



THE LONG BEACH HOUSING DEVELOPMENT COMPANY

SECOND MORTGAGE ASSISTANCE PROGRAM

PURPOSE

To promote neighborhood stabilization through increased home ownership opportunities, principally for the benefit of persons and families of low- and moderate-income.

GENERAL DESCRIPTION

Second mortgage assistance in the form of a secured subordinate mortgage with contingent, deferred interest. Loan proceeds may only be used toward the purchase price of a single-family residence, condominium, or townhome located within the City of Long Beach Redevelopment Project Areas (See attached Exhibit "A" for map of areas).

FINANCING PROVISIONS

- **Second Mortgage Assistance Amount:** The Long Beach Housing Development Company's (LBHDC) Second Mortgage Assistance Program is designed to be gap financing. The loan amount is computed as the difference between the purchase price and the sum of the largest first trust deed mortgage deemed affordable to the Borrower and Borrower's down payment.
- **Interest Rate:** Contingent, deferred interest in the form of equity sharing equal to the percentage which the Second Mortgage Assistance represents of the original purchase price, reduced for each full year which the Borrower owns and occupies the property. All interest is forgiven after 30 years of continuous occupancy. (See attached as Exhibit "B").
 - Equity Share = $\text{Second Mortgage Assistance} / \text{Purchase Price} \times (\text{Sales Price} - \text{Purchase Price})$
 - Interest Due = Equity Share - Forgivable Interest (See attached Exhibit "B" for interest forgiveness schedule).
- **Interest Penalty:** Eligibility for a reduction in equity sharing will be forfeited in the event any of the following occur:
 - Discovery of fraudulent information provided by Borrower; or
 - Violation of any of the following conditions as set forth in the Promissory Note:
 - The Borrower must continuously occupy the property as his or her principal residence;
 - The property must at all times be maintained in compliance with local laws;
 - The property must be used only as a single family residence; and
 - No occupant of the property may engage in drug related criminal activities or engage in violent acts.
- **Collateral:** Promissory Note, secured by Second Deed of Trust.
- **Fees to Borrower:** None.
- **Term:** Thirty (30) years or the earliest date that any of the following occur:
 - The date the property is sold or title is transferred;
 - The date the property is no longer occupied by Borrower; and
 - The date the first mortgage loan is refinanced (except as approved by the LBHDC).
 - Any violations of the conditions set forth above under "Interest Penalty".
- **Monthly Payment:** None.

- **Down Payment:** Borrower must contribute at least 1% of the purchase price from their personal funds. Subject to approval by the first trust deed lender, Borrower's Down Payment in excess of the required 1% may consist of any combination of gifts, grants or unsecured loans.
- **Insurance:** Fire hazard insurance, covering total debt secured on the property, is required. A Loss-Payable Endorsement, naming the City of Long Beach, the LBHDC and first trust deed lender, must be obtained.
- **Maximum Purchase Price:** \$332,500 for condominiums/townhouses; \$500,650 for single-family homes (subject to change based on HUD guidelines).
- **Escrow Processing:** All purchases must be processed through an escrow company that is approved by Lender and City.

BORROWER ELIGIBILITY REQUIREMENTS

- **First Time Buyer:** Borrower must meet the following first time buyer requirements:
 - Persons who have not owned a home in the last three years; or
 - Persons who previously owned a home with his or her spouse but no longer hold title due to divorce.
- **Household Income:** Projected annual income of all adult members of Borrower's household cannot exceed the following thresholds (adjusted annually according the income schedule in effect at time of application adopted pursuant to Title 25, Section 6932 of the California Code of Administrative Regulations):

Household Size	Low-Income Limit	Moderate-Income Limit	Household Size	Low-Income Limit	Moderate-Income Limit
1	\$ 42,450	\$ 50,300	5	\$ 65,500	\$ 77,500
2	\$ 48,500	\$ 57,400	6	\$ 70,350	\$ 83,300
3	\$ 54,600	\$ 64,600	7	\$ 75,200	\$ 89,000
4	\$ 60,650	\$ 71,800	8	\$ 80,050	\$ 94,800

(NOTE: The figures shown above are current as of 6/08)

- **Long Beach Resident or Employee:** Borrower must currently live or work in Long Beach or show evidence of a job offer in Long Beach.
- **Homebuyer Education Certificate:** Borrower must complete an 8-hour Homebuyer Education Class.
- **Financial Capacity:** Borrower must qualify for a 30-year fixed rate, first trust deed mortgage, in an amount not less than 30% of the purchase price, from an institutional lender approved by the LBHDC. Co-signers who will not reside in the property are not permitted.
- **Pre-Purchase Occupancy:** Eligible property must either be vacant or occupied by the seller or Borrower or a tenant who has given written notice of his or her intention to move voluntarily prior to the time the LBHDC receives a completed application and eligibility determination from the first trust deed lender; otherwise, existing tenants may be entitled to relocation assistance. Such assistance, if any is required, must be paid by either the seller or Borrower through escrow.
- **Code Compliance:** Eligible property must comply with local land use and building regulations and federal Housing Quality Standards. At the LBHDC's discretion, and in all cases where the property is sold "as is," a code compliance inspection and/or report of building records will be obtained prior to close of escrow. Where necessary, the LBHDC loan approval will be made contingent upon effecting necessary repairs.