

SUMMARY OF SANTA BARBARA'S AFFORDABLE HOUSING PROGRAM

To be a part of the City of Santa Barbara's Affordable Housing Program, participants accept responsibilities concerning the purchase, occupancy, refinancing and resale of their homes. This summary explains some of the major components of the City's "Affordability Covenant and Option to Purchase" (ACOP). The affordability period for ownership units is 90 years.

Buyers of City affordable units may not own other real estate at the time of application or at any time during their ownership. A buyer's total equity in residential real property held at any time during the two years prior to purchase of an affordable unit shall not have exceeded fifty percent (50%) of the purchase price of the affordable unit. Buyers must earn less than the applicable income limits published by the U.S. Department of Housing and Urban Development (HUD). To verify eligibility, the City reviews in detail a potential buyer's financial documents. Buyers of 3 bedroom units must have 3 or more persons in their household. The unit must be owner-occupied as a principal residence and cannot be rented without written City approval. Owners may rent out rooms *only if* they continue to occupy the unit full time.

To qualify, a buyer must pay at least 28% but not more than 40% of their own income towards housing expenses. These expenses include Principal + Interest + Taxes + Insurance/HOA dues. Buyers are required to provide a down payment of at least five percent (5%) of the purchase price and have "good" credit (typically a FICO score of at least 620). A buyer's down payment must not exceed 40% of the purchase price, and consequently a buyer's income must be sufficient to support the mortgage payment on a mortgage for 60% of the purchase price. Down payment gifts by family members (up to the maximum amount of 20% of the purchase price) are allowed with a "gift letter". Non-occupant cosigners are allowed for purchases of the City's affordable units, but cosigners can only appear on title as 1% tenants in common.

The City must approve in writing all financing and refinancing. The City will generally approve a refinancing of the first mortgage loan if no additional cash is taken out other than the loan costs; the terms of the new loan are more favorable than the old loan and the borrower's credit is good. The Owner's total secured loans-to-value ratio should not exceed 80%, and no negative amortization loans, balloon payments or reverse mortgages are allowed.

The City has an option to purchase back a unit upon the seller's intent to sell, upon default of the ACOP, or in the event of foreclosure. The City has the right to receive rents due or collected during the entire period the property is occupied in violation of any of the terms of the ACOP.

To set the price upon resale, the price paid by the current owner is adjusted by the percentage increase (or decrease) in Area Median Income (AMI) during the period in which the Owner owned the Property. There is no assurance that the past rate of increase will continue in the future.

Price increases *may be* allowed for property improvements made by the owner if owner obtains written pre-approval from the City. Price increases are not allowed during any period that the Owner is in violation of the City's requirements.

This is intended as a ***brief summary only***. For more complete and detailed information please read the ACOP document. If you have questions or concerns, please call Deirdre Randolph, Housing Programs Specialist, City of Santa Barbara, at 564-5461 or email drowell@santabarbaraca.gov