITY OF SAN JACINTO
REDEVELOPMENT AGENCY

DOWN PAYMENT ASSISTANCE PROGRAM
GUIDELINES

(LOW-MOD HOUSING FUNDS –
2005 TAX EXEMPT BOND REFINANCE)

AUGUST 2009

INTRODUCTION

The Redevelopment Agency of the City of San Jacinto is offering a Down Payment Assistance Program (“Program”) designed to provide a non-repayable grant to Qualified Homebuyers in an amount not to exceed 6% of the home sales price (“Grant”).

This Grant may be used by the Qualified Homebuyer as part of a down payment on the home, or for the payment of closing costs. Eligible costs may include permanent or temporary interest rate buy-downs. Proceeds from the Agency’s 20% low-moderate housing fund portion of the 2005 tax-exempt bond refinance shall serve as the funding source for the Program.

Qualified Homebuyer

To be a “Qualified Homebuyer” under the Program the following requirements must be met:

- No prior qualified homeownership in the last three (3) years.
- Agreement to occupy the property as the primary residence.
- Income cannot exceed 120% of the Area Median Income, adjusted for household size, as published annually by the California Department of Housing and Community Development (HCD). (25 Cal. Code Regs. § 6932.)

In exchange for the Grant, the Qualified Homebuyer will be required to enter into an agreement with the Agency, which shall include, in part, the recordation of a 45 year affordability covenant against the property. During the affordability period, the property may only be sold, devised or transferred to another Qualified Homebuyer. The Program will contain no equity buy-out provisions, thus the covenant will be tied to the property for the entire 45 year period.

MAXIMUM PURCHASE PRICE

To be eligible for the Program, the maximum property value must be consistent with current HUD regulations which limit is \$390,450. Both the appraised value of the home and the actual purchase price cannot exceed this limit.

ELIGIBLE HOMES

The Program may be used to purchase any single family home with following minimum criteria:

- The home is permanently fixed to a permanent foundation; and
- The home has a minimum of two bedrooms; and
- The value shall be established by an appraisal prepared by a qualified appraiser on Fannie Mae Form 1004. Master Endorsements of Value will not be accepted; and
- The purchaser must reside in the home as his or her **principal** residence within sixty (60) days of purchase and the home shall not be used as a business, rental nor as a vacation (second) home.

Eligible properties must be located within the City of San Jacinto. An eligible property for which a Grant is provided is sometimes referred to herein as the “Home”.

OCCUPANCY

All newly constructed homes shall receive a Certificate of Occupancy. A Certificate of Occupancy must be submitted prior to the request for funding. In addition, the Seller must agree to have all operating systems and fixtures (plumbing, electricity, etc.), as well as floor coverings and similar items, installed and fully operational prior to the close of escrow. Newly constructed homes shall be subject to an Agency inspection to confirm that they comply with building codes and standard building practices.

The City may perform random inspections to verify that homes purchased through the Program meet existing health and safety codes prior to purchase.

CHARACTERISTICS OF THE QUALIFIED HOME BUYER

1. Income Limits. In order to be eligible for this program, the purchasers' annual income shall not exceed one hundred twenty percent (120%) of the area median income, adjusted for family size. The income and assets of all persons age 18 and older who will reside in the home must be included in the calculation to determine income eligibility. The current income limits are shown in Appendix A.
2. Co-owners. Co-owners are permitted if they will occupy the home as their principal residence and qualify as first time buyers. The income of all co-owners will be included in determining if the household qualifies as low or moderate-income, as noted above, in accordance with the attached appendices.
3. Prior Home Ownership Criteria. In order to qualify as a first-time homebuyer, the purchaser cannot have owned a home for the previous three years from the date of application to the Program. The purchaser must sign a sworn application attesting that they have not owned a home within this time period, in addition the last three years tax returns will be reviewed to ascertain that no mortgage interest or real estate tax deductions have been claimed.
4. First Mortgage Requirements. Qualified Homebuyer must be able to qualify for a fully amortized loan, repayable over 30-40 years at a fixed interest rate ("First Mortgage"). No adjustable rate rider is permitted.

DETERMINATION OF ADJUSTED GROSS INCOME

Annual income is the gross amount of income anticipated to be received by all adults in a family during the twelve months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next twelve months. The annual income for purposes of qualifying for the Program includes all incomes of the adults to be living in the home and may be higher or lower than the income amount utilized by the lender to underwrite the First Mortgage.

For a detailed explanation of how to calculate various types of income, please see Appendix B.

HOME BUYER EDUCATION

In order to be eligible for participation in the Program, prospective purchasers must complete the minimum requirements of eight (8) hour education in a Community Home Buyer's Seminar, as approved by the City. Buyers should complete this requirement as soon as possible in the purchase process.

NOTIFICATIONS

Disclosure Statement. This notice discloses to the purchasers the terms of the DPAP Assistance. This form is to be signed and notarized at the settlement appointment and submitted to Agency with the closing package.

RESALES

Sale, transfer and/or conveyance of the property during the Affordability Period is limited to Qualified Homebuyers. An exception does apply for certain types of intra-family conveyances.

REFINANCING

The Qualified Homebuyer shall not be entitled to refinance or encumber the Home during the Affordability Period without prior written approval from the Agency. At a minimum, the Owner shall submit to the Agency the following basic information:

- (a) Name and address of the lender
- (b) Terms of the loan
- (c) Closing date of the loan
- (d) Aggregate annual income of the Owner's household
- (e) Most recent federal and state income tax returns of the Owner and all other members of the Owner's or lessee's household
- (f) Copy of any proposed escrow instructions, loan application or other agreements between the Owner and the lender

The Owner shall also submit to the Agency other written documentation reasonably requested by the Agency. The Agency shall have 30 days to review the information. The Agency may reject the Qualified Homebuyer's request to refinance or encumber the Home if the Agency determines, in its sole and reasonable discretion, that the terms of the refinance or encumbrance do not sufficiently protect the Agency's interest in ensuring the continued affordability of the Home.

RECORDATION OF AFFORDABILITY COVENANT

The Affordability Covenant shall be recorded against the Home at the time of Escrow.

SUBORDINATION AND RIGHTS OF AGENCY

This Affordability Covenant is expressly made subject to and subordinate to the terms and conditions of the First Mortgage with an approved Participating Lender. Notwithstanding the foregoing, Agency's agreement to subordinate hereunder is subject to the right of Agency to:

- (a) Receive notice of a default under the First Mortgage from Participating Lender;
- (b) Cure a default prior to the completion of a foreclosure sale of the Home;
- (c) Negotiate with Participating Lender after notice of default from the Lender and prior to foreclosure;
- (d) Acquire the Home from the Qualified Homebuyer at any time after a material default on the First Mortgage.

Participating Lender further agrees that if, prior to foreclosure on the First Mortgage, the Agency takes title to the Home and cures the default on the First Mortgage, the Lender will not exercise any right it may have to accelerate the First Mortgage by reason of transfer of title to Agency.

FORECLOSURE

Provided that Agency has been afforded notice and an opportunity to exercise its rights prior to foreclosure of the First Mortgage, the following shall apply:

In the event of foreclosure, or a deed in lieu of foreclosure of the First Mortgage, the Affordability Covenant shall have no further force or effect on subsequent owners or purchasers of the Home. Any person, including successors-in-interest (other than the original borrower or related persons or entities to borrower) receiving title through a foreclosure or deed in lieu of foreclosure of the First Mortgage shall receive title to the Home free and clear of such restrictions.

TITLE INSURANCE

Qualified Homebuyer must obtain and is required to maintain title insurance on the property. Proof of title insurance must be provided to the Agency.

MAINTENANCE REQUIREMENT

Maintenance. The Grantee shall maintain the home in standard condition for the duration of the Affordability Period. To this end, the Grantee shall be required to obtain a one-year home warranty as part of the home purchase. For newly constructed homes, the builder shall warranty the home for a minimum of one year from date of purchase.

Hazard Insurance. The buyer shall obtain and maintain, for the duration of the Affordability Period, a hazard insurance policy for the property. The hazard insurance policy shall be of a sufficient amount to cover the home value. Full insurance for the amount of all loans secured by the property, or a guaranteed replacement cost policy, is acceptable.

Flood Insurance. Buyers of property located in a flood hazard zone shall obtain flood insurance.

AUDITING/MONITORING

All participating First Mortgage lenders shall maintain complete files for each Program participant for at least seven (7) years. The Agency will maintain records for each Program participant for the duration of the Affordability Period, plus three (3) years.

The Agency may conduct random audits of lender files in order to verify compliance with the Program. This may include review of participant files, and review of lender information to document compliance with all lender requirements.

Participating lenders shall obtain and maintain on file income verification from each buyer, dated immediately prior to the close of escrow.

CONFLICT OF INTEREST

No Agency Grant shall not be provided to any person or the immediate family of any person who is in a decision-making position relative to any aspect of the Program or the associated First Mortgage. This

includes, but is not limited to, employees and immediate family members of employees of the City of San Jacinto and/or participating lenders.

PARTICIPATING LENDERS

Requirement. The Program will only accept applications from approved Participating Lenders who have entered into a Lender Participation Agreement with the Agency for this Program.

Selection. The Agency shall establish minimum criteria for the selection of participating lenders for the Program. All selected lenders shall enter into a Lender Participation Agreement with the Agency and shall agree to comply with all policies and procedures applicable to the Program. The minimum lender criteria for the Down Payment Assistance Program are as follows:

- (1) Participating Lenders must be direct lenders with the ability to originate and service loans. Loan brokers are not eligible to act as a Participating Lender.
- (2) Participating Lenders are encouraged to provide staff personnel with the ability to communicate in Spanish.
- (3) Participating Lenders shall provide application assistance with minimal inconvenience to the Grantee. Application assistance shall be provided at a time and place convenient to the Grantee. This may include evenings and weekends and travel throughout the County.
- (4) Participating Lenders shall have demonstrable experience in administering a first-time homebuyer program.
- (5) The selection of Participating Lenders shall be at the sole discretion of the Agency. The Agency reserves the right to limit the number of approved participating lenders.

Brokers. Mortgage Brokers are not eligible to act as a Participating Lender in the Program. Participating Lenders may enter into arrangements with brokers to process DPAP Applications. However, the Participating Lender shall remain responsible for all required submissions to the Agency and for verifying that all aspects of the purchase meet the Program requirements.

Removal. The Agency may suspend or remove a Participating Lender from the Program in accordance with the terms of the Lender Participation Agreement. Suspended or removed from the Program based on, without limitation, the following violations:

- (1) Failure to follow Program Guidelines and periodic Lender Bulletins.
- (2) Failure to submit all outstanding documentation within fifteen (15) days of loan closing.
- (3) Withholding information that would result in applicant or property disqualification from the Program.
- (4) Negligent or fraudulent misstatements or actions in regard to the Program.

- (5) Failure to conduct reasonable verification of applicant qualifications for the Program.
- (6) Failure to maintain complete applicant records for minimum of (7) years after close of escrow.

RESERVATION PHASE

Participating Lender submits a request for reservation of funds to the Agency. Incomplete applications will not be accepted. All items must be included in initial submittal (faxes will not be accepted for the Reservation Phase). Reservations that are missing any required items will not be processed and will be returned to the Participating Lender. A request for reservation must include all of the following:

- (1) Down Payment Assistance Program Reservation Form.
- (2) Signed Original Certification of Applicant Form.
- (3) Copy of the signed Sales Agreement, or equivalent, including all counter-offers.
- (4) Copy of the Escrow Instructions.
- (5) Copy of the complete Preliminary Report of Title.
- (6) Completed Program Financing Worksheet and Good Faith Estimate of Closing Costs.
- (7) Copy of fully completed and signed Grant Application.
- (8) Copy of last three years federal tax returns or Income Tax Affidavit.
PLEASE NOTE: The applicant must sign the tax returns stating that "This is a true and exact copy of the return submitted to the IRS."

FINAL APPROVAL PHASE

The lender will submit the following two items:

- (1) Copy of Certificate of Occupancy
- (2) Copy of the buyer's completion of the Home Buyer Education class

The Agency has three working days to review and approve these items.

CLOSING PHASE

- Buyer(s) attend settlement appointment and sign all loan closing documents including all legal documents prepared by the Escrow Company. Agency documents to be signed at closing include, but are not necessarily limited to, the following:
 - (1) Down Payment Assistance Program Disclosure Statement.
 - (2) Affordability Covenant.

- Escrow submits the signed Down Payment Assistance Program Disclosure Statement, and Escrow Officer Checklist and proof of property insurance to Agency as soon as they are executed.
- Title Company provides Agency with a copy of the Title Insurance Policy insuring the Agency's interest in the property.
- FAILURE TO SUBMIT CLOSING DOCUMENTS WITHIN FIFTEEN (15) DAYS OF CLOSING WILL RESULT IN SUSPENSION OF THE PARTICIPATING LENDER, INCLUDING ALL BRANCHES, FROM THE PROGRAM. THE AGENCY WILL NOT ACCEPT FUNDING RESERVATION REQUESTS FROM A SUSPENDED PARTICIPATING LENDER.
- Escrow/Title Company closes out the Program File and records the Agency's Request for Copy of Notice of Default pursuant to Section 2924B of the California Civil Code.

**APPENDIX A
INCOME AND HOME VALUE LIMITS; DETERMINATION OF AFFORDABLE
HOUSING COST**

2009 San Bernardino-Riverside County

Affordable Housing Worksheet

1. Income Eligibility¹

The first step in determining eligibility for an affordable housing program is determining whether the family which will be purchasing or renting the housing unit meets the following income standards applicable to San Bernardino-Riverside County, based upon the size of the family:

Maximum Annual Household Income Adjusted for Family Size Effective 2008								
<i>Income Level</i>	<i>1 person household</i>	<i>2 person household</i>	<i>3 person household</i>	<i>4 person household</i>	<i>5 person household</i>	<i>6 person household</i>	<i>7 person household</i>	<i>8 person household</i>
<i>Extremely Low</i>	\$14,000	\$16,000	\$18,000	\$20,000	\$21,600	\$23,200	\$24,800	\$26,400
<i>Very Low</i>	\$23,300	\$26,650	\$29,950	\$33,300	\$35,950	\$38,650	\$41,300	\$43,950
<i>Lower</i>	\$37,300	\$42,650	\$47,950	\$53,300	\$57,550	\$61,850	\$66,100	\$70,350
<i>Median</i>	\$45,150	\$51,600	\$58,050	\$64,500	\$69,650	\$74,800	\$80,000	\$85,150
<i>Moderate</i>	\$54,200	\$61,900	\$69,650	\$77,400	\$83,600	\$89,800	\$96,000	\$102,150

NOTE: The Program is limited to buyers with a household income that does not exceed one hundred twenty percent (120%) of the area median income (i.e., moderate income households). Consequently, households that qualify as extremely low, very low or lower income also qualify for the Program.

¹ Based on currently effective median income of San Bernardino-Riverside County, as released by the Department of Housing and Community Development (“HCD”) by memorandum dated as of April 2, 2009, which memorandum was posted to the HCD website on April 3, 2009. These median income numbers are revised annually.

APPENDIX B
CALCULATING GROSS INCOME

As used in these Program Guidelines, the term “gross income” shall have the same meaning as set forth in Section 6914 of Title 25 of the California Code of Regulations, which provides as follows:

“Gross income” shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income. If the circumstances are such that it is not reasonably feasible to anticipate a level of income over a twelve-month period, a shorter period may be used subject to a redetermination at the end of such a period. “Income” shall consist of the following:

(a) Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

(1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;

(2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);

(3) Interest and dividends;

(4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see subdivision Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and

(6) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse.

The following items shall not be considered as income:

(1) Casual, sporadic or irregular gifts;

(2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;

- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;
- (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income;
- (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (6) Relocation payments made pursuant to federal, state, or local relocation law;
- (7) Foster child care payments;
- (8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
- (9) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
 - (A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (B) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

Recording Requested By:
When Recorded Return To
and Mail Tax Statements To:

Redevelopment Agency for the City of San Jacinto
595 S. San Jacinto Avenue
San Jacinto CA 92583
Attn: Agency Secretary

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO
DOWN PAYMENT ASSISTANCE PROGRAM
GRANT AGREEMENT WITH AFFORDABILITY COVENANTS

Grant Amount	Redevelopment Agency of the City of San Jacinto, CA	Execution Date
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This DOWN PAYMENT ASSISTANCE PROGRAM GRANT AGREEMENT WITH AFFORDABILITY COVENANTS ("Agreement") dated ____, 2009, is made by and between the Redevelopment Agency of the City of San Jacinto, a California public body corporate and politic ("Agency"), and _____, individual(s) ("Qualified Homebuyer"). The Agency and the Qualified Homebuyer are sometimes referred to in this Agreement, individually, as a "Party" and, collectively, as "Parties." This Agreement is entered into with reference to the following recitals of fact ("Recitals"):

RECITALS

A. The Agency is engaged in activities necessary to execute and implement the Redevelopment Plan for the City's Project Areas pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) ("CRL"); and

B. The Down Payment Assistance Program ("DPAP") offers qualified homebuyers in the City a non-repayable grant for the purpose of reducing down payment assistance costs or closing costs in accordance with the Program Guidelines, approved and adopted by the Agency, which may be amended from time to time; and

C. The Qualified Homebuyer has agreed to use a DPAP grant for said purposes on a home he or she is purchasing located at _____, San Jacinto, CA ____ in the County of Riverside (APN# _____) ("Home"); and

D. The Agency has determined that the Qualified Homebuyer meets the qualifications of DPAP program, as further described in this Agreement, and has been provided a grant to assist the Qualified Homebuyer in paying for the costs of the Home; and

E. The purpose of this Agreement is to establish covenants regarding eligibility of the Qualified Homebuyer, maintenance and affordability requirements; and

F. Section 33334.3 of the California Health and Safety Code requires that housing units assisted with low and moderate housing income funds must remain affordable to low and moderate income households for a period of not less than forty-five (45) years (“Period of Affordability”), for owner occupied housing units; and

G. Agency desires to ensure that the housing unit assisted by this Agreement remain affordable and maintained for the entire Period of Affordability.

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the Agency and the Qualified Homebuyer, the Parties agree as follows:

1. DESCRIPTION OF HOME. This Agreement concerns the Home located at the address described in the recitals above, as more fully described in Exhibit A attached hereto and incorporated herein by this reference.

2. QUALIFIED HOMEBUYER CERTIFICATIONS AND DEFINITIONS.

2.1 Qualified Homebuyer Certifications. The Qualified Homebuyer certifies that:

(a) The financial and other information previously provided to the Agency in order to qualify for DPAP assistance is true and correct as of the date first written above, and

(b) The Qualified Homebuyer for itself, its heirs, successors and assigns, hereby covenants and agrees that during the term of the Period of Affordability the Home shall be used and occupied by Qualified Homebuyer as its principal residence, and that the Home shall be reserved for sale, use and occupancy by Qualified Homebuyer and/or for another Low or Moderate-Income Household, as applicable, as a Successor-In-Interest at an Affordable Housing Cost.

(c) Qualified Homebuyer, for itself, its heirs, successors and assigns, further covenants and agrees that, during the Period of Affordability, Agency shall have the right and duty to verify that each proposed Successor-In-Interest of Qualified Homebuyer in the Home satisfies the income requirements and Affordable Housing Cost limitations of a Low or Moderate-Income Household, as applicable, based upon the adjusted family income of each household.

2.2 Qualified Homebuyer: Affordable Housing Cost Definitions. For purposes of this Agreement:

(a) Affordable Housing Cost shall have meaning set forth in California Health and Safety Code Section 50052.5(b), as such statute may be amended from time to time with respect to low and moderate income households, and any successor statutes thereto.

(b) Qualified Homebuyer means Persons and Families of Low or Moderate Income, as defined in California Health and Safety Code Section 50093 (as such statute may be amended from time to time, and any successor statutes thereto) and otherwise meeting the requirements hereof.

(c) The terms Person or Family of Low or Moderate Income and Affordable Housing Cost are further defined in Title 25 of the California Code of Regulations Section 6910, et seq.,

as from time to time amended, and any successor regulations thereto. The terms and provisions of California Health and Safety Code Sections 50093, 50105, 50052.5, and Title 25 of the California Code of Regulations Section 6910, et seq., as amended, and any successor statutes or regulations thereto, are incorporated herein by this reference.

3. PURCHASE OF ELIGIBLE HOME. The Qualified Homebuyer's application for the DPAP Grant is attached hereto as Exhibit B and incorporated herein by this reference.

4. GRANT OF DPAP FUNDS. The Agency agrees to provide the Qualified Homebuyer with a DPAP grant in the amount of _____ Dollars (\$_____) ("Grant"), to assist the Qualified Homebuyer in paying for the cost of the Home, subject to the terms and conditions of this Agreement.

4.1 Escrow Account. Upon the Qualified Homebuyer's execution of all Grant documents and submission of all documents and information as requested by the Agency, the proceeds of the Agency Grant shall be deposited by the Agency into an escrow account ("Escrow Account") with _____ ("Escrow Agent"), for the benefit of the Qualified Homebuyer.

4.2 Payment of Down Payment Assistance or Closing Costs. Following approval of the Agency, the Agency shall authorize the Escrow Agent to disburse the Grant funds accordingly.

5. RESALE RESTRICTIONS; INTRA-FAMILY CONVEYANCES; NOTICE

5.1 Transfer of the Home during the Period of Affordability to a Successor-In-Interest. Qualified Homebuyer, for itself, its successors and assigns, hereby covenants and agrees that during the term of the Period of Affordability, Qualified Homebuyer shall not sell, rent, assign, transfer or otherwise dispose of the Home (or any interest therein) to a Successor-In-Interest (a Low or Moderate-Income Household) without first giving written notice to Agency and without first obtaining the written concurrence of Agency as provided herein. No sales or transfers of title are permitted to Non-Qualified Homebuyers for the entire Affordability Period unless permitted under Section 5.3 below. Any sale or transfer to a Non-Qualified Homebuyer shall be voidable.

(a) The Qualified Homebuyer, for itself, its heirs, successors and assigns, further covenants and agrees that, during the Period of Affordability, the Agency shall have the right and duty as provided in this Section 5 to verify that each proposed Successor-In-Interest of the Qualified Homebuyer in the Home satisfies the income requirements and Affordable Housing Cost limitations of a Low and Moderate-Income Household (based upon the Adjusted family income of each household).

(b) The Qualified Homebuyer, for itself, its successors and assigns, hereby covenants and agrees that during the term of the Period of Affordability the Qualified Homebuyer shall not sell, transfer or otherwise dispose of the Home (or any interest therein) to a Successor-In-Interest without first giving written notice to the Agency and without first obtaining the written concurrence of the Agency as provided herein. At least ninety (90) days prior to the date on which the Qualified Homebuyer proposes to transfer title in the Home to a Successor-In-Interest, the Qualified Homebuyer shall send a written notice to the Agency as provided in Section 5.4 of the intention of the Qualified Homebuyer to sell the Home to a Successor-In-Interest which includes the following true and correct information:

- (i) name of the proposed Successor-In-Interest (including the identity of all persons in the household of the Successor-In-Interest, proposing to reside in the Home);

- (ii) copies of State and federal income tax returns for the Successor-In-Interest for the calendar year preceding the year in which the notice of intention to sell the Home is given to the Agency;
- (iii) resale price of the Home payable by the Successor-In-Interest, including the terms of all purchase money mortgage financing to be assumed, provided or obtained by the Successor-In-Interest, escrow costs and charges, realtor broker fees and all other resale costs or charges payable by either the Qualified Homebuyer or the Successor-In-Interest;
- (iv) name address, and telephone number of the escrow company which shall coordinate the transfer of the Home from the Qualified Homebuyer to the Successor-In-Interest;
- (v) appropriate mortgage credit reference for the Successor-In-Interest with a written authorization signed by the Successor-In-Interest authorizing the Agency to contact each such reference; and
- (vi) such other relevant information as the Agency may reasonably request, as provided in Section 5(c).

(c) Within twenty (20) days following receipt of the notice of intention described in Section 5.1 (b), the Agency shall provide the Qualified Homebuyer with either a preliminary confirmation of approval or a preliminary rejection of approval in writing of the income and household occupancy qualifications of the Successor-In-Interest. The Agency shall not unreasonably withhold approval of any proposed sale of the Home to a Successor-In-Interest who satisfies the Adjusted family income and the Affordable Housing Cost requirements for occupancy of the Home and for whom the other information as described in Section 5.1 (b) has been provided to the Agency. In the event that the Agency may request additional information relating to the confirmation of the matters described in Section 5.1 (b), the Qualified Homebuyer shall provide such information to the Agency as promptly as feasible.

(d) Upon its final confirmation of approval of the Adjusted family income and Affordable Housing Cost eligibility of the Successor-In-Interest to acquire the Home, the Agency shall deliver a written acknowledgment and approval of the resale of the Home to the Successor-In-Interest in recordable form to the escrow company referenced in Section 5.1 (b)(iv) above, and thereafter the Successor-In-Interest may acquire the Home subject to the satisfaction of the following conditions:

- (i) the recordation of the Notice of Agency Concurrence executed by the Successor-In-Interest and the Agency at the close of the resale escrow;
- (ii) the escrow company shall have provided the Agency with a copy of the customary form of the final escrow closing statement of the Qualified Homebuyer and the final escrow closing statement for the Successor-In-Interest; and

- (iii) the other conditions of the resale escrow as established by the Qualified Homebuyer and Successor-In-Interest shall have been satisfied.

(e) The Qualified Homebuyer for itself, its successors and assigns hereby covenants and agrees that the home must be owner-occupied throughout the term of the Period of Affordability.

(f) Low and Moderate-Income Restriction to Continue. If, at the commencement of the occupancy of the Home by the Qualified Homebuyer, the Qualified Homebuyer qualifies as a Low or Moderate Income Household, said Home shall be treated as occupied by a Low and Moderate-Income Household, even if, during the term of Qualified Homebuyer's tenancy, such individual or family ceases to be so classified. No low or moderate income resident(s) of the Home shall be denied continued occupancy because, after commencing occupancy, the household income of the individual or family increases (or family size decreases) so as to cause the household income to exceed the maximum income level for a Low or Moderate-Income Household classification.

5.2 Restriction on Resale Price. The Qualified Homebuyer shall not resell the Home at a price higher than the Affordable Housing Cost for the prospective purchaser, assuming: (i) a reasonable down payment, and (ii) a thirty (30) year fixed rate mortgage at prevailing interest rates.

5.3 Intra-Family Conveyances. The following transfers of title shall not be breach of these resale restrictions: transfer by gift, devise or inheritance to the Owner's spouse; taking title by surviving joint tenant that is the Owner's spouse; transfer of title to a spouse as part of a divorce or dissolution proceedings; acquisition of title in conjunction with marriage. A transfer to children of the Owner where the income of such children does not exceed a Moderate Income is permitted hereunder. Any transferee hereunder shall take title to the Home subject to the terms, conditions, restrictions and requirements hereof and the transferee shall execute any reasonable document required by the Agency to ratify the assumption by such transferee of the terms hereof.

5.4 Notice of Intended Transfer. In the event the Qualified Homebuyer intends to transfer or vacate the Home, the Qualified Homebuyer shall promptly notify the Agency in writing of such intent. The written notice shall be given in accordance with Section 16 of this Agreement at least ninety (90) days prior to the actual date of the transfer or vacation of the Home. The notice from the Qualified Homebuyer shall be sent by certified mail, return receipt requested. Following receipt of such notice, the Agency may notify prospective Low and Moderate-Income homebuyers that the Home is available for purchase.

6. NOTICE AND APPROVAL PRIOR TO REFINANCE OR FUTURE ENCUMBRANCE. Owner shall not refinance any loan secured by a first deed encumbering the Home, or borrow funds for a new loan to be secured by a junior trust deed encumbering the Home without prior written approval from the Agency. Agency shall only approve a junior trust deed if the proceeds are to be used to pay for repairs or the construction of improvements to the Home. Owner shall submit to the Agency in writing the following information:

- (a) Name and address of lender.
- (b) Terms of the loan, including, but not limited to, principal, interest rate, term, and loan fees.
- (c) Closing date of the loan.

- (d) Aggregate annual income of the Owner's household.
- (e) Most recent federal and state income tax returns of the Owner and all other members of the Owner's or lessee's household.
- (f) Copy of any proposed escrow instructions, loan application, or other agreements between the Owner and the lender.

The Agency shall have 30 days to review the information. The Owner shall submit to the Agency other written documentation reasonably requested by the Agency to verify the information set forth herein. The Agency may reject the Owner's request to refinance or encumber the property if the Agency determines, in its sole and reasonable discretion, that the terms of the refinance or encumbrance do not sufficiently protect the Agency's interest in ensuring the continued affordability of the Home.

7. SUBORDINATION. This Agreement is expressly made subject and subordinate to the terms of the first mortgage lien ("First Mortgage") with _____("Lender") dated _____. If any provision in this Agreement conflicts with any provision of the First Mortgage, then the terms of the First Mortgage shall govern. Notwithstanding the foregoing, Agency's agreement to subordinate hereunder is subject to the right of Agency to:

- (a) Receive notice of default on the First Mortgage from the Lender.
- (b) Cure a default prior to the completion of a foreclosure sale of the Home;
- (c) Negotiate with Lender after notice of default from the Lender and prior to foreclosure;
- (d) Acquire the Home from the Owner at any time after a material default on the First Mortgage.

The Agency's agreement to subordinate is further subject to Lender's agreement not to exercise any right it may have to accelerate the First Mortgage by reason of transfer of title to Agency, if, prior to foreclosure on the First Mortgage, the Agency takes title to the Home and cures the default on the First Mortgage.

8. FORECLOSURE OR DEED IN LIEU OF FORECLOSURE. Provided that Agency has been afforded notice and an opportunity to exercise its rights prior to foreclosure of the First Mortgage, as set forth in Section 6 above, the following shall apply:

In the event of foreclosure, or a deed in lieu of foreclosure of the First Mortgage, the Affordability Covenant shall have no further force or effect on subsequent owners or purchasers of the Home. Any person, including successors-in-interest (other than Owner or related persons or entities to Owner) receiving title through a foreclosure or deed in lieu of foreclosure of the First Mortgage shall receive title to the Home free and clear of such restrictions.

9. MAINTENANCE.

9.1 Property Maintenance. Qualified Homebuyer shall for the term of this Agreement, at its sole cost and expense, maintain and repair the Home and the improvements thereon, including, without limitation, the buildings, fencing, parkways, landscaping, driveways, garages, carports, and lighting, in first class condition and repair and in decent, safe and sanitary condition.

9.2 Interior of Home. Qualified Homebuyer shall for the term of this Agreement, at its sole cost and expense, maintain and repair the interior of the Home in a decent, safe, and sanitary condition and shall immediately correct any health and safety code violations identified by the staff of the City of San Jacinto or of Agency.

9.3 Exterior Maintenance. Qualified Homebuyer shall for the term of this Agreement, at its sole cost and expense, shall keep the Home, and its cartilage, free from the accumulation of debris and waste materials. All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking, peeling and defacing marks. No building, patio, balcony, wall, fence or yard area, including parkways may be left in an unmaintained condition so that any of the following exist:

- (a) Buildings abandoned, boarded up, partially destroyed or left unreasonably in a state of partial construction; and
- (b) Abandoned or non-operational vehicles; and
- (c) Unpainted buildings or buildings with peeling paint; and
- (d) Cause dry rot, warping and termite infestation; and
- (e) Constitute an unsightly appearance that detracts from the aesthetic or property values of neighboring properties; and
- (f) Broken windows, constituting hazardous conditions and/or inviting trespassers and malicious mischief; and
- (g) Broken or discarded furniture, appliances and other household equipment stored for periods exceeding one (1) week; and
- (h) Packing boxes, lumber, trash, dirt and other debris stored for periods exceeding one (1) week; and
- (i) Unscreened trashcans, bins or containers stored for periods exceeding fifteen (15) days in areas visible from public streets and common areas.

9.4 Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures, must be removed and any necessary painting or repair completed within the earlier of seventy-two (72) hours of their creation or within forty-eight (48) hours after notice to Qualified Homebuyer from Agency.

9.5 Trash. All trash shall, for the term of this Agreement, be collected and placed in appropriate areas for pick-up by refuse haulers on normal trash pick-up days or hauled away, in a timely manner, by Qualified Homebuyer to an appropriate County approved dump site if trash service is not available.

9.6 Landscaping. All exterior areas of the Home that are not buildings, driveways or walkways shall, for the term of this Agreement, be adequately and appropriately landscaped and maintained. The landscaping shall meet minimum standards set from time to time by the Qualified Homebuyer. Landscaping on the Home, including front, back and side yards and parkways shall be absent of the following:

- (a) Lawns with grasses in excess of six (6) inches in height; and
- (b) Untrimmed hedges causing a nuisance to the public right of way; and
- (c) Trees, shrubbery, lawns and other plant life dying from lack of water or other necessary maintenance; and
- (d) Trees and shrubbery grown uncontrolled without proper pruning; and
- (e) Vegetation so overgrown as to be likely to harbor rats or vermin; and
- (f) Dead, decayed or diseased trees, weeds and other vegetation; and Inoperative irrigation system(s), if any; and
- (g) Parkways with ground cover in excess of eighteen (18) inches in height.

10. **DEFAULTS AND REMEDIES.** A breach or default of any of the provisions of this Agreement or any other grant or loan obtained by the Qualified Homebuyer in connection with the Home shall be a default under this Agreement and the Agency may give written notice to the Qualified Homebuyer specifying the nature of the violation. If the violation is not corrected to the satisfaction of the Agency within a reasonable period of time, not longer than thirty (30) days after the date the notice is mailed, or within such further time as the Agency determines is necessary to correct the violation, the Agency may declare a default under this Agreement. A Transfer in violation of this Agreement or monetary default shall be cured immediately upon written notice to Qualified Homebuyer by the Agency. Upon the declaration of a default, or if the Qualified Homebuyer or any Proposed Purchaser makes any misrepresentation in connection with receiving any benefits under this Agreement, the Agency may apply to a court of competent jurisdiction for specific performance of this Agreement, for an injunction prohibiting a proposed Transfer in violation of this Agreement, for a declaration that a Transfer in violation of this Agreement is void, or for any such other relief at law or in equity as may be appropriate.

11. **INDEMNIFICATION.** The Qualified Homebuyer does hereby collectively and individually, and on behalf of the Qualified Homebuyer's successors, in consideration of the Qualified Homebuyer's participation in DPAP, agree to release and indemnify and hold harmless the Agency and the City of San Jacinto, and their respective officials, employees, volunteers and agents from any and all liability, loss, claim, demands, actions or causes of action including but not limited to attorneys' fees and court costs for the death or injury to any person(s) and for any property damage suffered or incurred by any person(s) which arises or may arise in connection with the Home.

12. **NON-LIABILITY OF THE AGENCY.** In no event shall the Agency become in any way liable or obligated to the Qualified Homebuyer or any successor-in-interest to the Qualified Homebuyer by reason of any action by the Agency to void a sale in violation of the terms contained in this Agreement, or to reject a proposed purchaser that does not qualify as a "Qualified Homebuyer" under the terms of this Agreement.

13. **SUCCESSOR AND ASSIGNS.** Qualified Homebuyer hereby declares the express intent that the covenants and restrictions set forth in this Agreement shall run with the land, and shall bind Qualified Homebuyer, its executors, administrators and assigns and all persons claiming under or through Qualified Homebuyer and all successors in title to the Home. Each and every contract, deed or other instrument hereafter executed covering or conveying the Home or any portion thereof shall be held conclusively to have been executed, delivered, and accepted subject to such covenants and restrictions,

regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument.

14. SUPERIORITY OF AGREEMENT. The Qualified Homebuyer covenants that he or she has not, and will not, execute any other agreement with provisions contradictory to or in opposition to the provisions of this Agreement, and that, in any event, this Agreement is controlling as to the rights and obligations between and among the Qualified Homebuyer, the Agency and their respective successors.

15. INVALID PROVISIONS. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severed from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

16. GOVERNING LAW. The terms of this Agreement shall be interpreted under the laws of the State of California.

17. NOTICES. All notices required herein shall be sent by certified mail, return receipt requested or express delivery service with a delivery receipt and shall be deemed to be effective as of the date received or the date delivery was refused as indicated on the return receipt as follows:

To Qualified Homebuyer: _____

To Agency: Redevelopment Agency of the City of San Jacinto
Down Payment Assistance Program
595 S. San Jacinto Avenue
San Jacinto CA 92583
Attn: Executive Director

The parties may subsequently change addresses by providing written notice of the change in address to the other parties in accordance with this Section 14.

18. TITLES AND HEADINGS. Title and paragraph headings are for convenient reference and are not a part of this Agreement.

19. NO WAIVER. No waiver or breach of any provision of this Agreement shall constitute a waiver of a subsequent breach of the same or any other provision hereof, and no waiver shall be effective unless made in writing.

20. SEVERABILITY. Should any provision, paragraphs, sentences, words or phases contained in this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable under the laws of the State of California or the City of San Jacinto, such provisions, paragraphs, sentences, words or phrases shall be deemed modified to the extent necessary in order to conform with such laws, or if not modifiable to conform with such laws, then same shall be deemed severable, and in either event, the remaining terms and provisions of this Agreement shall remain unmodified and in full force and effect.

21. AMENDMENT. This Agreement may be amended by mutual agreement of the parties provided that all agreements must be in writing and signed by both parties.

22. COUNTERPARTS. This Agreement may be executed in counterparts and all such counterparts shall constitute one single Agreement.

23. EXHIBITS. Any exhibits referred to in this Agreement are incorporated in this Agreement by such reference.

24. NON-DISCRIMINATION.

24.1 Pursuant to Health and Safety Code section 33436, the Qualified Homebuyer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, religion, sex, sexual orientation, marital status, nationality, familial status, source of income, or disability in the sale, transfer, use, occupancy, tenure or enjoyment of the Home, nor shall Qualified Homebuyer itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the election, location, number, use or occupancy of tenants, lessees, or sublessees or vendees of the real property. The foregoing covenants shall run with the land.

24.2 Pursuant to Health and Safety Code Section 33435, Qualified Homebuyer shall refrain from restricting the sale of the Home on the basis of race, religion, sex, sexual orientation, marital status, nationality, familial status, source of income or disability of any person. All such deeds, including the first mortgage lender, shall contain or be subject to substantially the following nondiscrimination or no segregation clause: "The Grantee herein covenants by and for himself for herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, religion, sex, sexual orientation, marital status, nationality, familial status, source of income or disability in the sale, transfer, use, occupancy, tenure or enjoyment of the Home, nor shall the grantee himself or herself nor any person claiming under or through him or her establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy in the land herein conveyed. The foregoing covenants shall run with the land."

**SIGNATURE PAGE
TO
DOWN PAYMENT ASSISTANCE PROGRAM GRANT AGREEMENT BETWEEN
REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO AND _____**

IN WITNESS WHEREOF, the Agency and the Qualified Homebuyer have executed this Down Payment Assistance Program Grant Agreement by and through the signatures of their authorized representative(s) set forth below and as of the date first written above:

AGENCY:

Redevelopment Agency of the City of San Jacinto, a California public body corporate and politic

By: _____
Barry McClellan
Executive Director

QUALIFIED HOMEBUYER:

Name: _____

Name: _____

EXHIBIT A
TO
DOWN PAYMENT ASSISTANCE PROGRAM GRANT AGREEMENT BETWEEN
REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO AND _____

LEGAL DESCRIPTION OF HOME

[Insert legal description]

EXHIBIT B
TO
DOWN PAYMENT ASSISTANCE PROGRAM GRANT AGREEMENT BETWEEN
REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO AND _____

GRANT APPLICATION

Recording Requested By:
When Recorded Return To
and Mail Tax Statements To:

Redevelopment Agency for the City of San Jacinto
595 S. San Jacinto Avenue
San Jacinto CA 92583
Attn: Agency Secretary

[Space above for recorder.]

This document is exempt from the payment of
a recording fee pursuant to Government Code
Section 27383.

**NOTICE OF AFFORDABILITY RESTRICTIONS ON
TRANSFER OF PROPERTY**

This NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF Home (or “Notice of Affordability Restrictions”) is executed and recorded pursuant to Section 33334.3(f)(3)(B) of the California Health and Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, “Chapter 690”), and affects that certain property described in Exhibit “A” hereto (“Home”). The Redevelopment Agency for the City of San Jacinto (“Agency”) and _____ (“Qualified Homebuyer”) have entered into a Grant Agreement with Affordability Covenants dated as of _____ (“Covenant”).

The Covenant provides for affordability restrictions and restrictions on the transfer of the Home, as more particularly set forth in the Covenant. A copy of the Covenant is on file with the Agency as a public record and is deemed incorporated herein. Reference is made to the Covenant with regard to the complete text of the provisions of such agreement which provides for affordability restrictions and restrictions on the transfer of the Home.

The Covenant has been entered into as a part of the Agency’s Down Payment Assistance Program whereby the Agency has agreed to provide the Qualified Homebuyer certain financial assistance in exchange for, in part, the Covenant.

The Covenant provides as follows:

By signing this Agreement you acknowledge that the above referenced Agency funds were provided in connection with Agency’s Down Payment Assistance Program (“DPAP”)

I. By signing this Agreement you agree to be bound to and comply with the requirements of the Program and all documents signed with regard to receipt of DPAP funds, including, but not limited to, the requirement to occupy the residence purchased as your principal residence for a period of at least forty-five (45) years from the execution of this Agreement, which forty-five (45) year period is known as the “Affordability Period.” You also agree that any sale or transfer in violation of the affordability restrictions is voidable.

II. By signing this document you agree to occupy the property as your principal residence and should you choose to sell the property within the Affordability Period, such sale will be restricted to a household that qualifies at your income level (i.e., as either extremely low, very low, lower or moderate income, as the case may be). You agree not to rent or lease any part or whole of the subject property. You further agree to contact the Agency in writing by certified mail and receive written permission prior to the sale, refinancing, or any transfer of the subject property during this Affordability Period.

III. Upon notification to the Agency of your intent to sell, the Agency reserves the right to inspect the property and to determine whether any housing code violations exist. The original Grantee prior to sale must remedy housing code violations or the estimated costs for repairs will be deducted from the proceeds of the sale.

IV. By signing this agreement you agree to complete a Home Buyer Education and Training course. The course must be provided by a training consultant approved by HUD and the Agency. The course must be a minimum of eight (8) hours in duration. The course must minimally include topics related to the home buying processing, the escrow process, the mortgage lending process, home maintenance and care, credit review and personal finance.

The restrictions contained in the Covenant expire forty-five (45) years following the Grantee's execution of the Covenant.

The commonly known address for the Home is _____ in the City of San Jacinto. The assessor's parcel number for the Home is: APN: _____; such number is subject to change. The legal description for the Home is attached hereto as Exhibit A and is incorporated herein by reference.

The Covenant, which includes the affordability restrictions referenced above, is expected to be submitted for recordation in the Office of the Riverside County Recorder contemporaneously with this Notice of Affordability Restrictions.

This Notice of Affordability Restrictions is intended merely to satisfy the requirements of Chapter 690. The Covenant and all other documents related to the Grantee's participation in the Down Payment Assistance Program all remain in full force and effect and are not amended or altered in any manner whatsoever by this Notice of Affordability Restrictions.

Capitalized terms shall have the meaning established under the Agency's Program Guidelines for the Down Payment Assistance Program (including all Attachments thereto), a copy of which is on file with the Agency as a public record and is deemed incorporated herein, excepting only to the extent as otherwise expressly provided under this Notice of Affordability Restrictions.

Persons having questions regarding this Notice of Affordability Restrictions, the Agency's Program Guidelines for the Down Payment Assistance Program or the Attachments thereto (including the Covenant) should contact the Agency at its offices listed above.

AGENCY:

Redevelopment Agency of the City of San Jacinto, a California public body corporate and politic

By: _____
Barry McClellan
Executive Director

QUALIFIED HOMEBUYER:

Name: _____

Name: _____
