AFFORDABLE HOUSING FREQUENTLY ASKED QUESTIONS (Owner-Occupied Units)

Q. Can a buyer purchase a property for "ALL CASH"?

A. No. One criterion for purchasing a property that is under the La Quinta 2nd Trust Home Purchase Loan Program ("Program") is that the buyer must be able to qualify for <u>and obtain</u> an appropriate mortgage loan to finance the purchase, and have <u>at least</u> 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 <u>minimum</u> 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. All properties much be purchased by a buyer that is the same income level as the income restriction of the property (very low, low, or moderate). Each property has specific requirements for that property. These requirements govern the qualification requirements.

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 the 2nd trust deed be repaid before the end of the restriction term?

A. The terms of the promissory note state that the 2nd trust deed can be repaid, with shared appreciation. If an owner pays off the Authority loan during the restriction period, any affordability covenants recorded against the property remain with the property for the full term, requiring that the property to be sold to an income qualified household and with a limitation on the resale price. If there are no affordability covenants recorded against the property, then the repayment of 2nd trust deed with interest and/or shared appreciation will remove and terminate any resale restrictions.

Q. What are the restrictions for selling the property?

A. The owner is precluded, during the restriction period, from selling the home to any person other than a very low, low or moderate income-qualified buyer (pursuant to the specific agreements recorded against the property).

Q. What happens at the end of the affordability period?

A. The loan is forgiven, and the affordability restrictions are removed and terminated.

Q. Is an owner's <u>income</u> recertified every year, and if so, what happens if an owner's income increases following their purchase of an affordable 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.

Q. What are the refinancing restrictions?

A. The Authority will agree to subordinate the Authority loan and the Authority's affordability restrictions 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 the property via a Permitted Transfer must adhere to the restrictions in place on the property. There is no income qualification required for the party who obtains the property via a Permitted Transfer.