



# Down Payment Assistance Program

Policies and Procedures for First-Time  
Homebuyer Mortgage Assistance

2025-2026

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*The City of San Marcos received an allocation of CalHome funds available for mortgage assistance to qualified borrowers. This funding is administered in accordance with Guidelines adopted by the California Department of Housing and Community Development (HCD). CalHome financing is “gap” financing, that is, the difference between the typical mortgage low-income households can pay, plus their down payment, subtracted from the cost of a modest home. The subsidy amount will be the gap, plus non-recurring closing costs. Funds are provided to qualified households in the form of a 30-year, deferred payment mortgage. The City of San Marcos Downpayment Assistance Program (DAP) helps buyers purchase homes by providing financial assistance to reduce the amount of the first mortgage.*

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## I. INTRODUCTION

### A. Purpose of the DAP

The City of San Marcos Downpayment Assistance Program (DAP) is designed to assist first-time homebuyers with the purchase of a home utilizing CalHome Program funds. The DAP provides a “silent” second mortgage that requires no payment on principal or interest until one of several events requiring repayment occurs at a future date. To be eligible for a DAP second mortgage, a borrower’s gross household income may not exceed 80% of the County of San Diego area median income as determined by the CalHome Program. Borrowers must also be able to obtain a first mortgage loan for the majority of a home’s purchase price from one of the City’s approved lenders.

### B. Funding for the DAP

DAP loans are dependent upon available funding from the CalHome Program, which has particular loan requirements. Loans funded by the CalHome Program shall be referred to as “DAP loans” throughout these guidelines. The City reserves the right to adjust loan amounts and percentages based on the type and amount of funds available through the CalHome Program funding source.

### C. Eligible Uses of CalHome Funds

CalHome funds may only be used for the provision of permanent secondary mortgage assistance to first-time homebuyers in connection with a new primary mortgage loan for the purchase of a principal place of residence.

### D. Ineligible Uses of Funds

CalHome funds may not be used for:

1. Refinancing of existing Loans with CalHome program funds, except CalHome program funds may be used for site acquisition bridge Loans Department of Housing and Community Development 12 of 44 CalHome Program Guidelines with a term of 36 months or less on Homeownership Development Projects.
2. Costs associated with the Rehabilitation or repair of property owned by a mobile home park owner
3. Offsite improvements (improvements outside the boundaries of the subdivision or individual parcels for scattered site development).
4. Unit construction costs, except in Owner-Occupied Rehabilitation Local Programs or for construction period expenses for development of new Homeownership projects.
5. Recurring Loan closing costs
6. Payoff of all or any portion of a Borrower’s consumer debt, liens or judgments.
7. Self-Help Technical Assistance Grant funds may not be used to pay for purchase of land, materials, tools and construction equipment or for any costs of construction.

## II. APPLICATION PROCESS AND SELECTION

### A. Procedures for Obtaining a City Loan

1. The prospective homebuyer conducts a self-analysis by completing a DAP Self-Qualification Form (Exhibit A) to predetermine whether or not the household meets the basic guidelines of the program.
2. Once the homebuyer predetermines general program eligibility, the homebuyer takes the DAP Self-Qualification Form to one of the City's approved direct lenders to be prequalified for a primary mortgage. The lender also determines whether or not the applicant is a good candidate for the San Marcos DAP. The primary lender provides the homebuyer with a DAP application form (Exhibit B), which asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for DAP participation.
3. Utilizing the DAP Lender Submittal Checklist (Exhibit C), the primary lender submits an application packet to the City for review. All items from the DAP Lender Submittal Checklist must be included in the packet for the packet to be deemed complete.
4. Once the lender issues preliminary approval for a mortgage and a DAP loan, the homebuyer may begin shopping for a home within the targeted area under the jurisdiction of the City of San Marcos.
5. Prior to or during the process, the homebuyer attends a First-Time Homebuyer Education Class certified by the U.S. Department of Housing and Urban Development and provided by Homebuyer Education and Counseling Providers (Exhibit D).
6. City staff reviews the details of the application packet including income, household details, contact information, and supporting documentation and submits the information to a third party income verification specialist, Public Consulting Group (PCG) or other, to evaluate the details of the application, request more information from the borrower, if needed, and give a recommendation on the application.
7. Once income eligibility is approved, a City building inspector is dispatched to perform an inspection on the selected property. The home must meet the U.S. Department of Housing and Urban Development Housing Quality Standards. Once the property passes inspection, City staff then makes the final decision on whether or not to lend.
8. Once DAP eligibility is confirmed, the applicant is invited to meet with City staff to revisit DAP program requirements. At the meeting, the applicant has the opportunity to review all DAP loan documents for a second time and ask questions.

## B. The Home Purchase Process

1. The housing unit selection process is conducted by the homebuyer. Prior to making an offer to purchase an eligible housing unit, the primary lender provides seller with a disclosure (Exhibit F) containing the following provisions:
  - a) Homebuyer has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and
  - b) Homebuyer's offer is an estimate of the fair market value of the housing unit, to be finally determined by a state licensed appraiser;
  - c) Since the purchase would be voluntary, the seller would not be eligible for relocation payments or other relocation assistance;
  - d) The seller understands that the housing unit must be either: currently owner-occupied, newly constructed, a renter purchasing the unit, or vacant for four months prior to submission of the purchase offer.
  - e) The housing unit will be subject to inspection. The housing unit must comply with local codes at the time of construction.
  - f) All housing units built prior to January 1, 1978 will require a lead paint disclosure to be signed by both the homebuyer and Seller (Exhibit F);
  - g) If the seller is not provided with a statement of the above six provisions prior to the purchase offer, the seller may withdraw from the agreement after this information is provided.
2. The City determines Applicant's approval or denial and notifies Applicant. The City provides written notification to Applicant of approval or denial with reason and, if denied, a copy of the appeal procedures.
3. When Primary Lender and DAP requirements are met, funds are deposited into escrow, with required closing instructions and loan documents.

## III. **QUALIFICATION OF HOMEBUYER**

### A. Income Eligibility

1. All applicants whose annual gross household income does not exceed 80% of the area median income for the County of San Diego, adjusted for household size. Income is forecasted for the upcoming 12 months, not the past year. The income for all persons who will be living in the home must be included in the income calculation.
2. Income Limits: The current income limits are as posted by the Department of Housing and Community Development and are periodically updated (Exhibit H). As of April 16, 2025, the income

limits for San Diego County are as follows:

<b>Household Size</b>	<b>Maximum Yearly Income (2025)</b>
1	\$92,700
2	\$105,950
3	\$119,200
4	\$132,400
5	\$143,000
6	\$153,600
7	\$164,200
8	\$174,800

3. Income Types: Below is a general list of income inclusions and exclusions of the DAP loan. Annual income is defined in 24 CFR (Code of Federal Regulations) 5.609, referred to as "Part 5 annual income":

- a) Inclusions: Except as provided in subdivision (b), "Exclusions", all payments from all sources received by household members (even if temporarily absent) shall be included in the annual income. Minors under the age of 18 are excluded. Income sources include, but are not limited to:
  - (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commission, fees, tips and bonuses and other compensation for personal services;
  - (2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income;
  - (3) Interest, dividends, and other net income of any kind from real or personal property.
  - (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
  - (5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see exceptions under exclusions);
  - (6) Public Assistance received by the family. If the public assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
    - (a) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus

- (b) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities.
- (7) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;
- (8) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the household or spouse (see exception under exclusions).
- (9) There is no specific asset limitation. However, income from assets is recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. (Note: it is the income earned – e.g. interest on a savings account – not the asset value, which is counted in annual income.) An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including: penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

b) Exclusions: The following are excluded from the income calculation.

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire
- (8) (a) Amounts received under training programs funded by HUD;

- (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
- (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
- (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident-initiative coordination. No resident may receive more than one such stipend during the same period of time; or
- (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.

- (9) Temporary, nonrecurring, or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);
- (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;
- (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
- (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

c) Income Verification: For each source of income listed by the applicant, corresponding documentation of that income source must also be provided to verify the amounts stated in the application. For example, if an applicant has listed employment earnings as a source of income, they must also include their most recent W-2s and two current pay stubs with their application. In each instance, the applicant must provide a copy of their most recent federal tax return. In the event that the applicant was not required to submit a federal tax return, the reason for not filing must be included in the application. Annual gross income shall be determined using the verified income sources to project the yearly totals for each source of income, and these totals will then be combined to form the total for the year. This number will then be compared with the low-income limit by family size limits for the County of San Diego as given above.

B. Determining Household Size

1. The DAP income limits are adjusted for household size. A household is made up of all persons who will live in the home purchased with DAP assistance, regardless of familial status. Some households may include persons who are not counted as family or household members for the purpose of income limits and whose income, if any, is not considered when calculating gross income. Do not count the following household members when determining family size for income limit purposes: foster children, unborn children and children being pursued for legal custody or adoption who are not currently living with the household. A child who is subject to a shared-custody agreement, in which the child resides with the household at least 50% of the time, can be counted. If any person in household is pregnant, the child in utero is counted towards the total number in household if the female has started the second trimester of gestation at the time of the DAP loan application.
2. Co-signers are not included when determining household size. Income from co-signers will not be included in the household income determination. Non occupant co-signers will not be required to submit income and asset documentation. Co-signers are acceptable as long as their names do not appear on the Grand Deed or Deed of Trust.

C. Additional Homebuyer Qualifications

1. Residency: Applicant(s) must be a legal resident of the United States.
2. First-time Homebuyer: The applicant must be a first-time homebuyer who neither has, nor has had, an ownership interest in any home at any time during the three-year period prior to the date of application for a DAP loan, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:
  - a) Displaced A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month

period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

- b) A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant
- c) Other means an individual(s) who owns or owned, as a principal residence during the three-year period before the purchase of a home with DAP assistance, a dwelling unit whose structure is:
  - (1) not permanently affixed to permanent foundation in accordance with local, state or HUD regulations; or
  - (2) Not in compliance with state, local or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.
  - (3) Primary Residence: The home purchased must be the applicant's principal place of residence. Borrower cannot live more than three (3) out of twelve (12) months away from a home purchased with DAP assistance without prior written approval from the City.

3. Downpayment Requirement: Applicant must be able to contribute a minimum downpayment of three percent (3%) of the purchase price of the home from personal funds.

#### **IV. ELIGIBLE PROPERTIES GUIDELINES**

##### **A. Type of Properties**

Properties eligible for DAP loans may include: new or resale, attached or detached, single-family homes, condominiums, townhomes and manufactured homes on permanent foundations secured by real property (e.g. must own or purchase the land on which the manufactured home is, or will be, located).

##### **B. Maximum Purchase Price**

The appraised value of the property may not exceed the median sales price for San Diego County as approved by HUD and published and updated periodically by the County of San Diego HOME Consortium. See Exhibit H "Periodically Updated Data" for the current maximum purchase price for San Diego County.

##### **C. Condition of Property**

A home purchased under the DAP must be free from any health and safety defects, including lead-based paint hazards, and must meet local and State building standards. In addition, the property must be currently owner-occupied, vacant for four months at the time of submission of purchase offer, new (never occupied), or renter purchasing the unit.

**D. Lead-Based Paint**

All eligible properties considered for purchase by the borrower that were built prior to 1978 shall be given notice of Lead Paint Hazard in accordance with State and Federal regulations as outlined in Exhibit F. Any lead paint abatement procedures and required clearance testing shall be conducted at the expense of the seller.

**E. Location of Property**

Any dwelling unit purchased using the CalHome funds must be within the jurisdiction of the City of San Marcos. Properties outside the project area are not eligible for CalHome funding.

**V. UNDERWRITING CRITERIA**

**A. Lender List**

Borrowers are recommended to choose a lender from the City of San Marcos DAP - Approved Lender List. If your lender is not on the DAP-Approved Lender list, they are required to formally state they have reviewed the DAP-Approved Lender requirements and will comply with all DAP program requirements.

**B. Lender Qualifications**

Qualifications for the Lender List include:

- a) Registration with the CalHFA Mortgage Credit Certificate Program
- b) Verifiable experience working with local government “silent second” programs
- c) Documentation from FHA, CalHFA, VA, Fannie Mae, or Freddie Mac that the Lender is approved to use their products

**C. Lender Responsibilities**

The First Trust Deed Lender shall be responsible for pre-qualifying the applicant for available market programs (FHA, CalHFA, VA, Fannie Mae, and Freddie Mac, conventional, etc.) and the DAP with regard to the following guidelines:

1. Income eligibility of the applicant for the DAP based on San Diego County Area Medium Income (AMI), adjusted for family size (see Section III.A.2 and Exhibit I)
2. Housing Ratio, or “front-end” Debt Ratio must not be below 30% or exceed 38%. Front-end ratio means the ratio between monthly household income and monthly housing costs, including first mortgage principal, interest, taxes and insurance.
3. Debt Ratio, or “back-end” Debt Ratio must not exceed 45%. Back-end Debt ratio means the ratio between monthly household income and monthly housing costs plus all payments on long-term installment debt.
4. Loan-to-Value (LTV) Ratio, when combined with all other indebtedness to be secured by the property, cannot exceed one hundred percent (100%) of the sales price plus a maximum of five percent (5%) of the sales price to cover closing costs.

5. Credit Worthiness: For purposes of qualifying Borrower for a first mortgage, credit worthiness criteria shall be as established by the primary mortgage lender. Applicant(s) credit worthiness shall

be based upon review of the applicant's credit history for evidence of responsible use of their credit. Responsible use of credit generally includes, but is not limited to, FICO scores above 620, very few if any delinquencies within the past 12 to 24 months, and no bankruptcies or foreclosures within the last seven years. For those applicants with lower FICO scores, and previous delinquencies, bankruptcies, or foreclosures the City will take into account loan approval by a primary lender and a written explanation of the derogatory credit marks before making a decision on the information contained within the credit report.

6. **City Responsibility:** The City will review the completed DAP application package with respect to income verification, housing and debt ratios and credit worthiness of the applicant. In addition, City staff shall monitor the Lender for reasonableness of fees and charges and to prevent predatory lending practices.
7. **Application Assistance:** Lender will assist DAP applicant(s) with completion and submittal of both MCC and DAP applications.
8. **Homebuyer Education:** Lender will ensure DAP applicant(s) attend a HUD approved Homeowner Education Training course and receive a certificate of completion prior to close of Escrow.
9. **Appraisal:** Lender will obtain an appraisal (regardless of the type of first mortgage financing) and provide proof of any required repairs prior to escrow closing.

## **VI. LOAN DOCUMENTATION**

All DAP loans shall be evidenced by the following documents and provisions:

- A. Promissory Note  
payable to City in the principal amount of the loan and stating the terms and rate of interest
- B. Deed of Trust  
securing the Note; this deed shall be recorded and shall secure City's financial interest in the property.
- C. Declaration of Covenants, Conditions and Restrictions (CC&Rs)  
written rules, limitations and restrictions on use; these CC&Rs are recorded and run with the land.
- D. Disclosure Notice and Acknowledgement of Obligation to Occupy the Property
- E. Truth in Lending

## **VII. DAP LOAN TERMS AND CONDITIONS**

### **A. Maximum Loan**

The DAP loan amount is 20% of the purchase price, with a maximum amount of \$60,000, whichever is less.

### **B. Minimum Loan**

When considered with other available financing and assistance, the DAP loan must not exceed the minimum amount necessary to ensure affordable monthly mortgage payments in accordance with program underwriting requirements. However, the minimum loan amount cannot be less than \$5,000.

C. Condition of Property

Loans can only be made to first-time homebuyers for mortgage assistance as permanent financing and must be on a unit ready for occupancy. The unit must be owner-occupied or vacant. Units with tenants do not qualify except that a tenant may purchase the home they are renting using a DAP loan. The DAP loan shall be secured by the real property and shall be subordinated only to the first mortgage lender.

D. Interest Rate

A DAP loan bears simple interest at three percent (3%) per annum.

E. Deferment

DAP loan principal payments are deferred for the thirty (30) year term of the DAP loan.

F. Downpayment

Applicant must be able to contribute a minimum of three percent (3%) of the purchase price of the home from personal funds towards downpayment and closing costs.

G. Loan Term

The term for the DAP first-time homebuyer mortgage assistance loan is thirty (30) years with the following exceptions:

When United States Department of Agriculture, Rural Housing Services (USDA-RHS) 502 mortgage loans are in first lien position, the term is the term of the 502 mortgage (30-38 years)

H. Repayment

The DAP loan principal and interest shall be repayable upon:

1. Sale, transfer or lease of the property.
2. Borrower's failure to occupy the property as Borrower's principal place of residence (Borrower must certify occupancy annually).
3. The DAP loan maturity date.
4. The maturity date, or full repayment, of any debt secured by a lien on the property that is senior to the DAP deed of trust.
5. Upon default of the DAP promissory note, deed of trust or other recorded documents of record pertaining to the property.

I. Subordination/Refinancing

The City will subordinate to a rate and term refinance only where there is an improvement in interest rate or loan term. See Exhibit G for City Subordination Requirements.

J. Use of Other Funding Sources

DAP loans may be layered with other City of San Marcos and County of San Diego programs/loans (i.e., HOME or MCC).

**K. First Mortgage Underwriting Requirements**

The DAP loan may be used with any type of first mortgage loan financing, except that in addition to the requirements of the primary lender and the conditions outlined in Section V.B., the following conditions also apply to the first mortgage when issued in conjunction with a DAP second mortgage:

1. Borrower shall obtain the maximum first mortgage loan with a 30 year term and fixed interest rate from a mortgage lender consistent with the housing affordability criteria as defined herein.
2. First mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments, deferred interest or temporary buydowns.
3. No cash out of escrow to the homeowner unless the funds are from those that the homeowner deposited and are not needed to complete the transaction.

**L. Assumptions**

By statute, DAP loans are not assumable except under the following limited circumstances as described in Section VII. M.

**M. Transfer of Interest Exceptions**

The following transfers of interest shall not trigger the repayment of the loan:

1. Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
2. A transfer, in which the transferee is a person who occupies or will occupy the property, which is:
  - a) A transfer where the spouse becomes an owner of the property;
  - b) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
  - c) A transfer into an inter vivos trust in which the homebuyer is and will remain the beneficiary and occupant of the property.

**N. Prepayment**

A borrower may pay a portion of, or the entire deferred payment loan amount at any time without penalty.

**O. Resale Restriction**

1. In the event of a sale (voluntary or involuntary) of the Property, the City shall be entitled to recapture the net proceeds available from the sale up to the amount allowed for under the Note. Net proceeds are defined as the sales price minus senior loan repayments and any closing costs.
2. In any loan transaction in which the DAP loan is the only secondary financing, the Borrower cannot be restricted from selling the home at its fair market value at any time.

3. Subsequent buyers, unless assisted with a DAP loan, do not need to meet the Homeowner Qualifications set forth above.

P. Hazard Insurance

Fire insurance (and Flood insurance where applicable) are required and must be in the amount of replacement value of the home purchased with DAP assistance and must name the City of San Marcos as additional loss payee on the policy.

Q. Title Insurance

The Borrower shall provide the City with a CALTA or ALTA title insurance policy in the amount of the DAP loan at Borrower's expense.

## VIII. OTHER DAP REQUIREMENTS

A. Maximum Purchase Price

Maximum home appraised value at time of purchase shall not exceed the maximum Federal HOME purchase price limit, as adjusted, contained in 24 CFR 92.254 (a) (2) (iii) (95% of median purchase price method) as submitted under the San Diego County HOME Consortium. The current limit for San Marcos is \$725,000.

B. Subordinate Financing

With the exception of financing provided by the first mortgage lender, all other financing subordinate to the DAP loan shall defer all principal and interest payments and will not have balloon payments due for the term of the DAP loan.

C. Cash out at Escrow

No cash out of escrow to the borrower is allowed unless the funds are from those deposited by the borrower and are not needed for the closing. Excess cash remaining in escrow shall be paid to the City of San Marcos and placed in the DAP Reuse Account described in Section IX, and credited as a principal reduction to the homebuyer's loan.

D. Appraisal

Prior to close of escrow, an appraisal shall be mandatory and shall be prepared by an independent, State- licensed residential property appraiser. The appraisal shall use the sales of comparable properties approach to determine value. The appraised value cannot exceed the limits set forth in A of this section.

E. Homebuyer Education

A HUD approved Homebuyer Education class must be completed by the Borrower as follows:

1. Homebuyer education shall be provided to all Borrowers receiving a HOME loan in accordance with the homebuyer education curriculum attached hereto as Exhibit D.
2. A certificate of successful completion shall be issued to each prospective homebuyer receiving homebuyer education and a copy submitted to the City.

3. City may, at its option, request a grant from HCD for providing homebuyer education to Borrowers up to the maximum amount as published in the latest NOFA.

## **IX. DAP LOAN**

### **A. Downpayment**

The loan terms and conditions that govern the use of the CalHome Program will be designated as the DAP loan. All Borrower qualifications, loan underwriting criteria, loan terms, and loan requirements for the DAP loan are the same as the CalHome loan with the following exceptions:

1. Downpayment Assistance: DAP loan funds may be used for downpayment and closing costs.
2. Interest Rate: DAP loan principal and interest payments shall be deferred for the term of the DAP loan and bear simple interest at 3% per annum (the exception to this provision is explained in Section VIII.C.).
3. Debt Ratios: The following debt ratios must be used to qualify for the DAP loan:
  - a) Housing Ratio: 38% maximum
  - b) Debt Ratio: 45% maximum

### **B. Application Fee**

The application processing fee for a DAP loan will be \$350 payable to the City of San Marcos.

### **C. Prepayment**

Borrowers are only allowed to prepay the principal portion of the DAP loan. There are no prepayment penalties.

## **X. CALHOME REUSE ACCOUNT**

A. All repayments of DAP loan principal, interest and equity sharing shall be received by the City and deposited into a separate DAP Reuse Account maintained by the City's Finance Department.

B. The DAP Reuse Account shall be an interest bearing account into which all earned interest shall be deposited.

C. All funds deposited into the DAP Reuse Account shall be the property of the City.

D. A line item for reuse of DAP funds will be inserted into City's fiscal year budget allocating and approving use of funds for DAP-eligible activities.

E. All reuse funds shall be expended in accordance with the CalHome Regulations and the Standard Agreement between the City and HCD. Reuse funds may be used for:

1. Additional DAP mortgage assistance

2. Costs of homebuyer education for each first time homebuyer receiving mortgage assistance from the DAP Reuse Account.
3. DAP loan processing activity delivery fees, as applicable.
4. Costs (up to 5% of reuse funds deposited) of loan servicing by City or cost of loan servicing contracted by City.
5. A low-income Owner-Occupied Rehabilitation Loan Program per CalHome Regulations.

F. City shall allow HCD full access to the DAP Reuse Account records for the purpose of determining City's compliance with DAP regulations.

## XI. LOAN SERVICING PLAN FOR DAP LOANS

### A. Authorized Loan Servicing Agent for San Marcos DAP

The City of San Marcos currently has a loan-servicing contract with AmeriNational Community Services to service all of its mortgage and downpayment assistance Loans. This contract, or its replacement, will be used for the Servicing of the CalHome funded DAP loans.

### B. Monitoring Continued Owner Occupancy

AmeriNational Community Services, or their successor will monitor the status of the title for the life of the loan, notifying the City of any unreported transference. AmeriNational will notify the borrower that the loan is immediately due based on the unreported transference and shall take sufficient steps necessary, up to and including foreclosure, to activate payoff. AmeriNational will also monitor compliance through the homeowner's insurance mailings and through other contact with the borrower such as annual tickler mailings that inform the borrower of accrued principal and interest balances.

### C. Monitoring Homeowners, Hazard and Flood Insurance

AmeriNational will track the Homeowners Insurance status of each of the City's borrowers. The City requires that each borrower list the City as additional insured on their policy. This allows the insurer to contact the City or, in this case, AmeriNational, informing them of any changes in the policy.

AmeriNational will notify the insurance agent in writing that AmeriNational is monitoring premium payments and that AmeriNational is to be made aware of any delinquencies or cancellations. If AmeriNational is informed of the need to renew the policy, it will contact the borrower as a reminder and monitor the borrower's compliance.

### D. Monitoring the Timely Payment of Property Taxes and Assessments

AmeriNational will monitor the timely payment of property taxes and insurance premiums. Tax service will be ordered to monitor property tax for the life of the loan. Borrowers will be notified in advance when their taxes are due and AmeriNational will follow up with the borrower to ensure compliance.

### E. Ability to Account for the Repayment of DAP loans by Individual Homeowners

AmeriNational will be the receiver of loan payments and will maintain a financial record keeping system to record payments and file statements on payment status. (While borrowers are not required to make monthly payments, some borrowers will elect to make voluntary payments on their own, however, payments will be applied to principal only.) At the end of each month, AmeriNational will

send any payments that have been made during the month to the City. Included with these payments shall be a status report on the City's portfolio of loans serviced by AmeriNational. AmeriNational will provide loan payoff quotations upon request of the borrower, the City, or an escrow company. These payoffs will be forwarded to the City for approval and the City will then forward them to the requesting party. Loan repayment will then be sent to AmeriNational who will process the reconveyance.

AmeriNational will then forward the payment to the City where the City will deposit the funds into the CalHome Reuse Account. Additionally, AmeriNational is already under contract to send monthly portfolio statements to the City showing the status and recent activity of each loan.

**F. Calculating Payoffs**

AmeriNational will calculate loan payoffs per the terms of the loan documents using the interest rate, principal, and effective date of the loan as listed in the loan documents. Interest will be calculated on a simple interest formula. A payoff statement will be prepared and faxed or mailed to the City for approval. The City will verify the information contained in the payoff quotation and forward an approved payoff quote to the party requesting the payoff (borrower, escrow company, lender, etc.).

**G. Processing Demands**

All demands received either by the City and forwarded to AmeriNational or received directly by AmeriNational will be prepared using the information included within the loan documents and forwarded to the City for approval. All demands shall include principal and interest/equity share owed, and shall be calculated to a reasonable future date (i.e. one month from the date of preparation) that will allow for escrow to calculate the exact payoff and process the payment.

**H. Processing Reconveyances**

AmeriNational Community Services shall process and record a Substitution of Trustee and Full Reconveyance at borrower's expense, upon loan satisfaction or when property is sold. These documents shall be forwarded to the City for signature. A representative from the City will review, sign, and return the reconveyance to AmeriNational, which will send it to the County for recording.

**I. Repayment and Collection of a Note when a Default or Foreclosure Occurs**

At the written request of the City, AmeriNational shall commence loan foreclosure proceedings on all borrowers who are determined to be in default of the terms of their loan documents (i.e. not owner occupied, unauthorized change in title of the property, etc.). Once foreclosure proceedings have commenced, AmeriNational shall notify the borrower in writing of AmeriNational's intent to foreclose and record the notice of default. Reinstatement of the note by the Borrower shall require the borrower to fully cure the default and reimburse all foreclosure costs incurred by AmeriNational.

**J. DAP Loans Are Not Assumable**

San Marcos DAP loans issued using CalHome funds are not assumable. AmeriNational and the City will work together to ensure that the CalHome funded DAP loan is paid off upon any transfer of the property. Should ownership of a property be transferred without payoff of the CalHome funded DAP loan, the City and AmeriNational will begin foreclosure proceedings against the loan unless the transfer conforms to Section VII.H. of this document.

**EXHIBIT A**  
**CITY OF SAN MARCOS**  
**DOWNPAYMENT ASSISTANCE**  
*(Homebuyer completes this form.)*

**Self Qualification Form**

**Name:** \_\_\_\_\_

Before you submit your application, and pay your \$350 non-refundable Downpayment Assistance Program application fee, you must determine if you are eligible to obtain mortgage assistance from the City of San Marcos. Answer the questions below to determine if you eligible.

**PART 1-QUALIFICATIONS**

**1. Are you a legal resident of the United States? Yes/No**

You must be a legal resident of the United States to qualify for the Downpayment Assistance Program.

**2. Are you a first-time homebuyer? Yes/No**

A first-time homebuyer is defined as not having owned a primary residence during the last three years. A person who qualifies as a displaced homemaker or a single parent who previously owned a home with a spouse during the last three years may not have to meet this requirement.

**3. Are you income-eligible for the Downpayment Assistance Program?** Your household's total gross income amount must not exceed 80% Area Median Income (AMI). See the limits below. For household size, count the total number of people who will reside in your home.

<u>Household Size</u>	<u>80% Income</u>
1	\$92,700
2	\$105,950
3	\$119,200
4	\$132,400
5	\$143,000
6	\$153,600
7	\$164,200
8	\$174,800

Complete the table below to determine your household's Total Gross Annual Income by calculating the monthly income for each adult member of the household. Attach a separate sheet for any additional adults with income.

	Occupant #1	Occupant #2	Occupant #3
Name			
Monthly Earnings	\$	\$	\$
Bonus	\$	\$	\$
Overtime	\$	\$	\$
Commissions	\$	\$	\$
Part-time Employment	\$	\$	\$
Child Support	\$	\$	\$
Other	\$	\$	\$
<b>Total Monthly</b>	\$ (i)	\$ (ii)	\$ (iii)

Sum (i + ii+ iii) \$ \_\_\_\_\_ X 12 (Months) = \$ \_\_\_\_\_ Total Gross Annual Income

Determine if your Total Gross Annual Income is at, is below, or exceeds the income limits amounts. If your Total Gross Annual Income exceeds the limits, you will not be eligible for mortgage assistance.

4. How many people will live in the home you purchase? \_\_\_\_\_
5. How many dependent children (under 18) will live in the home you purchase? \_\_\_\_\_
6. How much cash do you have available for the purchase of a home? \_\_\_\_ \$ \_\_\_\_\_  
The San Marcos Downpayment Assistance Program (DAP) requires you to contribute 3% of the purchase price from your own funds.
7. Do you currently live or work in the City of San Marcos? **Yes/No**
8. Are you willing to attend a Housing and Urban Development (HUD) approved Homebuyer Education class before the close of escrow? **Yes/No**
9. Do you currently live in subsidized housing? **Yes/No**

## **PART II – OBTAINING ASSISTANCE**

If you are a first-time homebuyer and your Total Gross Annual Household Income does not exceed the annual income limits, you are ready to consult with a program lender to determine whether you qualify to receive mortgage assistance. Be sure to bring this completed Self Qualification Form with you when you consult with the program lender. Below are some key concepts to consider before you visit a program lender.

**Income and Debts** The Lender will verify your household income and your household debts. Based on your income and debts, the Lender will determine if you are eligible to qualify for a first mortgage, the maximum amount you will be able to borrow, and the maximum monthly first mortgage payment you can afford.

**Credit** The Lender will review your credit scoring by obtaining a credit report. Your credit report should show that you pay your bills on time. The higher your credit scoring, the more likely you will be eligible for the Downpayment Assistance Program. Debts or liens that have not been paid remain on your credit report for a period of seven years. Bankruptcies may remain on your credit report for a period of 10 years.

**Cash** You will need to have cash on hand to pay toward downpayment and closing costs. The DAP requires 3% of the purchase price for a downpayment. This money may be your own, or a gift from a relative, but you may not borrow this money from a lender.

### **Acknowledgement**

I acknowledge that the information provided above is true to the best of my ability.

---

Signature

Date

---

Print Name

**YOU ARE REQUIRED TO TAKE THIS COMPLETED FORM WITH YOU WHEN YOU CONSULT WITH A  
PROGRAM LENDER.**



## Exhibit B

### **City of San Marcos Affordable For-Purchase Housing Program Application**

Thank you for your interest in applying to the City of San Marcos Successor program. Please fill out this application in its entirety and submit all required documentation with the application. This form should be filled out by the homebuyer. If you have any questions regarding the application, they can be directed to Email: [Compliance@San-Marcos.Net](mailto:Compliance@San-Marcos.Net) and [\(760\)744-1050, ext. 3124](tel:(760)744-1050, ext. 3124).

Once your application has been received, it will be shared with our contracted partner, Public Consulting Group LLC, who will complete the income certification process. Someone may reach out to you or your realtor to ask clarifying questions or to request additional documentation. Please respond as soon as possible as this affects the timeline of your application.

Below are the descriptions of the three homeownership programs operated by the City of San Marcos. Please review the descriptions to ensure you are applying to the correct program.

#### **San Marcos Affordable Housing Program (SMAHP)**

This program is a for-purchase affordable housing program for 31 townhomes, and the sales price/income cap is set to **100% AMI (see Appendix A)**. Applicants must be prequalified for a loan, and have their offer accepted by the seller. Once the offer is accepted, applicants can submit their application for income certification. The timeline for processing is **7-10 City Business days**. If the application is approved, the City will produce legal documents for the applicant to sign and have recorded against the property prior to escrow closing

#### **Down Payment Assistance Program (DAP)**

The Down Payment Assistance Program (DAP) is funded by the CalHome Program and offers eligible first-time homebuyers a simple interest, deferred payment loan to assist with the purchase of a home within the City of San Marcos. The DAP loan must be used in conjunction with an original first, fixed-rate, fully amortized 30-year loan. The DAP loan provides gap financing between the first mortgage and the purchase price of the property. The DAP is subject to availability of funds. The income limit for this program is **80% AMI (see Appendix A)** and the timeline for processing is **30 calendar days**. There is a \$350 application fee.

#### **Mobile Home Portfolio (MHP)**

This program is a for-purchase affordable housing program for deed restricted mobile homes **the income limit for this program is -120 % AMI (see Appendix A)**. Applicants must be prequalified for a loan, and have their offer accepted by the seller. Once accepted, applicants can submit their application for income certification. The timeline for processing is **7-10 City Business days**. If the application is approved, the City will produce legal documents for the applicant to sign and have recorded against the property prior to escrow closing

**Program (select one)**

- San Marcos Affordable Housing Program (SMAHP)
- Mobile Home Portfolio (MHP)
- Down Payment Assistance Program (DAP)

**Will this be your principal place of residence?  No  Yes**

- a. **Have you owned or sold property within the last three years?  No  Yes**

**What type of housing do you plan to purchase? (DAP only)**

- Site-built single detached (from one to four units)
- Site-built single family attached (condominium, townhome)
- Manufactured Home
- Land for a Manufactured Home

**For your first home loan, how much were you qualified? (DAP only)**

Click or tap here to enter text.

**What type of loan was it? (DAP only)**

Click or tap here to enter text.

**Property Location**

<b>Address:</b> Click or tap here to enter text.
<b>City:</b> Click or tap here to enter text.
<b>Zip Code:</b> Click or tap here to enter text.
<b>No. of Bedrooms:</b> Click or tap here to enter text.
<b>No. of Baths:</b> Click or tap here to enter text.
<b>Year Built:</b> Click or tap here to enter text.

## Household Information

	Date of Birth	Social Security Number	Relationship
Applicant	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Co-Applicant	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.

Total Number of Persons in Household [Click or tap here to enter text.](#)

## Contact Information

Applicant Mailing Address: <a href="#">Click or tap here to enter text.</a>	Realtor Mailing Address: <a href="#">Click or tap here to enter text.</a>
Applicant Phone Number: <a href="#">Click or tap here to enter text.</a>	Realtor Phone Number: <a href="#">Click or tap here to enter text.</a>
Applicant Email Address: <a href="#">Click or tap here to enter text.</a>	Realtor Email Address: <a href="#">Click or tap here to enter text.</a>

## Gross Household Income

Complete the following; attach required verifications as specified below. **Information is required for all household members aged 18 or older regardless of whether they contribute to household expenses. If household member is a full-time student and/or works, provide proof of income and/or full-time student status.**

**If you filed a Federal Tax return last year**, you must include a copy of your last two (2) returns (signed, with all attachments including W-2s) with your application. If you did not file or were not required to file, check "no" below and indicate the reason why on the line below.

Copy of last year's Federal Tax return included with application?  Yes  No

Reason for not filing: Click or tap here to enter text.

Income Sources	Annual Income For Applicant	Annual Income For Others	Additional Verifications Needed
A. Employment Earnings <sup>1</sup>	\$	\$	Last 2 years Federal Tax Returns;  Last 2 months of pay stubs <sup>2</sup>
B. Self-Employment Earnings	\$	\$	Last 2 years Federal Tax Returns  YTD income statement
C. Social Security (OASDI)	\$	\$	Annual Award Letter
D. Supplemental Security Income (SSI)	\$	\$	Annual Award Letter (must be within 60 days)
E. Public Assistance (Unemployment, etc.)	\$	\$	Current benefit statement
F. Pension(s)	\$	\$	Year-end statements and/or 1099
G. Interest Income (checkings, savings, CDs, etc.)	\$	\$	Last year's 1099;  Last 2 months bank

<sup>1</sup> Employment is defined as any form of paid work whether that be in person or virtually. Applicants should also include any additional funds they receive such as bonus or incentive payments. Please include all work, including part-time and employment not listed on a W2.

<sup>2</sup> This could include up to eight pay stubs depending on how frequently you are paid.

			statements
H. Investment Income (stocks, bonds, real estate, etc.)	\$	\$	Last year's 1099; Last 2 months monthly statements
I. Retirement Accounts (401k, IRA, etc.) <sup>3</sup>	\$	\$	Last Statement
J. Other Income (List type/source)	\$	\$	Contact San Marcos to inquire about documents needed for proof of income

**Total Annual Household Income** (Sum of A through J): Click or tap here to enter text.

**Cash Assets** (Please list all active accounts for each household member)

Savings Account			
Household Member	Bank Name	Amount	Additional Verifications Needed
			Last 2 months bank statements
			Last 2 months bank statements
			Last 2 months bank statements
			Last 2 months bank statements

Checking Account			
Household Member	Bank Name	Amount	Additional Verifications Needed
			Last 2 months bank statements
			Last 2 months bank statements
			Last 2 months bank statements
			Last 2 months bank statements

<sup>3</sup> Individuals who are at the age where they can draw down from these accounts without penalty should list the full amount in their accounts.

## Down Payment

Savings Amount Available for a Down Payment <sup>4</sup>	\$
Down Payment Amount	\$
Source of Down Payment <sup>5</sup> (e.g., Checking, Savings, IRA)	

## Miscellaneous (DAP only)

Current Total Monthly Housing Expenses (Rent, Utilities, Other housing costs)	
---	--

## Certification:

I/We certify that I/we have disclosed all information pertaining to my/our application and that the information presented in this application is true and accurate to the best of my/our knowledge.

I/We hereby give my/our authorization and consent to have the City of San Marcos obtain any and all information concerning my/our employment; checking and/or savings accounts; investment accounts; obligations; and any and all other matters relating to our credit and/or income which they may require in connection with my/our application for a loan or rental application, as the law pertaining to each transaction applies. This authorization also permits the City of San Marcos to run a criminal background check.

This consent may be reproduced, photocopied, or transferred by facsimile and any copy shall be as effective consent as the original which I/we signed.

Applicant:		Date:
Applicant:		Date:

## Return completed form and required documents to:

Email: [Compliance@San-Marcos.Net](mailto:Compliance@San-Marcos.Net)

Attn: Sylvia Daniels /Housing Department

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<sup>4</sup> If applying for DAP, a minimum down payment of 3% of the purchase price is required.

## Appendix A: AMI Chart

Household Size	50% AMI	60% AMI	80% AMI	100% AMI	120% AMI
1 person	\$57,900	\$69,480	\$92,700	\$91,550	\$109,850
2 person	\$66,150	\$79,380	\$105,950	\$104,650	\$125,550
3 person	\$74,450	\$89,340	\$119,200	\$117,700	\$141,250
4 person	\$82,700	\$99,240	\$132,400	\$130,800	\$156,950
5 person	\$89,350	\$107,220	\$143,000	\$141,250	\$169,500
6 person	\$95,950	\$115,140	\$153,600	\$151,750	\$182,050
7 person	\$102,550	\$123,060	\$164,200	\$162,200	\$194,600
8 person	\$109,200	\$131,040	\$174,800	\$172,650	\$207,150

### Office Use Only

Information Verified: Click or tap here to enter text.

Application Approved/Denied: Click or tap here to enter text.

Date: Click or tap here to enter text.

*DAP Only*

Current Housing Ratio: Click or tap here to enter text.

Proposed Housing Expenses: Click or tap here to enter text.

Proposed Housing Ratio: Click or tap here to enter text.

Proposed Debt Ratio: Click or tap here to enter text.

**EXHIBIT C**

**CITY OF SAN MARCOS**  
**DOWNPAYMENT ASSISTANCE PROGRAM COVER SHEET**  
*(Primary Lender completes this form.)*

Borrower(s): \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Current Address: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_

Purchase Price: \$ \_\_\_\_\_

Annual Household Income: \$ \_\_\_\_\_ Borrower's % of Area Median Income: \_\_\_\_\_

Household Size: \_\_\_\_\_ No. of Children Under 18: \_\_\_\_\_

Number of Bedrooms/Bathrooms: \_\_\_\_\_

Estimated Monthly Housing Cost: \$ \_\_\_\_\_ Housing Cost Ratio: \_\_\_\_\_

Pre-Approved First Mortgage Loan Amount: \$ \_\_\_\_\_

Amount of Buyer Cash: \$ \_\_\_\_\_

Proposed Mortgage Assistance Second Mortgage Loan Amount: \$ \_\_\_\_\_

Estimated Closing Costs and Fees: \$ \_\_\_\_\_

Estimated Maximum Purchase price with a Downpayment Assistance Loan: \$ \_\_\_\_\_

Loan Officer: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_

**For Office Use Only:**

Approved by City/Agency      Mortgage Assistance Loan Amount: \$

Disapproved by City/Agency

Signature authorizes the commitment of funds for a second trust deed loan by the City of San Marcos.

By: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT C

**CITY OF SAN MARCOS**  
**DOWNPAYMENT ASSISTANCE PROGRAM LOAN**  
**LENDER SUBMISSION CHECKLIST**  
*(Lender completes this form.)*

**TO OBTAIN A DAP LOAN THE LENDER MUST SUBMIT A FILE CONTAINING THE FOLLOWING ITEMS:**

- ✓
- 1. Completed Application Cover Sheet & Application
- 2. Completed and Signed DAP Loan Self-Qualification Form
- 3. Check for \$350 non-refundable DAP loan application fee
- 4. Uniform Residential Loan Application (signed copy)
- 5. Letter of Pre-approval for a first mortgage loan
- 6. Copy of CA driver's license or CA identification card
- 7. Last three (3) years of federal income tax returns with all attachments and W-2's
- 8. Two (2) most recent paystubs
- 9. Credit report
- 10. Any documents used to determine income
- 11. Gross Income Worksheet
- 12. Homebuyer Education Certificate
- 13. Signed DAP Loan City Inspection Guideline Acknowledgement
- 14. Estimated Settlement Statement (HUD-1) that includes the DAP loan amount
- 15. Appraisal
- 16. Preliminary Title Report
- 17. Copy of Escrow Instructions
- 18. Signed Disclosure Notice and Acknowledgement of Obligation to Occupy the Property (Buyer)
- 19. Signed Disclosure Notice to Seller w/Voluntary, Arm's Length Purchase Offer

## EXHIBIT D

### HOMEBUYER EDUCATION AND COUNSELING PROVIDERS

The following is a list of homebuyer education and counseling providers. The San Marcos Affordable Homeownership Program requires you to take a Homebuyer Education class. The Homebuyer Education class will help you answer the following questions:

- What price home can I afford?
- How can I qualify for a loan?
- How do I fix my credit?
- What exactly is the home-buying process?
- How do I get the most out of my Real Estate Agent and title and Escrow Company?
- How can I get help with a down payment and closing costs?
- What kind of insurance will I need?
- What do I need to know about home maintenance?

Please contact a housing counseling agency below to obtain information on taking a Homebuyer Education class. These agencies provide valuable information that will prepare you to be an educated homebuyer. **It is highly recommended that you take this class before you shop for a home.**

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**BAYSIDE COMMUNITY CENTER**

2202 Comstock Street  
San Diego, CA 92111  
Phone: (858) 278-0771, ext. 3008  
Website: [www.baysidecc.org](http://www.baysidecc.org)

**HOUSING OPPORTUNITIES**

**COLLABORATIVE**  
1100 Broadway  
San Diego, CA 92101  
Phone: (619) 283-2200  
Website: [www.housingcollaborative.org](http://www.housingcollaborative.org)

**SAN DIEGO HOME LOAN COUNSELING & EDUCATION CENTER**

3180 University Avenue, First Floor  
San Diego, CA 92104  
Phone: (619) 624-2330  
Website: [www.sdhome.org](http://www.sdhome.org)

**CLEAR POINT CREDIT COUNSELING SOLUTIONS**

2635 Camino Del Rio South, Suite 101  
San Diego, CA 92108  
Phone: (877) 877-1995  
Website: [www.clearpointccs.org](http://www.clearpointccs.org)

**MONEY MANAGEMENT INTERNATIONAL**

2650 Camino del Rio North, Suite 209  
San Diego, CA 92108  
Phone: (866) 889-9347  
Website: [www.moneymanagement.org](http://www.moneymanagement.org)

**SAN DIEGO URBAN LEAGUE**

720 Gateway Center Drive  
San Diego, CA 92102  
Phone: (619) 266-6247  
Website: [www.sdul.net](http://www.sdul.net)

**COMMUNITY HOUSING WORKS**

1820 S. Escondido Blvd., Suite 101  
Escondido, CA 92025  
Phone: (760) 432-6878  
Website: [www.chworks.org](http://www.chworks.org)

**NATIONAL ASIAN AMERICAN COALITION**

9580 Black Mountain Road, Suite A  
San Diego, CA 92126  
Phone: (858) 586-7382  
Website: [www.mabuhavalliance.org](http://www.mabuhavalliance.org)

**SPRINGBOARD – CHULA VISTA**

229 F Street, Suite F  
Chula Vista, CA 91910  
Phone: (800) 947-3752  
Website: [www.credit.org](http://www.credit.org)

**COMMUNITY HOUSING WORKS**

4305 University Avenue, Suite 550  
San Diego, CA 92105  
Phone: (619) 282-6647  
Website: [www.chworks.org](http://www.chworks.org)

**NOVADEBT**

2265 Camino del Rio North, Suite 120  
San Diego, CA 92108  
Phone: (619) 296-4700  
Website: [www.novadebt.org](http://www.novadebt.org)

**SPRINGBOARD – SAN DIEGO**

7710 Balboa Avenue, Suite 218-F  
San Diego, CA 92111-2228  
Phone: (800) 947-3752  
Website: [www.credit.org](http://www.credit.org)

**FAITH BASED CDC**

2195 Oceanside Blvd.  
Oceanside, CA 92054  
Phone: (760) 721-2117  
Website: [www.fbcdc.org](http://www.fbcdc.org)

**NEIGHBORHOOD HOUSE ASSOCIATION**

841 S. 41st Street  
San Diego, CA 92113  
Phone: (619) 263-7761  
Website: [www.neighborhoodhouse.org](http://www.neighborhoodhouse.org)

**UPAC**

1031 25th Street  
San Diego, CA 92101  
Phone: (619) 232-6454  
Website: [www.upacs.org](http://www.upacs.org)

## EXHIBIT E

### CITY OF SAN MARCOS DOWN PAYMENT ASSISTANCE PROGRAM DISCLOSURES TO SELLER WITH VOLUNTARY, ARM'S LENGTH PURCHASE OFFER

Dear Seller:

Date: \_\_\_\_\_

This is to inform you that \_\_\_\_\_ would like to purchase the property located at \_\_\_\_\_, if a satisfactory agreement can be reached.  
(Borrower(s))  
(Property Address)

Because Federal funds will be used in the purchase, we are required to disclose to you the following information:

- 1) The sale is voluntary. If you do not wish to sell, the Borrower will not acquire your property. The Borrower does not have the power to acquire your property by condemnation (i.e., eminent domain) and cannot use the power of eminent domain to acquire the property.
- 2) The estimated fair market value of the property is \$\_\_\_\_\_, to be verified by an appraisal.
- 3) Seller certifies that an Appraisal will be conducted and the property must meet minimum property standards and pass a Lead Based Paint inspection to participate in the City's Downpayment Assistance Program (DAP).
- 4) Since the purchase is a voluntary, arm's length transaction, relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real property Acquisition Policies Act of 1970 (URA), or any other law or regulation are not triggered. Also, as indicated in the contract of sale, this offer is made on the condition that no tenant will be permitted to occupy the property before the sale is completed.
- 5) If property is not owner-occupied, the Seller certifies property has been vacant for four (4) months or more prior to buyer's selection of home and acceptance of a contract to purchase the property. Property must not have been "recently vacated" by tenants. "Recently vacated" means property has been vacant for at least four (4) months.
- 6) If property was constructed prior to 1978, Seller agrees to abide by an independent inspection for Lead Based Paint. If defective paint surfaces are found, proper abatement procedures must be completed, otherwise, the Seller may opt to withdraw his participation in DAP.

Seller understands that he/she is under no obligation to sell the property. If Seller wishes to proceed with the sale of the property under the conditions described in the attached contract of sale, please sign the contract and return to the City. If you were not provided with a statement of the above provisions prior to the purchase offer, you may withdraw from the agreement after this information is provided.

If you have any questions concerning this matter, please contact the City of San Marcos Housing and Neighborhood Services Division, at 760.744.1050.

\_\_\_\_\_  
Buyer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Buyer

\_\_\_\_\_  
Date

#### ACKNOWLEDGMENT

I (We) acknowledge receipt of this declaration prior to, or after presentation of the purchase offer. If received after presentation of the purchase offer, I (we) choose not to withdraw, from the agreement.

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

## EXHIBIT F

### LEAD BASED PAINT

A. Lead Based Paint (LBP) Hazards: All housing units built prior to 1978 for which DAP funding is anticipated are subject to the requirements of this section. Such homes must undergo a visual assessment by a person who has taken HUD's online Visual Assessment course. Deteriorated paint must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a DHS certified LBP Risk Assessor/Inspector.

B. *The following requirements must be met:*

- 1) Notification: a) Prior to homebuyer's obligation to purchase a pre-1978 home, the Buyer will be given a copy of and asked to read the EPA pamphlet "*Protect Your family From Lead in Your Home*". (EPA 747-K-94-001, December 2012) A signed receipt of the pamphlet will be kept in the City's homebuyer file; b) A notice to residents is required following a risk assessment/inspection using form DHS 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) a notice to residents is required following lead-based paint mitigation work using Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction form.
- 2) Disclosure: Prior to the homebuyer's obligation to purchase a pre-1978 housing unit, the HUD disclosure, "Seller's Lead-based Paint Disclosure", notice must be provided by the seller to the homebuyer.
- 3) Inspections: The Inspector shall conduct a "Visual Assessment" of all the dwelling unit's painted surfaces in order to identify deteriorated paint. All deteriorated paint will be stabilized in accordance with CFR 35.1330 (a) and (b); and a Clearance shall be made in accordance with CFR 35.1340.
- 4) Mitigation: If stabilization is required, the contractor performing the mitigation work must use appropriately trained workers. Prior to the contractor starting mitigation work the City's Program Administrator shall obtain copies of the contractor's and workers' appropriate proof of LBP training, as applicable to the job in order to assure that only qualified contractors and workers are allowed to perform the mitigation.
- 5) Purchase Contract Contingency Language: Before a homebuyer is obligated under any contract to purchase a pre-1978 housing unit, the seller shall permit the homebuyer a 10-day period (unless the parties mutually agree, in writing, upon a different period of time) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards. (See EXHIBIT F-III for sample lead-based paint contract contingency language). A homebuyer may waive the opportunity to conduct the risk assessment or inspection by so indicating in writing, such as in Attachment F, item (e)(ii). In this case the purchase contract contingency language is not required.

## EXHIBIT F (Continued)

### SELLERS LEAD-BASED PAINT DISCLOSURE

#### Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

##### Lead Warning Statement

Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

##### Seller's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):

(i)  Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

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(ii)  Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the seller (check (i) or (ii) below):

(i)  Seller has provided the purchaser with all available records and reports pertaining to Lead-based paint and/or lead-based paint hazards in the housing (list documents below).

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(ii)  Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

##### Purchaser's Acknowledgment (initial)

(c)  Purchaser has received copies of all information listed above.

(d)  Purchaser has received the pamphlet Protect Your Family from Lead in Your Home.

(e) Purchaser has check (i) or (ii) below:

(i)  received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or

(ii)  waived the opportunity to conduct a risk assessment or inspection for the presence of Lead-based paint and/or lead-based paint hazards.

##### Agent's Acknowledgment (initial)

(f)  Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

##### Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

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Seller	Date	Seller	Date
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Purchaser	Date	Purchaser	Date
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Agent	Date	Agent	Date
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## **EXHIBIT F (Continued)**

### **Homebuyer Assistance Program Sample Lead-Based Paint Contract Contingency Language**

This contract is contingent upon a risk assessment or inspection of the property for the presence of lead-based paint and/or lead-based paint hazards at the Purchaser's expense until 9 p.m. on the tenth calendar-day after ratification. This ending date is: \_\_\_\_\_. [Insert date 10 days after contract ratification or a date mutually agreed upon]. (Intact lead-based paint that is in good condition is not necessarily a hazard. See the EPA pamphlet "Protect Your Family From Lead in Your Home" for more information.)

This contingency will terminate at the above predetermined deadline unless the Purchaser (or Purchaser's agent) delivers to the Seller (or Seller's agent) a written contract addendum listing the specific existing deficiencies and corrections needed, together with a copy of the inspection and/or risk assessment report.

The Seller may, at the Seller's option, within \_\_\_\_ days after Delivery of the addendum, elect in writing whether to correct the condition(s) prior to settlement. If the Seller will correct the condition, the Seller shall furnish the Purchaser with certification from a risk assessor or inspector demonstrating that the condition has been remedied before the date of the settlement. If the Seller does not elect to make the repairs, or if the Seller makes a counteroffer, the Purchaser shall have \_\_\_\_ days to respond to the counter-offer or remove this contingency and take the property in "as is" condition or this contract shall become void. The Purchaser may remove this contingency at any time without cause.

Seller Name: \_\_\_\_\_ Date: \_\_\_\_\_

Purchaser: \_\_\_\_\_ Date: \_\_\_\_\_

Property Address: \_\_\_\_\_

**EXHIBIT F (Continued)****LEAD-BASED PAINT****VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM****Section 1: Background Information**

Property Address:		No LBP found or LBP exempt <input type="checkbox"/>	
Select one:	Visual Assessment <input type="checkbox"/>	Presumption <input type="checkbox"/>	Hazard Reduction <input type="checkbox"/>

**Section 2: Visual Assessment.** Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.

Visual Assessment Date:	Report Date:
Check if no deteriorated paint found <input type="checkbox"/>	
Attachment A: Summary where deteriorated paint was found. For multi-family housing, list at least the housing unit numbers and common areas and building components (including type of room or space, and the material underneath the paint).	

**Section 3: Notice of Presumption.** Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.

Date of Presumption Notice:	
Lead-based paint is presumed to be present <input type="checkbox"/> and/or Lead-based paint <i>hazards</i> are presumed to be present <input type="checkbox"/>	
Attachment B: Summary of Presumption: For multi-family housing, list at least the housing unit numbers and common areas, bare soil locations, dust-lead location, and or building components (including type of room or space, and the materials underneath the paint) of lead-based paint and/or hazards presumed to be present.	

**Section 4: Notice of Lead-Based Paint Hazard Reduction Activity.** Fill out Sections 1, 4, 5, and 6. Provide to occupant w/in 15 days of after work completed.

Date of Hazard Reduction Notice:	
Initial Hazard Reduction Notice? Yes <input type="checkbox"/> No <input type="checkbox"/> Start & Completion Dates:	
If "No", dates of previous Hazard Reduction Activity Notices:	
Attachment C: Activity locations and types. For multi-family housing, list at least the housing unit numbers and common areas (for multifamily housing), bare soil locations, dust-lead locations, and/or building components (including type of room or space, and the material underneath the paint), and the types of lead-based paint hazard reduction activities performed at the location listed.	
Attachment D: Location of building components with <u>lead-based paint remaining</u> in the rooms, spaces or areas where activities were conducted.	
Attachment E: Attach clearance report(s), using DHS form 8552 (and 8551 for abatement activities)	

**Section 5: Resident Receipt of Notice for Presumption or Lead-Based Paint Hazard Reduction Activity**

Printed Name:	Signature:	Date:
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**Section 6: Contact Information**

Organization:		
Contact Name:	Contact Signature:	
Date:	Address:	Phone:

## EXHIBIT G

### Subordination/Refinance Requirements

The City of San Marcos will subordinate First Time Homebuyer loans under the following conditions:

- FHA, VA, or Conventional no cash-out refinances where there is a reduction of PITI and an improvement in loan terms. The new first mortgage must be a 30 year, fixed rate. Impounds are required. The City will not subordinate to negatively amortizing, prepayment penalty, reverse mortgage loans, or financing subordinate to City liens.
- Cash Back/Cash-Out:  
Any loan proceeds in excess of 1% of the new loan amount must be applied as a principal-reduction payment to the new 1st mortgage balance at close of escrow.
- Documentation required for City review:
  1. Copy of the new lender application (1003)
  2. Copy of the appraisal
  3. Copy of the preliminary title report
  4. Copy of an accurate estimated closing statement from escrow
  5. Copy of escrow instructions
  6. Copy of the new 1st Mortgage Note (and Riders, if applicable)
  7. Copy of the 1st mortgage payoff demand
  8. Any additional documentation that may be requested by the City
- Buy-Down Balances:  
If the payoff of the 1st mortgage has a remaining interest rate buy-down balance currently in escrow, those monies must be applied to the payoff balance at close of escrow and may not be refunded to the borrower.
- Exceptions:  
In the event an exception to these Subordination Requirements is requested and granted, the City may require execution and recording of a Loan Modification Agreement, including any/all other applicable documentation necessary for approval, through close of escrow.
- Re-Review after a Subordination Has Been Issued:  
If loan terms change after a Subordination Agreement has been issued to the refinance Lender, Escrow Company or Title Company, there will be an additional fee of \$50.00 for re-review of the proposed loan terms and issuance of a second or each subsequent Subordination Agreement.

City staff will review the above documentation for compliance with existing guidelines and will generally render a decision within 7-10 business days of all requested documentation. A Subordination Agreement and any other applicable documentation will be issued by the City and will be forward to the escrow company with specific instructions for compliance, unless instructed otherwise.

**EXHIBIT H**  
**PERIODICALLY UPDATED DATA**

## **Income Limits for San Diego County effective April 16, 2025**

<u>Household Size</u>	<u>Maximum Yearly Income</u>
1	\$92,700
2	\$105,950
3	\$119,200
4	\$132,400
5	\$143,000
6	\$153,600
7	\$164,200
8	\$174,800

### **Maximum Purchase Price as of April 2025**

Single – Family Home or Condominium \$725,000

## Legal Documents

## Lender's Instructions

## Promissory Note

## Deed of Trust

## Declaration of Covenants, Conditions and Restrictions

## Disclosure (Homebuyer)