

WATERCOLORS FREQUENTLY ASKED QUESTIONS

Q. Can a buyer purchase a property in Watercolors for “ALL CASH”?

A. No. One criterion for purchasing a property in Watercolors is that the buyer must be able to qualify for and obtain an appropriate mortgage loan to finance the purchase and have at least a 3% down payment of buyer’s own funds. If a buyer can pay all cash for a property, they are not in need of the assistance provided by this program.

Q. Is the down payment based upon the full sales price or the sales price LESS the 2nd trust deed?

A. The minimum 3% down payment is based upon the full sales price and must be from buyer’s own funds.

Q. Are the property taxes based upon the full purchase price or the purchase price LESS the 2nd trust deed?

A. The property tax amount is based upon the full sales price LESS the 2nd trust deed amount. The property should not be assessed on the full sales price.

Q. Do VA buyers have to put down the minimum down payment?

A. No. If the buyer is purchasing the property with a VA loan, the buyer does NOT need to provide a down payment. The buyer will still be responsible for all closing costs and escrow fees.

Q. Can a low-income buyer purchase a property designated as a moderate- income property and vice versa?

A. No. Low-income buyers can only purchase low-income designated units. The same applies to moderate-income buyers who can only purchase a moderate-income designated unit.

Q. Can an owner rent out their property for either long-term or short-term/vacation rental?

A. No. The property must be occupied by the property owner as their primary residence during the entire restriction period.

Q. Can an owner bring in a caregiver during their ownership of the property?

A. Yes. A property owner can bring in a caregiver during the ownership of their property as long as the homeowner is still the primary resident, and the caregiver qualifies as a “permitted health care resident” pursuant to California Civil Code section 51.3(b)(7).

Q. Can the 2nd trust deed be repaid before the end of the 45-year term?

A. The terms of the promissory note state that the 2nd trust deed can be repaid, but there is no financial or other benefit to the owner to do so, because the loan is forgiven at the expiration of the term. Further, repayment of the Authority loan will not terminate the recorded affordability covenants, which remain with the property for the full 45-year term and require the property to be sold to an income qualified household at a restricted sales price.

Q. What are the restrictions for selling the property?

A. The owner is precluded, during the restriction period (45-years), from selling the home to any person other than a low or moderate income-qualified senior buyer.

Q. What happens at the end of the 45-year affordability period?

A. The loan is forgiven, and the affordability restrictions are removed and terminated at the end of the 45-year term. It is important to note that the Master CC&Rs have restrictions that remain on the property that affect age, income and owner occupancy restrictions.

Q. What is the age restriction in Watercolors?

A. To qualify to purchase a property, a buyer must be at least 55 years of age or older and any person who will reside at the Property must qualify as either a "Qualified Permanent Resident" or a "Permitted Health Care Resident" (as those terms are defined in Civil Code Sections 51.3(b)(3) and 51.3(b)(7)).

Q. What are the refinancing restrictions?

A. The Authority will agree to subordinate the Authority loan and the Authority's affordability covenants to a refinancing of the first mortgage loan that complies with the requirements in the Authority loan documents and also with the following additional limitations:

1. The principal amount of the new first mortgage loan does not exceed the then-current first mortgage loan balance (i.e., a straight refinance to reduce your interest rate), or

2. The principal amount of the new first mortgage loan exceeds the then-current first mortgage loan balance (i.e., a “cash-out” refinance) but complies with all of the following: (1) the total of the new first mortgage plus the Authority loan does not exceed seventy percent (70%) of the current appraised value of the property; (2) total monthly housing costs will not exceed a monthly affordable housing cost; or (3) the “cash-out” amount (i.e., the first mortgage balance plus closing costs less the then-current first mortgage loan balance) does not exceed \$25,000.
3. The Authority loan **MUST** remain in 2nd position. Reverse mortgages, Home Equity Line of Credit loans, and 3rd Trust Deeds are not allowed under this program.

Q. What if an owner were to pass away prior to the end of the affordability period?

A. If an owner were to pass away, title to the property must be a “Permitted Transfer” which allows the title to pass to a spouse or be a transfer that occurs by operation of law in the absence of an express conveyance by the owner (including transfer by devise, inheritance, incompetency, marriage, and divorce). The party that receives ownership of this property via a Permitted Transfer must adhere to the restrictions in place on the property (owner-occupancy, 55 or older, and resale to another income-qualified buyer). There is no income qualification required for the party who obtains the property via a Permitted Transfer.

Q. Is an owner's income recertified every year, and if so, what happens if an owner's income increases following their purchase of a property?

A. The owner's income is only certified at the time of the owner's purchase of the property. There are no subsequent income recertifications. However, an owner must provide proof of owner-occupancy and insurance coverage annually.

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For additional questions regarding condominium and property management, please contact the Watercolors Property Management Company contracted by the HOA, Desert Resort Management, by phone at 760-346-1161.

They are available M-F 9:00AM-5:00PM.

<https://www.associaonline.com/locations/desert-resort-management>