The City of Watsonville offers a **First Time Home Buyer Program (FTHB)** to help low income homebuyers buy a home.

**Eligibility Criteria**

Homebuyer cannot have owned or held an ownership interest in a home or other real estate within the last three years.

Homebuyer’s annual gross household income cannot exceed the following based on household size and available funding:

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Annual Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$68,900</td>
</tr>
<tr>
<td>2</td>
<td>$78,750</td>
</tr>
<tr>
<td>3</td>
<td>$88,600</td>
</tr>
<tr>
<td>4</td>
<td>$98,400</td>
</tr>
<tr>
<td>5</td>
<td>$106,300</td>
</tr>
<tr>
<td>6</td>
<td>$114,150</td>
</tr>
<tr>
<td>7</td>
<td>$122,050</td>
</tr>
<tr>
<td>8</td>
<td>$129,900</td>
</tr>
</tbody>
</table>

(Effective 7/9/2019)

Homebuyer must be able to provide cash investment of at least 3% of the purchase price of the home. These funds may be applied to the purchase price and/or closing costs.

**Note:** Your lender or the seller may require a larger cash investment.

Homebuyer’s proposed housing debt ratio must be between 30-45% (front end) and combined debt ratio cannot exceed 50% (back end).

**Property is:**
- located within the City Limits
- does not exceed the max. allowable sales price
- on a permanent foundation
- is either vacant or owner-occupied
- able to pass a Housing and lead-based paint inspection

**Note:** New homes must have the foundations poured prior to offer to purchase.

Homebuyer(s) must successfully complete a City-approved homebuyer education class.

**Loan Criteria**

FTHB loans are second mortgage loans, also known as silent seconds, because the payments are deferred for 30 years at 3% simple interest.

These loans must be repaid in full when the first of the following occurs:
- The home is sold or transferred;
- The borrower no longer lives in the home as their principal residence;
- The first mortgage loan becomes due;
- The home is refinanced with cash out; or
- 30 years after the FTHB loan date.

FTHB loans cannot exceed the lesser:
- 25% of the purchase price + closing costs
- Program subsidy limits
- Affordability gap (difference between cost of home and buyer’s available funds)

1st **Mortgage Loan** must be fully amortized over a minimum of 30 years and carry a fixed interest rate. Interest rate cannot exceed prevailing market rate (no sub prime rates). Balloon payment, negative amortization, interest-only, or stated income loans are NOT allowed.

**How to Apply**

Homebuyers should start by pre-qualifying for a first mortgage with a lender who is familiar with the FTHB loan program or willing to learn about it.

Once you have been pre-qualified for a first mortgage and have found a home to purchase, your lender may contact the City to begin the application process. A fully executed purchase contract will be required to submit your application. Upon receipt of a complete application packet, the City will review your application and notify your lender when your application has been approved, denied, or determined incomplete.

**Additional Criteria**

The information provided in this brochure is a summary of the main requirements for the Program.

For a complete list of requirements and other additional information, please read the First Time Homebuyer Program Guidelines on the City’s website at [http://cityofwatsonville.org/housing/first-time-homebuyers](http://cityofwatsonville.org/housing/first-time-homebuyers)
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