

CITY OF CLAREMONT INCLUSIONARY HOUSING PROGRAM PROGRAM SUMMARY

The following document is meant to provide potential moderate income homebuyers with a basic summary of the City's Inclusionary Housing Program requirements. A number of examples are provided throughout this document to demonstrate how the Program operates. These examples are only provided for illustrative purposes. The actual terms and requirements will be based on the characteristics of the home being purchased.

What is Claremont's Inclusionary Housing Program?

The City of Claremont's Inclusionary Housing Program (Program) provides opportunities for moderate income households to purchase a home in Claremont. This Program requires developers to sell homes at designated affordable sales prices to qualifying households that agree to live in the home as their primary residence.

What is the current designated affordable sales price?

The affordable sales prices will be set by the City at the beginning of each calendar quarter. The affordable sales prices are currently set as follows:

Number of Bedrooms	Moderate Income
1	\$226,700
2	\$252,800
3	\$277,500
4	\$286,300

Who is eligible to purchase homes under the Program?

To participate, applicants must meet the following requirements:

1. The Applicant's gross household income cannot be greater than 120% of the Area Median Income. The current qualifying incomes are listed in the following chart.

Household Size	Moderate Income
1	\$54,550
2	\$62,200
3	\$70,000
4	\$77,750
5	\$83,950
6	\$90,200
7	\$96,400
8	\$102,650

2. Applicants must be able to make a down payment equal to at least 5% of the designated affordable sales price, and pay all the closing costs associated with the home purchase. At least 1% of the affordable sales price must be provided from the applicant's own funds; the balance, up to the applicable gift limit, can be provided using gift funds received by the applicant.
3. The down payment amount is capped at 35% of the designated affordable purchase price.
4. No more than \$75,000 in gift funds received by the applicant can be contributed to the purchase of the home.

What is the City's Shared Appreciation Loan?

The City's Shared Appreciation Loan will not actually be paid in cash, but rather it will be a credit to the sales price that is equal to the difference between the fair market value of the home and designated affordable price for the home. The City's Shared Appreciation Loan will be recorded as a second trust deed lien against the home. An example of how the principal balance of the City's Shared Appreciation Loan is calculated is presented in the following table:

<u>City Shared Appreciation Loan Calculation</u>		
Original Fair Market Value of the Home	\$425,000	
Designated Affordable Purchase Price	277,500	
City Shared Appreciation Loan Amount		\$147,500

No interest will accrue on the City's Shared Appreciation Loan. Instead, the City will share in the appreciated value of the home when it is resold. An example of how appreciation is calculated is provided in the following table:

<u>Homeowner Investment in the Home</u>		
Original Affordable Purchase Price	\$277,500	
Silent Second Trust Deed Mortgage	147,500	
Approved Capital Expenditures	15,000	
Total Homeowner Investment in the Home		\$440,000
Resale Price of the Home		\$500,000
Appreciation		\$60,000

The City's share of the appreciation is based on the percentage share the City's Shared Appreciation Loan represents of the fair market value of the home when it was originally purchased. A sample calculation is provided in the following table:

Original Fair Market Value of the Home	\$425,000	
City's Shared Appreciation Loan Amount	\$147,500	
City's Initial Years' Share of Appreciation		34.7%

The repayment obligation for the City's Shared Appreciation Loan will vary based on the number of years before the homeowner resells the home. Key components of the repayment obligations can be summarized as follows:

1. If the home is resold during the first 30 years, the homeowner will be required to repay the principal balance of the City's Shared Appreciation Loan, plus a defined share of the equity appreciation in the home. The percentage share of the equity appreciation that the City will be entitled to receive will decrease over time in accordance with a schedule that will be included in the loan documents.
2. If the home is sold between 30 and 45 years following the purchase of the home, the homeowner will only be required to repay the principal balance of the City's Shared Appreciation Loan.
3. If the home is sold after the 45th year, the borrower will not incur any repayment obligation on the City's Shared Appreciation Loan.

Based on the examples presented above, the repayment obligation for the City's Shared Appreciation Loan would be as follows:

Number of Years Before Resale	9	16	31	46
City Shared Appreciation Loan Principal Repayment Obligation	\$147,500	\$147,500	\$147,500	\$0
<u>City Share of Appreciation</u>				
Total Appreciation	\$60,000	\$60,000	\$60,000	\$60,000
City's Share of Appreciation	34.7%	20.8%	0%	0%
Total City Share of Appreciation	\$20,800	\$12,500	\$0	\$0
Total Repayment Obligation	\$168,300	\$160,000	\$147,500	\$0

It is also important to understand that under the terms of the City's Shared Appreciation Loan, a homeowner may not take out a home equity loan. In addition, the homeowner may only refinance the first trust deed mortgage loan to an amount equal to the outstanding balance of the existing loan plus reasonable closing costs.

How do I apply?

The first step in applying is to fill out a pre-application checklist to evaluate to the best of your ability whether you may qualify to purchase an Inclusionary Unit. If you believe you qualify, the next step is to submit a purchase offer to the Developer. If an Inclusionary Unit is available for sale, the following step is to approach a mortgage lender and to commence the underwriting phase of the approval process.

If your application is moved on to the formal underwriting process, you will be required to submit a significant amount of documentary evidence to a first trust deed mortgage lender. You will be notified of the results at the completion of the formal underwriting process. Applications will be processed on a first come/first served basis.

For additional information, please contact the City's External Administrator:

Curtis Miller
NPHS
Curtis@nphs.info
909.988.5979