



City of Santa Barbara Affordable Housing Program Refinance Requirements

Approval by City

The terms of ALL financing secured by the property MUST be approved by the City.

Requirements for Approval

- Financing must be provided by a licensed institutional lender such as a bank, mortgage company or credit union.
- The Owner must be in full compliance with the City's affordability requirements.
- The terms of the new loan must be more favorable than existing loan.
- The Owner's total secured loans-to-value ratio cannot exceed 80%.
- The housing cost-to-income ratio cannot be higher than it was upon Owner's purchase of the property.
- No additional cash can be taken out other than the loan costs unless approved in advance by the City.
- The City may review an Owner's credit and may decline approval of the proposed refinancing in cases where the Owner's credit is poor.
- The Community Development Director or designee may consider approving interest-only refinanced loans on a case-by-case basis when no cash is taken out, the borrowers have excellent credit, and loan-to-value ratio is favorable.
- Refinances which may result in negative amortization (including "reverse mortgages") will not be approved.
- If the City has provided financing secured by the property, the City may agree to subordinate its loan to the new loan if the City is assured that its security interest and the owner's ability to repay remain strong.
- When refinancing results in cash to the Owner, the Owner's total secured loans-to-value ratio should not exceed 80% and the housing cost-to-income ratio shall not exceed 40%. If the City approves the Owner taking cash out to pay off installment debt, the installment debt payments shall occur and be documented through the refinance escrow.
- The City will be a principal in the escrow and will provide escrow instructions to assure the City's requirements will be met.