

A REALTOR[®]'s Guide

Finance Programs For First-time Home Buyers





CALIFORNIA ASSOCIATION OF REALTORS®

Dear California REALTOR®:

Today's market holds tremendous opportunities for first-time buyers and the REALTORS® dedicated to assisting them in their first home purchase. Housing affordability is at historic highs in many areas as low mortgage rates, government tax credits, and lower home prices have continued to make the goal of homeownership within reach for every California household, but they can't do it alone. They need you, the California REALTOR®, with the skills and market knowledge to navigate through this often difficult process of buying a home. While, these transactions do take a little more effort and preparation on the part of the REALTOR® and the home buyer, there is no greater reward than getting that family into their first home.

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Assisting a first-time home buyer with a public or private-sponsored program may seem to be a daunting task. But with preparation and planning, it can be one of the best transactions you will ever facilitate. Today's buyers are finding that obtaining the right mortgage for their needs can be a difficult and frustrating process. With the help of knowledgeable and experienced real estate professionals who are well versed in the variety of programs available, the rest can be managed successfully

There are components to working with first-time home buyer programs that will make the transaction different, and will require an investment of your time. Requirements can include: home buyer education, income eligibility, and layering financing, to name a few.

The CALIFORNIA ASSOCIATION OF REALTORS® continues to be a strong advocate for programs that will assist home buyers in these difficult economic times. We have developed this guide as an introduction to the programs currently available to potential California home buyers from federal, state, and local agencies. The passage of last year's Housing and Economic Recovery Act, as well as current changes to 2009 state and local programs, make this timely guide a must read for California REALTORS®. Because these programs do evolve over time, always contact the relevant agency to verify program availability and eligibility before you begin.

If working with first-time home buyers is your calling, you will need to invest in learning about the various programs that are offered in your community. With this guide, you'll learn the basics of working with these programs and some practical tips to help you avoid the common pitfalls.

James J. Liptak
2009 President, C.A.R.



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“Working with government programs will delay escrow.”

“First-time home buyer programs are far too complicated to use.”

The CALIFORNIA ASSOCIATION OF REALTORS® has developed this guide as an introduction to the programs currently available to potential California home buyers from local, state, and federal agencies. With this guide, you’ll learn the basics of working with these programs and some practical tips to help you avoid the common pitfalls. For those areas not represented in this document, you are encouraged to check with your local city or county government for details on programs specific to your area.

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Rent Versus Buy Analysis

The Stimulus Bill passed in February 2009 provides first-time home buyers a Home Buyer Tax Credit (HBTC) of 10 percent of the purchase price of the home up to \$8,000 [note that in 2009 (until 12/1/09) first-time buyers can take advantage of up to an \$8,000 tax credit (see page 7). And if it is new construction, an additional \$10,000 tax credit is available from the state of California (see page 8). The CALIFORNIA ASSOCIATION OF REALTORS® conducted an analysis on the difference between renting a home or buying a home incorporating this tax benefit in 2009.

Is it better to own or rent? This is a question your clients will be considering as they weigh their housing options. In order to determine the tax benefits of buying in 2009, the following analysis takes into account the five-year tax savings of owning versus renting. It incorporates the existing tax benefits of deducting mortgage interest and property taxes as well as the HBTC in 2009. For example, consider two households with the same income of \$48,900 a year. This is the minimum income needed to purchase an entry-level home at \$248,000. Purchasing this home at the prevailing market factors for first-time buyers will give the homeowner a tax deduction of more than \$15,800 in the first year of ownership as well as the one-time tax credit of \$8,000. For renters, they will most likely be eligible to take only the IRS Standard deduction of \$10,900. In the first year, the difference in the overall tax liability totals more than \$8,700 in favor of first-time buyers. Over five years, the overall tax liability savings is well more than \$11,000 for first-time home buyers purchasing in 2009. In addition, when taking into account the out-of-pocket monthly expenses, this household saves much more. Once all of the homeownership benefits as well as the discounts taking place in today's real estate market are factored in, 2009 makes for a special year to buy a home for first-time buyers.

For more information: <http://www.car.org/economics/currentresearch/2009rentversusbuyanalis>

Table 1. Renting Versus Buying in 2009 - 5-Year Tax Savings Outlook

	First-time Buyers					Renters
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1 Year 5
Household Income	\$48,900	\$48,900	\$48,900	\$48,900	\$48,900	\$48,900
Standard IRS Deduction Married Filing Jointly	n/a	n/a	n/a	n/a	n/a	\$10,900
Mortgage Interest Deduction	\$13,364	\$13,195	\$13,015	\$12,825	\$12,622	n/a
Property Tax Deduction	\$2,480	\$2,480	\$2,480	\$2,480	\$2,480	n/a
Total Deduction	\$15,844	\$15,675	\$15,495	\$15,305	\$15,102	\$10,900
Total Taxable Income	\$33,056	\$33,225	\$33,405	\$33,595	\$33,798	\$38,000
Total Taxes Owed	(\$4,958)	(\$4,984)	(\$5,011)	(\$5,039)	(\$5,070)	(\$5,700)
Home Buyer Tax Credit	\$8,000			n/a		n/a
Annual Tax Liability	\$3,042	(\$4,984)	(\$5,011)	(\$5,039)	(\$5,070)	(\$5,700)
x 5 Years						5
5 Year Total Tax Liability				(\$17,062)		(\$28,500)
First-time Buyer 2009 5-Year Tax Savings Outlook				\$11,438		

Table 1 Assumptions:

- Underlying assumptions for the Mortgage Interest Deduction and Property Tax Deduction are based on the Housing Affordability Index-First Time Buyer assumptions of: Entry-level home price, which is 15 percent lower than the prevailing median price in the 4th quarter 2008 (median price \$291,800, entry-level price \$248,030).
- PITI based on ARM interest rate of 6.02%, a 10% down payment, and a \$210,375 loan amount.
- Analysis assumes no annual rent increases and property taxes are assumed to be constant over this 5-year analysis, thereby assuming the underlying market value remains unchanged.

To help provide first-time home buyers peace of mind when purchasing a home, the CALIFORNIA ASSOCIATION OF REALTORS® Housing Affordability Fund (C.A.R.H.A.F.) is offering a FREE supplemental benefit product for qualified first-time home buyers.

Through the C.A.R. Housing Affordability Fund's Mortgage Protection Program (C.A.R.H.A.F. MPP), first-time home buyers who lose their jobs due to layoffs may be eligible to receive up to \$1,500 per month, for up to six months, to help make their mortgage payments; qualified co-buyers receive \$750.

What is the Mortgage Protection Program?

The Mortgage Protection Program provides an involuntary unemployment protection for qualified first-time home buyers. The program is being offered by the C.A.R.H.A.F. to help build confidence in the purchase of a home and to reduce the fear of foreclosure in the event of a job loss. C.A.R.H.A.F. has committed \$1 million to provide this program to qualified home buyers.

What are the benefits?

Through the program, first-time home buyers who lose their jobs may be eligible to receive up to \$1,500 per month for up to six months to help make their mortgage payments. A qualified co-buyer can also participate in this program, for a reduced monthly benefit of up to \$750 per month for up to six months in the event of a job loss.

Who qualifies for this program?

An applicant must:

- Be a first-time home buyer who hasn't owned any property in the last three years (includes co-buyer);
- Open and close escrow between April 2, 2009, and December 31, 2009 (purchase agreement cannot be dated before April 2, 2009);
- Purchase a primary residence in California;
- Be represented by a California REALTOR®; and
- Be a W-2 employee (i.e., not self-employed). There are no income or home price caps under this program.

How do home buyers apply?

Home buyers must apply through a California REALTOR®. The REALTOR® will submit the completed application to C.A.R.H.A.F. on the home buyer's behalf. The application can be downloaded at www.carhaf.org.

Program Requirements and Loan Types

Typical First-Time Home Buyer Program Requirements

While program requirements may vary from agency to agency, the following are typical requirements:

- The applicant must be a first-time home buyer. A first-time home buyer is most often defined as someone, including his or her spouse, who has not had an ownership interest in a principal residence at any time during the past three years. The term includes displaced homemakers and single parents. This requirement is not necessary if the property is located in a federally designated target area.
- The buyer must meet income requirements:
 - Low Income** – 50 to 80 percent of the area median income (AMI)
 - Moderate Income** – 80 to 120 percent of the AMI*The qualifying income includes the total household income: the income of all adults 18 years of age or older who are residing in the property.*
- Maximum purchase price may not exceed limits established for the area.
- Applicant must live in the home being purchased for the entire term of the loan, or until the home is sold or refinanced. The program is not eligible for property purchased as an investment or rental.
- If the assistance is a loan, applicant must contribute a portion of the home sales price.
- Applicant must complete an agency-approved home buyer education training class.
- Applicant must arrange private lender financing for, and make full monthly payments on, the first loan.
- For local programs, the prospective property must be located within the city limits or unincorporated county areas.
- Applicant must be a citizen or other national of the United States or a qualified alien.

Common Programs & Loan Types

There are several types of finance assistance programs offered for first-time buyers. Down payment assistance is the focus of several programs. Others offer specific loan products designed to help first-time home buyers. The following are the most common types of programs that are currently offered and a list of typical conditions attached to a loan program:

Second Loan (Second Mortgage) – A mortgage loan in addition to the first, or primary, mortgage loan. This is a loan subordinated to the first mortgage.

Shared Appreciation Loan – This is applicable to city and county down payment assistance programs. It involves a loan with a zero or low interest rate in exchange for sharing the property's increased future value with the lender. The appreciation is calculated by subtracting the original sales price from the current sales price or the current appraised market value. The principal balance amount plus a share of the appreciation will be due at the end of term or when the borrower sells, rents, or transfers title of the property.

Deferred Loan – A second, third, or fourth mortgage that does not have to be repaid until the end of the loan period, until the house is sold or refinanced, or until title of property is transferred.

Recoverable Grant – A small loan (or grant) that has to be repaid under certain conditions but otherwise becomes a true grant and does not have to be paid back.

U.S. Department of Housing and Urban Development (HUD)

The U.S. Department of Housing and Urban Development became a cabinet-level federal agency in 1965 as part of President Lyndon B. Johnson's War on Poverty. HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. It is responsible for programs and policies covering homeownership including increasing opportunities for minorities and low-to-moderate income families, counseling and education for consumers, and enforcement of fair housing.

Through HUD's various programs such as HOME Investment Partnership, FHA, and HUD Homes, the Department continues to accomplish its homeownership goals. For more information on HUD, visit its Web site at <http://www.hud.gov> or in Spanish at <http://www.espanol.hud.gov>.

HOME Investment Partnerships Program (HOME)

HOME is a federal block grant implemented through state and local governments. States are automatically eligible for HOME funds. However, local jurisdictions must meet a minimum allocation threshold in order to be a participating jurisdiction. Households receiving HUD assistance must be low-income. HOME income limits are published each year by HUD.

ROSEVILLE – First Time Home Buyer Downpayment Assistance Program

Phone: (916) 774-5270 | Web site: www.roseville.ca.us/housing | Eligibility: Low income | Type: Deferred, shared appreciation loan | Maximum loan: \$60,000 | Interest: 0 percent | Loan term: 30 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership, whichever occurs first.

FRESNO – Home Buyer Assistance Program

Phone: (559) 621-8300 | Web site: www.fresno.gov | Eligibility: Low income | Type: Deferred, forgivable loan* | Maximum loan: \$75,000 | Interest: 0 percent | Loan term: Due upon sale of the property, change of use, or change of ownership. *\$4,000 of the loan can be forgiven after 15 years.

SAN BERNARDINO COUNTY – Home Ownership Assistance Program

Phone: (909) 388-0910 | Web site: www.sbcounty.gov | Eligibility: Low income | Type: Deferred loan | Maximum loan: \$54,000, assuming family of eight | Interest: 0 percent | Loan term: Due upon sale of the property, refinance, or change of ownership.

Federal Housing Administration (FHA) – The FHA was established in 1934 under the National Housing Act and consolidated as a program within the U.S. Department of Housing and Urban Development in 1965. FHA is the largest mortgage insurer in the world – providing federal guarantees on loans to refinance or purchase new or existing homes, condominiums, manufactured housing, and homes needing rehabilitation, and reverse equity mortgages to elderly homeowners. Since its inception, FHA has insured more than 24 million home loans, enabling lenders to create mortgages for households across the nation – especially first-time home buyers, minority borrowers, and others who may not have qualified under conventional terms. FHA also regulates housing industry business, including mandating consumer protections such as RESPA and setting standards for real estate and mortgage financing practices.

Almost anyone who has a satisfactory credit record, enough cash to close the loan, and verified sufficient steady income to make monthly mortgage payments can qualify for an FHA-insured mortgage. Generally, borrowers must live in the home – FHA home buying programs are not open to investors. Some of the benefits to the borrower include a low down payment, allowed use of cash gifts toward the down payment or closing costs, and comprehensive loss mitigation assistance to help the borrower avoid foreclosure. Interested borrowers can find a HUD-approved lender in their community on the HUD Web site.

- **Single Family Insured Mortgage (Section 203(b)) and Single Family Insured Mortgage for Condominium Units (Section 234(c))** – provides mortgage insurance for the purchase or refinancing of a principal residence or condominium. The borrower is eligible for up to 97 percent financing and is capable of financing upfront mortgage insurance premiums and closing costs into the loan. Properties that are one-four unit structures qualify. Maximum mortgage amounts vary by region and are listed on the HUD Web site.
- **Single Family Insured Mortgage for Disaster Victims (Section 203(h))** – allows 100 percent financing for borrowers whose homes have been damaged or destroyed beyond reconstruction or repair within a federally declared disaster area. No down payment is required and upfront and closing costs may be financed into the loan. Eligible properties are one-four unit structures.

Federal Programs

- **Single Family Insured Rehabilitation Mortgage (Section 203(k))** – provides mortgage insurance for borrowers who wish to purchase and/or rehabilitate or improve an existing dwelling. Both purchase and rehabilitation costs can be included in the principal; rehabilitation funds are held in an escrow account. Monthly mortgage insurance premiums are due at closing and the mortgage limits for this loan are the same as 203(b). The Streamlined Section 203(k) Limited Repair Program permits the home buyer to finance up to \$35,000 of rehabilitation work in addition to the purchase price into their mortgage, but quickly and easily tap into the funds to pay for certain property repairs or improvements.
- **Single Family Insured Energy Efficient Mortgage** – provides insurance for borrowers who wish to incorporate costs of energy efficient improvements into the mortgage. The limit for improvements is the greater of 5 percent of the property value (not to exceed \$8,000) or \$4,000. Funds for improvements are held in an escrow account and paid out as improvements are completed and inspected. Section 203(b) requirements apply.
- **Single Family Insured Adjustable Rate Mortgage** – offers borrowers a lower initial interest rate when used with Sections 203(b), 248, or 203(k). Increases or decreases in the interest rate will be limited by the FHA interest rate cap structure. One-four unit structures are eligible.
- **Single Family Insured Mortgage on Indian Reservations and Other Restricted Lands (Section 248)** - provides mortgage insurance for the purchase of new, existing homes, or certain manufactured homes, on restricted land, following guidelines similar to Section 203(b). Structure and property must meet FHA standards for sewer, water, and electrical infrastructure.

HUD Homes - HUD Homes are real estate-owned (REO) properties throughout the nation that are acquired by HUD when a borrower defaults on an FHA loan. Because FHA loans are federally insured, HUD pays the lender what is owed, takes ownership of the home, and moves to sell the property at market value. HUD Homes are sold “as is,” with no repairs done to the property or structure. Adjustments in the selling price are made when the home is in need of rehabilitation, and buyers can often request a) an upgrade of the property, b) HUD pay all or a portion of closing costs, or c) HUD provide a moving expense allowance.

To purchase a HUD Home, buyers must go through a real estate agent certified by HUD to sell these properties (see HUD Web site for information on becoming certified). The agent places a bid on the property, and if the bid is accepted, the buyer has 30 to 60 days to finalize the purchase. HUD Homes can be purchased using most conventional methods, as well as FHA or other government financing programs. A benefit to buying a HUD Home is the real estate agent’s commission is paid by HUD, saving money for the buyer. The availability of HUD Homes changes weekly, and is contingent upon the volume of FHA-defaulted properties in that area; visit the Web site and click on “HUD Homes” to view the current listing.

- **Good Neighbor Next Door Programs** – HUD Homes can be purchased by eligible buyers at discount through several incentive programs:
- **Officer Next Door** – allows full-time law enforcement officers, firefighters, and emergency medical technicians to purchase a HUD Home in a HUD-designated Revitalization Area at 50 percent discount. Purchasing in the same community they serve is required for firefighters and emergency medical technicians. If the buyer chooses to finance the purchase with FHA, the down payment is reduced to \$100. The home must be the sole residence for the buyer for at least 36 months.
- **Teacher Next Door** – gives full-time pre-K through 12th grade teachers of a state-accredited public or private school an opportunity to purchase a home in a HUD-designated Revitalization Area at 50 percent off. If the teacher purchases the home using FHA, the down payment is reduced to \$100. Other requirements are similar to the Officer Next Door Program.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Phone: (202) 708-1112 • Web site: www.hud.gov

In February 2009, President Obama released details of his Making Home Affordable program in conjunction with the signing of the American Recovery and Reinvestment Act legislation. This piece of the historic proposal includes a mortgage modification and refinance program designed to assist millions of homeowners in avoiding foreclosure, many of whom reside in California. Another centerpiece of the Obama plan is the expansion of the first-time home buyer tax credit. Effective Jan. 1, 2010, FHA, Fannie Mae, and Freddie Mac loan limits will reset with a cap of \$625,500, unless Congress extends the current loan limits prior to the end of the year.

Under the Housing and Economic Recovery Act, signed into law in July 2008, the new loan limits for Fannie Mae and Freddie Mac are the greater of either \$417,000 or 115 percent of an area's median home price, up to \$625,500. The new FHA loan limit will be the greater of \$271,050 or 115 percent of an area's median home price, up to \$625,500. Both new loan limits will be effective upon the expiration of the ARRA limits on Dec. 31, 2009.

Homeowners May Already Be Eligible for Assistance – Families should not wait to seek mortgage relief. Right now, homeowners can determine if they are already eligible for mortgage assistance through the Making Home Affordable, the government's new mortgage refinancing and modification program.

They can obtain information through the following options:

- Go to the program's Web site at www.financialstability.gov/makinghomeaffordable
- Contact a local HUD-approved housing counseling agency at HUD.gov.
- Contact the Homeowners HOPE Hotline at (888) 995-HOPE.

\$8,000 Tax Credit for First-time Home Buyers – Features of the tax credit include:

- Ten percent of cost of home, not to exceed \$8,000.
- Tax credit does not have to be repaid so long as homeowners stay in and utilize the home for at least three years.
- Any single-family residence (including condos, co-ops) that will be used as a principal residence.
- Full amount of credit available for individuals with adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). Phases out above those caps (\$95,000 and \$170,000, respectively).
- Purchaser (and purchaser's spouse) may not have owned a principal residence within three years prior to purchase.
- This tax credit is available for qualifying homes purchased from Jan. 1, 2009, and before Dec. 1, 2009.

State of California Franchise Tax Board

As of July 3, 2009, the Franchise Tax Board is no longer accepting new home credit applications. FTB has received over \$100 million in new home credit applications and more than 12,000 applications.

The Franchise Tax Board planned to receive 12,000 applications since many are duplicates, revised, or invalid. This ensures the FTB will have more than enough valid applications to allocate the full \$100 million. These additional applications will be subject to the availability of remaining credits.

The FTB will continue to report certificates issued on a weekly basis until the full \$100 million has been allocated. FTB expects to complete processing all certificates in August. FTB will send a notification in response to all applications received, indicating the amount of credit allocated or denied.

This tax credit is available for qualified buyers who on or after March 1, 2009, and before March 1, 2010, purchase a qualified principal residence that has never been occupied. The buyer must reside in the new home for a minimum of two years immediately following the purchase date.

FTB began accepting applications for allocation of credit by fax only on March 1, 2009. We began processing the applications on a first-come, first-served basis, on May 1, 2009. The processing delay was necessary to allow us time to develop a system to capture and verify the application information, allocate the credits, and send the credit allocation letters. We expect it will take until the end of August to process all the applications we received and mail credit allocation letters.

This information is updated frequently, so please check <http://ftb.ca.gov> often.

Application processing

- The buyer will receive notification of credit allocation from the FTB.
- An allocation of credit will not be issued if:
 - The home has been previously occupied.
 - The application is not received within one week after the close of escrow.
 - The application is received after the total credits available (\$100,000,000) have been allocated.

Requirements of the credit

- The home must be a “qualified principal residence” as defined under California Revenue and Taxation Code Section 17059(b)(1). The home must:
 - Be a single-family residence, whether detached or attached.
 - Never have been previously occupied.
 - Be occupied by the taxpayer for a minimum of two years.
 - Be eligible for the property tax homeowner’s exemption under California Revenue and Taxation Code Section 218.
- For over three successive taxable years, the total credit allocated among owners that occupy the home must not exceed \$10,000. (Multiple qualified buyers that occupy the home will be allocated credit based on the amount paid and their percentage of ownership.)
- Any credit that reduced tax on a tax return must be repaid if the buyer does not occupy the home for at least two years immediately following the purchase date.
- FTB may request documentation to ensure buyers have complied with the requirements of the credit.

Claiming the credit

- The buyer must receive an allocation of credit from the FTB to claim the credit. The credit allocation letter will state the amount they can claim listed by tax year.
- The buyer should refer to Publication 3528 (available by December 2009) for instructions on claiming the credit.
- The buyer must claim the credit on an original timely filed return, including returns filed on an extension.
- Special rules apply to married/RDP (Registered Domestic Partners) taxpayers filing separately, in which case each spouse is entitled to one-half of the credit, even if their ownership percentages are not equal. For two or more taxpayers who are not married/RDP, the credit amount will have already been allocated to each taxpayer occupying the residence on their respective credit allocation letter.
- If the available credit exceeds the current year net tax, the unused credit may not be carried over to the following year.
- The credit is not refundable.

Definitions

Purchase date – The date escrow closes.

Qualified buyer – A taxpayer who purchases a single-family residence, whether detached or attached, that has never been occupied, that is purchased to be the principal residence of the taxpayer for a minimum of two years, and that is eligible for the homeowner’s exemption under California Revenue and Taxation Code Section 218.

Qualified Principal Residence/New Home – A qualified principal residence means a single-family residence, whether detached or attached, that has never been occupied and is purchased to be the principal residence of the taxpayer for a minimum of two years and is eligible for the property tax homeowner’s exemption.

- Types of residence: Any of the following can qualify if it is your principal residence and is subject to property tax, whether real or personal property: a single-family residence, a condominium, a unit in a cooperative project, a houseboat, a manufactured home, or a mobile home.
- Owner-built property: A home constructed by an owner-taxpayer is *not* eligible for the New Home Credit because the home has not been “purchased.”

Contact us

Phone – (888) 792-4900 (press 5) | (916) 845-4900 (not toll-free) | Email – wscs.gen@ftb.ca.gov

This is not a secure email address. Please do not send confidential information.

Tax Credit for New Home Purchase

Home Buyer Tax Credit Chart

HOME BUYER TAX CREDIT	FEDERAL	CALIFORNIA
Amount of Tax Credit	10 percent of purchase price, not to exceed \$8,000.	5 percent of purchase price, not to exceed \$10,000. Maximum tax credit for all taxpayers is \$100 million to be allocated on a first-come, first-served basis
Principal Residence	Yes. Property purchased must be the taxpayer's principal residence, which is generally the home the taxpayer lives in most of the time (26 U.S.C. § 121).	Yes. Property purchased must be a qualified principal residence and eligible for the homeowner's exemption from property taxes (Cal. Tax & Rev. Code § 218).
Type of Property	House, condominium, townhome, manufactured home, apartment cooperative, houseboat, house trailer, or other type of property located in the U.S.	Single-family residence, whether detached or attached, condominium, cooperative project unit, houseboat, manufactured home, or mobilehome
First-time Home Buyer	Yes. The buyer (and buyer's spouse, if any) must not have owned a principal residence during the three-year period before date of purchase.	No. The buyer need not be a first-time home buyer.
Unoccupied Property	No. Property may have been previously occupied or not.	Yes. Property must have never been previously occupied as certified by the seller.
Minimum Occupancy Requirement	Must be the buyer's principal residence for 36 months after purchase, otherwise credit must be repaid.	Must be the buyer's principal residence for 2 years after purchase, otherwise credit must be repaid.
Income Restriction	Yes. Tax credit begins to phase out if modified adjusted gross income is more than \$75,000 (or \$150,000 for joint filers). No tax credit at all if modified adjusted gross income is more than \$95,000 (or \$170,000 for joint filers).	No
Date of Purchase	Jan. 1, 2009, to Nov. 30, 2009, inclusive. (Note: A repayable \$7,500 tax credit is available for purchases from April 9, 2008, to December 31, 2008.)	March 1, 2009, to Feb. 28, 2010, unless \$100 million funding runs out.
Refundable	Yes. Any amount of the tax credit not used to reduce the tax owed may be added to the taxpayer's tax refund check.	No
Repayment	The buyer need not repay the tax credit if the buyer owns and occupies the property for at least 36 months after the purchase.	The buyer need not repay the tax credit if the buyer owns and occupies the property for at least two years immediately following the purchase.
Multiple Buyers (not married to each other)	The \$8,000 tax credit may be allocated between eligible taxpayers in any reasonable manner.	The \$10,000 tax credit may be allocated between eligible taxpayers based on their percentage of ownership.
Maximum Credit for All Taxpayers	N/A	\$100 million.
When to Claim	Full tax credit may be claimed on 2008 or 2009 tax returns.	1/3 of total tax credit may be claimed each year for 3 successive years (e.g., \$3,333 for 2009, \$3,333 for 2010, and \$3,333 for 2011).
Tax Agency	Internal Revenue Service (IRS).	Franchise Tax Board (FTB).
How to File	First-Time Home Buyer Credit (IRS Form 5405) to be filed with 2008 or 2009 tax returns.	Specific procedure for claiming credit includes completing an Application for New Home Credit (FTB Form 3528-A).
When to File Form	Form 5405 must be filed with 2008 or 2009 tax returns.	FTB Form 3528-A must be faxed by escrow to the FTB within one week after close of escrow and filed with the buyer's 2009 or 2010 tax returns.
Exceptions	Acquisitions by gift or inheritance, acquisitions from related persons as defined, and buyers who are nonresident aliens.	Credit allowed is not a business credit under Cal. Tax & Rev. Code § 17039.2.
Legal Authority	26 U.S.C. section 36.	Cal. Rev. & Tax Code section 17059 (as amended by Senate Bill 15).
Date of Enactment	February 17, 2009.	February 20, 2009.
More Information	IRS Web site at http://www.irs.gov/newsroom/article/0,,id=204671,00.html .	FTB Web site at http://www.ftb.ca.gov/individuals/New_Home_Credit.shtml , which includes a tally of the \$100 million original funding that is still available.

Northern California

ALAMEDA – Second Mortgage

Phone: (415) 561-5600 | Web site: www.fhicda.com | Eligibility: 120 percent of AMI | Type: Deferred for first 15 years | Maximum loan: \$35,000 to \$50,000 based on household income adjusted for household size | Loan term: 15 years | Interest: 0 percent of loan repaid within the first five years. Starting year six, the loan converts to a shared appreciation loan

CONCORD – First Time Home Buyer Program

Phone: (925) 671-3341 | Web site: www.cityofconcord.org/living/housing | Eligibility: Low and moderate income | Type: Deferred, shared appreciation loan | Maximum loan: \$15,000 (100 percent to 120 percent of AMI) to \$25,000 (cannot exceed 100 percent of AMI) or 20 percent of purchase price | Loan term: 45 years or due upon sale of the property | Interest: 0 percent

DUBLIN – Loan

Phone: (925) 833-6610 | Web site: www.ci.dublin.ca.us | Eligibility: 120 percent of AMI | Type: Deferred until sale of property, payoff, or refinance of first mortgage, recording of a Notice of Default | Maximum loan: Up to 10 percent of the purchase price for a market rate home or up to 15 percent of the purchase price for a below-market rate home | Loan term: 30 years | Interest: 3.5 percent fixed, simple

FREMONT – Welcome Home and Welcome to the Neighborhood

Phone: (510) 494-4506 | Web site: www.ci.fremont.ca.us | Eligibility: 120 percent of AMI | Type: Deferred | Maximum loan: \$40,000 | Loan term: 45 years | Interest: None

FRESNO – CalHome Mortgage Assistance Program

Phone: (559) 621-8300 | Web site: www.fresno.gov | Eligibility: Low income | Type: Deferred, forgivable loan* | Maximum loan: \$75,000 | Loan term: 30 years or due upon sale of the property, change of use, or change of ownership | Interest: 0 percent | *\$4,000 of the loan can be forgiven after 10 years.

HAYWARD – Second Mortgage

Phone: (510) 583-4245 | Web site: www.hayward-ca.gov | Eligibility: 120 percent of AMI | Type: Payments | Maximum loan: \$20,000 | Loan term: 30 years | Interest: Based on Federal Home Loan Bank's 11th District COFI

LIVERMORE – Loan

Phone: (925) 960-4580 | Web site: www.ci.livermore.ca.us | Eligibility: 120 percent of AMI | Type: Deferred 30 years | Maximum loan: up to \$60,000 (80 percent AMI) or up to \$40,000 (80 percent to 120 percent). Loans limited to 20 percent of the purchase price | Loan term: 30 years | Interest: 3 percent simple

NEWARK – Loan

Phone: (415) 561-5600 x 110 | Web site: www.myhomegateway.com | Eligibility: 80 percent of AMI | Type: Deferred for the first 5 years | Maximum loan: Up to \$60,000 | Loan term: 35 years | Interest: 3 percent amortized over 30 years

OAKLAND – First Time Home buyers Mortgage Assistance Program

Phone: (510) 238-3015 | Web site: www.oaklandnet.com/government/hcd | Eligibility: Low income | Type: Deferred loan | Maximum loan: \$75,000 | Loan term: 30 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership | Interest: 3 percent simple

PLEASANTON – Two Loans/Different terms

Phone: (925) 931-5007 | Web site: www.ci.pleasanton.ca.us | Eligibility: 120 percent of AMI | Type: Deferred for second only | Maximum loan: Combined assistance from both loans for households earning up to 120 percent AMI is up to \$60,000 if matching funds are available to supplement city funds. (A maximum of \$20,000 is available if loans are funded solely from city resources.) Loans limited to 20 percent of the purchase price. | Loan term: First loan – 10 years/ Second – 10 years beginning in year 11 | Interest: 3.5 percent simple – applies to both loans

SAN FRANCISCO – City Second Loan Program & Downpayment Assistance Loan Program (DALP)

Phone: (415) 701-5500 | Web site: www.sfgov.org/site/moh | Eligibility: Low and moderate income | Type: Deferred, shared appreciation loan | Maximum loan: \$150,000 or 30 percent of the purchase price, whichever is less | Loan term: 40 years | Interest: 0 percent

***Programs are subject to change**

Local Programs

SAN JOSE – Equity-Share Home Buyer Program

Phone: (408) 535-3860 | Web site: www.sjhousing.org | E-mail: housing@sanjoseca.gov | Eligibility: Low and moderate income | Type: Deferred, shared appreciation loan | Loan term: 30 years | Interest: 0 percent | At the time of resale, an assisted home buyer has two options: A. Sell the unit at a restricted sales price to an income-eligible home buyer, provided that the new home buyer will assume the city loan and existing restrictions; or B. Sell the unit for full market value and repay the city loan principal in addition to a portion of the accrued equity from the sales proceeds.

SAN LEANDRO – Second Mortgage

Phone: (415) 561-5600 x121 | Web site: www.myhomegateway.com | Eligibility: 120 percent of AMI | Type: Deferred for the first 5 years | Maximum loan: \$30,000 | Loan term: 20 years | Interest: 3 percent

TRACY – Second Mortgage

Phone: (209) 831-4428 | Web site: www.ci.tracy.ca.us | Eligibility: 120 percent of AMI | Type: Deferred 30 years | Maximum loan: \$75,000 | Loan term: 20 years | Interest: 3 percent

VISALIA – First Time Home Buyers Program

Phone: (559) 732-4194 | Web site: www.ci.visalia.ca.us | Eligibility: Low income | Type: Deferred loan | Maximum loan: \$60,000 | Loan term: 30 years | Interest: 2 percent simple | NOTE: Payments can be deferred for the first five years. Income recertification every five years thereafter. Minimum \$75 payment required if FHA underwriting debt ratios are met, up to maximum required payment.

Southern California

LOS ANGELES – Neighborhood Stabilization Program (NSP)

Phone: (213) 808-8800 | Web site: lahd.lacity.org | Eligibility: Low Income/Moderate Income | Type: Deferred, requiring no monthly payments | Maximum loan: Up to \$50,000 for the property rehabilitation/repairs | Loan term: Loan is due on sale, title transfer, and first mortgage repayment. Refinancing of first mortgage is allowed by the Los Angeles Housing Department under certain conditions. | Interest: 3 percent simple

LOS ANGELES – Mortgage Revenue Bond Program

Phone: (213) 808-8800 | Web site: lahd.lacity.org | (In Partnership with CalHFA) | Eligibility: Low and moderate income | Type: Loan | Loan term: 30 years | Interest: 6.25 percent (low-income); 6.625 percent (moderate-income)

LOS ANGELES – CalHome Program

Phone: (213) 808-8800 | Web site: lahd.lacity.org | Eligibility: Low income | Type: Deferred loan | Maximum loan: \$90,000 | Loan term: 30 years or due upon sale of the property, change of ownership, or first mortgage repayment. | Interest: 0 percent

SAN DIEGO – CalHome Mortgage Assistance Program/Shared Appreciation Program

Phone: (619) 578-7490 | Web site: www.sdhc.net | Eligibility: Low income | Type: Deferred, shared appreciation loan | Maximum loan: 25 percent of the purchase price or \$70,187, whichever is less | Loan term: 30 years or due upon sale of the property, change of use, unapproved refinance, or change of ownership, whichever occurs first. | Interest: 0 percent

SAN DIEGO – Down Payment/Closing Cost Assistance Grant

Phone: (619) 578-7490 | Web site: www.sdhc.net | Eligibility: Moderate income (81 to 100 percent of AMI) | Type: Recoverable grant | Maximum loan: \$10,000 or 4 percent of the purchase price, whichever is less | Loan term: Within first six years, due when property is sold or refinanced. After six years, the grant is forgiven. | Interest: 5 percent (if property is sold or refinanced within the first six years).

SOUTHERN CALIFORNIA HOME FINANCING AUTHORITY (SCHFA) – Single Family Mortgage Revenue Bond Program

Phone (Los Angeles County): (323) 890-7249 | Phone (Orange County): (714) 834-3014 | Web site: www.lacdc.org
SCHFA is a joint powers authority between Los Angeles and Orange counties that issues tax-exempt mortgage revenue bonds for low- and moderate-income first-time home buyers. The program offers below-market interest, 30-year fixed-rate (6.395 percent), 40-year fixed-rate (6.625 percent), and 40-year fixed-rate loans with 10 years of interest-only payments (6.75 percent). The program is administered by the County of Los Angeles Community Development Commission and the Public Finance Division of the County of Orange. Eligible areas are all unincorporated areas and incorporated cities within Los Angeles and Orange counties, except the City of Los Angeles. The home buyer will receive a gift of 4 percent of the loan amount to be applied toward the down payment, non-recurring closing costs, and/or prepaid items.

Programs are subject to change

Mortgage Credit Certificate (MCC) Program

The Mortgage Credit Certificate (MCC) Program allows an eligible home buyer to claim an annual federal income tax credit. This annual credit results in a dollar-for-dollar reduction that is applied on the home buyer's federal income tax return. The MCC credit is either 15 percent or 20 percent (depending on property location) and is applied to a portion of the total mortgage interest paid every year for the duration of the first mortgage loan. An MCC increases a borrower's disposable income by reducing their federal income tax obligation. This tax savings provides a borrower with more available income to qualify for a home loan and meet mortgage payment requirements. An MCC will reduce the amount of a borrower's federal income taxes otherwise due not to exceed the amount of federal taxes owed for the year after other credits and deductions have been taken. However, the unused tax credits can be carried forward three years, until used. If your client refinances, your client is eligible to apply for a Reissued Mortgage Credit Certificate (RMCC).

Example: If a buyer has a 30-year mortgage of \$130,000 with a 6.25 percent fixed interest rate, the interest rate amount would be approximately \$8,082 during the first year. With a 20-percent credit, \$1,616 of the payment would be given back to the buyer, providing more purchasing capabilities by allowing a lower annual household income to qualify for the mortgage.

- This tax credit is in addition to the standard mortgage interest deduction for which all U.S. homeowners are eligible. The remaining 80 percent or 85 percent of the mortgage interest is taken as a deduction from your client's gross income in the usual manner.
- The program can be used with any 30- or 40-year fixed-rate or qualifying adjustable-rate mortgage. The MCC cannot be used in conjunction with bond-backed loans such as California Housing Finance Agency (CalHFA) or CalVet bond loans. In addition, the MCC cannot be combined with the Mortgage Revenue Bond (MRB) Program.
- If a residence is sold within nine years of purchase, it may be subject to a recapture tax. At the time of the close of escrow, the lender will provide a copy of the Recapture Notice and Computation Worksheet.
- Your client may wish to adjust his or her federal income tax withholding (W-4) in order to receive the MCC benefit on a monthly basis. Advise your client to talk to the payroll department at his or her place of employment. By reducing the monthly withholding, more disposable (after-tax) income will be available with which to make mortgage payments.

Reissued Mortgage Credit Certificate (RMCC) Program

MCC holders can refinance their mortgage loans without voiding their current MCCs by applying for an RMCC from a participating lender. IRS regulations allow existing recipients of MCCs to refinance their original mortgage loans on their principal residence and obtain a new MCC with a tax credit rate the same as that of their original MCC. RMCCs are not available to persons who did not previously hold an MCC certificate. An RMCC entirely replaces the existing MCC, and the MCC holder cannot retain the existing MCC with respect to any portion of the outstanding balance of the certified indebtedness amount specified on the existing MCC. RMCC applicants are not required to re-qualify for a RMCC on the basis of household income or the property's appraised value.

The following counties currently offer the MCC program: Alameda, Contra Costa, Fresno, Los Angeles, Orange, Riverside, Sacramento, Santa Clara, San Diego, and San Francisco.

Mortgage Revenue Bond (MRB) Program

MRBs are tax-exempt bonds that state and local governments issue through housing finance agencies to help fund low-interest rate mortgages. Eligible borrowers are first-time home buyers with low-to-moderate incomes below 115 percent of median family income. MRB loans are offered at a 30-year below-market interest rate. Check with your local housing agency for price limits and interest rates, as they vary within each area.

California Programs

CALIFORNIA HOUSING FINANCE AGENCY (CalHFA)

Phone: (877) 9-CalHFA • Web site: www.calhfa.ca.gov • E-mail: homeownership@calhfa.ca.gov

CalHFA sells tax-exempt mortgage bonds to secure financing for low-market interest rate loans and down payment assistance programs. A few down payment assistance programs administered by CalHFA are state-funded. CalHFA does not lend money directly to consumers. It uses approved private lenders to qualify consumers and make all mortgage loans. The rates consumers pay could vary depending on program criteria. To find out if your clients are eligible to receive CalHFA financing, they must first work with a CalHFA-approved lender. To find contact information for lenders in your area, search CalHFA's Approved Lenders Database: <https://wp11.calhfa.ca.gov/ApprovedLenders>.

First Mortgage Loan Programs

SMART Loan Program – This conventional or government insured/guaranteed first mortgage loan program features a below-market, 30-year, fixed interest rate, fully amortized loan reserved for CalHFA Real Estate Owned (REO) properties as selected by CalHFA. It has up to a maximum Loan-to-Value (LTV) limit of 100 percent depending on mortgage insurer/guarantor limits and may be used with CalHFA's down payment assistance and/or CalHFA-approved subordinate financing programs for a total Combined-Loan-to-Value (CLTV) of 102 percent. Special reduced note rate of 5.50% fixed for the entire loan term.

Cal30 Conventional Loan Program – This Cal30 Conventional first mortgage features a low fixed interest rate, fully amortized loan over a 30-year term. It has a maximum Loan-to-Value (LTV) of 95% and a maximum total Combined-Loan-to-Value (CLTV) of 102 percent.

Cal30 FHA/VA Loan Program – This program is for mortgage loans that are insured or guaranteed by FHA or VA and a low fixed interest rate, fully amortized loan over a 30-year term. It allows the maximum Loan-to-Value (LTV) up to the government guarantor or insurer's maximum and a maximum total Combined-Loan-to-Value (CLTV) of 102 percent.

CalHFA Community Stabilization Home Loan Program (CSHLP) – This conventional first mortgage loan program features a below-market, 30-year, fixed interest rate, fully amortized loan reserved for REO properties of participating financial institutions. It has a maximum LTV limit of 100 percent and may be used with CalHFA's CHDAP and Fannie Mae-eligible Community Seconds® programs (which are designated on CalHFA's AHPP list as "CalHFA MBS Program Eligible") for a total CLTV of 103 percent. Fixed, special reduced rate for the entire loan term. Currently at 5.50 percent.

Down Payment Assistance Loan Programs

Affordable Housing Partnership Program (AHPP) – A joint effort by CalHFA and over 300 localities (cities, counties, redevelopment agencies, housing authorities, and non-profit entities) whereby a deferred payment subordinate loan from a locality is utilized by the first-time home buyer to assist them with down payment and/or closing costs. The partnership provides low-income borrowers with sufficient gap financing for affordable home loan payments.

California Home buyer's Downpayment Assistance Program (CHDAP) – A low-market interest rate CalHFA first loan, together with a forgivable interest CalHFA junior loan, to assist eligible teachers, administrators, staff members, and classified employees who serve in California's high priority schools to purchase their first home. The Extra Credit Teacher Home Purchase Program (ECTP) provides a deferred-payment junior loan, for down payment assistance – from \$7,500 to \$15,000, depending on the location of the property, or 3 percent of the purchase price, whichever is greater. This junior loan is only available when combined with a CalHFA first mortgage loan. If the first mortgage loan is CalHFA's 30-Year Fixed Mortgage, the interest rate on the first mortgage will be at a special reduced rate. Interest on the junior loan is deferred and may be reduced to zero if the borrower meets continued eligibility requirements. The ECTP cannot be combined with the CHDAP. The ECTP reduced interest rate is not available on the CalHFA interest only PLUS or the 40-Year Fixed Mortgage loan programs.

Web site Resources

CALIFORNIA ASSOCIATION OF REALTORS®: www.car.org

U.S. Department of Housing and Urban Development: www.hud.gov

Find a housing counselor: www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm

HUD Approved Housing Counseling Agencies: www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=CA

Fannie Mae: www.fanniemae.com

Freddie Mac: www.freddiemac.com/corporate/buying_and_owning.html

Fair Isaac Corporation: www.myfico.com

AnnualCreditReport.com is the official site to help consumers obtain their free credit report: <https://www.annualcreditreport.com>

Southern California Association of NonProfit Housing: www.scanph.org

Non-Profit Housing Association of Northern California: www.nonprofithousing.org

California Housing Finance Agency: www.calhfa.ca.gov

Federal Housing Administration: www.fha.gov

California Department of Veterans Affairs: www.cdva.ca.gov

Information about the Federal Government's Economic Recovery Plans: www.recovery.gov

Economic recovery information specifically related to housing: www.hud.gov/recovery

Economic recovery information related to financial markets from the U.S. Treasury Department: www.financialstability.gov

Federal Housing Finance Agency, oversees the activities of the Government Sponsored Enterprises (GSE) such as Fannie Mae and Freddie Mac: www.fhfa.gov

Home Mortgage Qualifying Worksheet

How to use this worksheet:

Estimate the purchase price of the home your client would like to buy and the down payment your client can afford. Complete each entry based upon this assumption and your client's personal financial situation. If your client's Monthly Housing Cost (F) is not more than the Allowable Monthly Housing Cost (B), and your client's Total Monthly Cost (I) is not more than the Allowable Monthly Debt (G), your client may be qualified for this mortgage.

Monthly Gross Income		Monthly Housing Cost	
Borrower's annual income	\$ _____	Monthly payment (P & I) on 30-year loan	_____
Co-borrower's annual income	+ _____	(use the chart in this guide based on [D])	\$ _____
Total gross annual income	\$ _____	Estimated monthly taxes and insurance (E)	+ _____
Divide total gross annual income by 12	/ 12	Condo or homeowner's fee (if applicable)	+ _____
Total monthly gross income (A)	\$ _____	Total monthly housing cost (F)	\$ _____
Allowable Monthly Housing Cost		Allowable Monthly Debt	
Total monthly gross income (A)	\$ _____	Total monthly gross income (A)	\$ _____
Multiply by 28%	x .28	Multiply by 36%	x 0.36
Allowable monthly housing cost (B)	\$ _____	Allowable total monthly debt (G)	\$ _____
Mortgage Amount		Other Monthly Debt Payments	
Home purchase price	(C) \$ _____	Car payment	\$ _____
Subtract down payment	- _____	Credit card payments	+ _____
Mortgage loan amount (D)	\$ _____	Student loan	+ _____
Monthly Taxes and Insurance		Other	+ _____
Home purchase price	(C) \$ _____	Total other monthly debt payments (H)	\$ _____
Multiply by .0015 (local requirements vary)	x .0015	Total Monthly Cost	_____
Estimated monthly taxes and insurance (E)	\$ _____	Total monthly housing cost (F)	\$ _____
		Total other monthly debt (H) +	_____
		Total monthly cost (I)	\$ _____

Monthly Mortgage Payment (Principal and Interest)

Loan Amount/ Interest Rates	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
\$150,000	\$ 805	\$ 852	\$ 899	\$ 948	\$ 998	\$1,049	\$1,101	\$1,153	\$1,207	\$1,261	\$1,316
\$200,000	\$1,074	\$1,136	\$1,199	\$1,264	\$1,331	\$1,398	\$1,468	\$1,538	\$1,609	\$1,682	\$1,755
\$250,000	\$1,342	\$1,419	\$1,499	\$1,580	\$1,663	\$1,748	\$1,834	\$1,922	\$2,012	\$2,102	\$2,194
\$300,000	\$1,610	\$1,703	\$1,799	\$1,896	\$1,996	\$2,098	\$2,201	\$2,307	\$2,414	\$2,523	\$2,633
\$350,000	\$1,879	\$1,987	\$2,098	\$2,212	\$2,329	\$2,447	\$2,568	\$2,691	\$2,816	\$2,943	\$3,072
\$400,000	\$2,147	\$2,271	\$2,398	\$2,528	\$2,661	\$2,797	\$2,935	\$3,076	\$3,218	\$3,363	\$3,510
\$450,000	\$2,416	\$2,555	\$2,698	\$2,844	\$2,994	\$3,146	\$3,302	\$3,460	\$3,621	\$3,784	\$3,949
\$500,000	\$2,684	\$2,839	\$2,998	\$3,160	\$3,327	\$3,496	\$3,669	\$3,845	\$4,023	\$4,204	\$4,388
\$550,000	\$2,953	\$3,123	\$3,298	\$3,476	\$3,659	\$3,846	\$4,036	\$4,229	\$4,425	\$4,625	\$4,827
\$600,000	\$3,221	\$3,407	\$3,597	\$3,792	\$3,992	\$4,195	\$4,403	\$4,613	\$4,828	\$5,045	\$5,265
\$650,000	\$3,489	\$3,691	\$3,897	\$4,108	\$4,324	\$4,545	\$4,769	\$4,998	\$5,230	\$5,466	\$5,704

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