

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:

| Household Size | Annual Income Limit |
|----------------|---------------------|
| 1 | \$68,900 |
| 2 | \$78,750 |
| 3 | \$88,600 |
| 4 | \$98,400 |
| 5 | \$106,300 |
| 6 | \$114,150 |
| 7 | \$122,050 |
| 8 | \$129,900 |

(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>

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