

## City of San José Department of Housing Neighborhood Stabilization Program (NSP) Homebuyer Program

### The Program

The Neighborhood Stabilization Program (NSP) is funded from the Housing and Economic Recovery Act (HERA) of 2008, commonly referred to as the “Stimulus Funds” and was enacted for the purpose of revitalizing the economy. The primary mission of the NSP is to mitigate blight, enhance neighborhoods with quality construction, incorporate Green Building features and assist low- and moderate-income first-time homebuyers. Only certain single-family detached homes located in zip codes of 95111, 95116, 95122 and 95127 are available through this program. The City has created an exclusive partnership with Community Rehabilitation Partners (CRP) to implement the acquisition, rehabilitation, and resale aspects of the NSP.

### How it Works

CRP will show the properties that are eligible for NSP participation. If an eligible buyer finds a property they would like to purchase, CRP will request an “earnest money” deposit and offer to purchase from the prospective buyer (or their agent) to begin the home purchase process. CRP and the City of San Jose will jointly review any offers to purchase an NSP home. Only income-eligible buyers may qualify to purchase a home from CRP and receive a mortgage assistance loan from the City.

#### **Available homes:**

Certain foreclosed homes located in zip codes of 95111, 95116, 95122, 95127 owned by CRP

#### **Final Sales Price to buyer:**

The lesser of:

1. Total project costs (purchase price plus rehab costs)
2. “After rehabilitation” value (appraised value)

#### **City Loan Amounts:**

The maximum loan amount available to the buyer(s) will be based on the buyer(s) household income. Lower-income households will qualify for loans of up to 20% of the final purchase price. Moderate-income households will qualify for loans of up to 10% of the purchase price. The City loan can be used to pay for mortgage assistance and certain reasonable closing costs related to the transaction as described below:

- (1) Prepaid Mortgage Interest equal to no greater than two (2) percent of the 1st loan amount
- (2) Lender required appraisal(s)
- (3) Loan origination, underwriting, doc drawing and processing fees charged by the first mortgage lender
- (4) Upfront Mortgage Insurance Fee (if any)
- (5) Title Insurance Policy Fee(s)
- (6) ½ of the City’s transfer tax
- (7) Standard Escrow Fees



**General Information:**

Income Range	Household Size					
	1	2	3	4	5	6
Lower-Income (up to 80% Area Median Income)	\$56,500	\$64,600	\$72,650	\$80,700	\$87,200	\$93,650
Moderate-Income (between 80% - 120% of Area Median Income)	\$86,950	\$99,350	\$111,800	\$124,200	\$134,150	\$144,050

The household income cannot be greater than the amount shown above. Household income is the income received from all household members, including adult children and non-applicant spouses. The City will use the Section 8/Part 5 federal definition of income for assisted households.

- The City requires that the buyer provide funds for at least one-half of any lender required downpayment. For example, a buyer receiving an FHA loan must contribute 1.75% of the sales price towards the minimum lender required downpayment of 3.5%. The buyer's downpayment funds may be gifted from a family member or be in the form of additional (non-NSP) financing.
- NSP assisted buyers may not use other City administered downpayment assistance programs in combination with this program. However, buyers are free to utilize other non-city loan sources, as available.
- The borrower and any co-borrower may not have any concurrent ownership of any other real property-including investment property.
- The buyer and any other co-borrower(s) must have a minimum 620 credit score. Also, the maximum housing cost-to-income ratio is 43%, and the maximum total debt-to-income ratio is 48%.
- The buyer must have a minimum housing debt ratio of 28%.
- The buyer (s) must complete the 8 hour homebuyer education program offered through Neighborhood Housing Services Silicon Valley (NHSSV). Buyers should contact NHSSV at 408.279.2600 to enroll in the course as soon as possible, as the City will give priority to buyers who have already completed the course prior to submitting an offer to purchase an NSP assisted home. Buyers must provide a copy of their homebuyer education certificates of completion to the City as part of their loan application.
- "Cash-out" refinances of your first mortgage are allowed only when the total combined liens are less than or equal to 90% of the fair market value at the time of proposed refinance. In addition, the City will subordinate its loan to "cash-out" refinancings no more than once every five years.
- All homes shall be occupied by the owner for the life of the loan as a primary residence.
- Borrowers may combine an NSP loan only with a fully amortized fixed rate mortgage.
- Borrower(s) may not have greater than \$60,000 in liquid assets after the close of escrow. Actual or imputed income from all financial assets, including retirement accounts, will be included in the buyers annual income.
- There is a minimum household size of two persons in order to purchase a 3-bedroom home and three people for a 4-bedroom home.
- All homes must be occupied by the owner and the City will verify owner-occupancy annually.
- The City will not provide a home warranty to the buyer. All homes will be sold "as is."

- The City maintains a list of lenders as a courtesy to all loan applicants, however, buyers are free to select any lender that is willing to combine a first mortgage loan with the City's NSP second loan.
- All applicants are free to use his/her own realtor or be represented by the listing agent, CRP. Buyer's agent should review the NSP Listing and Acceptance Offer Form for directions on how to submit offers to purchase NSP homes.

**Financial Terms**

*Simple-Interest Loan*—The NSP loan is deferred, due and payable in 30 years or at time of resale. The City loan has a set 3% simple interest rate and is not assumable by a future buyer.

*Loan Security*--The loan is secured by a subordinate deed of trust.

*Minimum Initial Earnest Money Deposit*—The borrower must make a good faith earnest money deposit of at least \$1,500 when submitting offers to purchase NSP assisted homes.

*Minimum Buyer Contribution to the overall Transaction*-- The City requires a minimum buyer contribution of at least 1% of the sales price from the borrower(s) own funds. If the borrower is financing the full price of the home, the City will still require the buyer to bring in funds for closing costs equal to or greater than 1% of the sales price.

**For More Information**

For more information about the available homes, please contact CRP representatives Weda Gray at 408.715.1156 or Stephanie Golden at 408.715.1188 or visit the website at [www.communityrehabpartners.com](http://www.communityrehabpartners.com) for a list of available homes.

All City loans will be underwritten in conformance with the City's loan underwriting guidelines. For more information about the NSP mortgage assistance loan program, NSP loan application, and/or general underwriting guidelines please visit the website at <http://www.sjhousing.org/program/NSPHomes.html>

For additional information please contact City staff: Korey Richardson at (408)975-4468, [korey.richardson@sanjoseca.gov](mailto:korey.richardson@sanjoseca.gov) or Robert Yow at (408) 975.4446, [robert.yow@sanjoseca.gov](mailto:robert.yow@sanjoseca.gov) .

I (We) acknowledge that I (we) have read the foregoing NSP information and believe to the best of my (our) knowledge that we are eligible for the City of San Jose NSP program.

Name of Applicant (Print)		Name of Applicant (Print)	
Signature of Applicant	Date	Signature of Applicant	Date