

**TEMECULA REDEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM MANUAL**



The policies and procedures contained within this Manual are intended to implement the First Time Home Buyer Assistance Program as established by the Redevelopment Agency.

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**TEMECULA REDEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM
POLICIES AND PROCEDURES
HANDBOOK**

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I. INTRODUCTION

Purpose

The City of Temecula Redevelopment Agency (RDA) is offering a First Time Home Buyer Down Payment Assistance Program (FTHB). The primary objective of the First Time Home Buyer Program is to provide housing inventory on a continuing basis which will be available for purchase by first time home buyers of moderate income. The Program will be available to anyone who has not owned a home in the last three (3) years and has an annual income that is no greater than 120% of the area median income as published by the U.S. Department of Housing and Urban Development (HUD).

This Program will provide down payment assistance as a second loan to qualified income first time home buyers. The buyers must provide a minimum of three percent (3%) of the purchase price from their own funds and must accept the highest loan-to-value ratio first loan for which they qualify. The RDA will provide a second loan of up to twenty percent (20%) of the purchase price (maximum \$65,000) (the "RDA Assistance"). The first loan must be a fully amortized, fixed rate, thirty year mortgage and the RDA Assistance will be in the form of a loan, repayment of which will be secured by a deed of trust recorded in second position to the first mortgage.

The RDA Assistance is a thirty (30)-year second mortgage loan at five percent (5%) interest, or 1/8th of a point less than the first mortgage, whichever is less. The loan is deferred for the first five (5) years, then fully amortized in years 6-30. If the borrower transfers title, ceases to occupy the property as his or her principal residence, refinances with cash taken out or otherwise defaults under the loan, the loan becomes due and payable.

II. GENERAL ELIGIBILITY REQUIREMENTS

A. Eligible Properties

1. Location. The FTHB Program is eligible only within the City of Temecula.
2. Price Limits. No price limit, but the total housing expense may not exceed the Affordable Housing Cost as defined in the next sentence. For the purposes hereof, the term "Affordable Housing Cost" means a housing cost which does not exceed the limits set forth in California Health and Safety Code Section 50052.5, as amended from time to time (including any optional requirements set forth therein, if so elected by the Executive Director of the Agency in his or her sole and absolute discretion) and the applicable regulations for such statute. Currently, the limits for moderate income households (up to 120% of area median income) are 35 percent x 110 percent of area median income, as determined by HUD.

Under state law, costs to be included in the calculation are:

- (a) Principal and interest on a mortgage loan including any rehabilitation loans, and any loan insurance fees associated therewith.
- (b) Property taxes and assessments.
- (c) Fire and casualty insurance covering replacement value of property improvements.

- (d) Property maintenance and repairs.
 - (e) A reasonable allowance for utilities, including garbage collection, sewer, water, electricity, gas, and other heating, cooking, and refrigeration fuels. Utilities does not include telephone service. Such an allowance shall take into consideration the cost of an adequate level of service.
 - (f) Homeowner association fees.
 - (g) Space rent, if the housing unit is situated on rented land.
3. Type of Home. The FTHB program may be used to purchase any new or resale home that meets all of the following minimum criteria:
- (1) the home is permanently fixed to a permanent foundation; and
 - (2) the home has a minimum of two bedrooms; and
 - (3) the home is currently occupied by the seller or vacant. Tenant occupied properties are always ineligible, unless the tenant is purchasing the unit in which they reside.

The home must be in sound condition and meet the Housing Quality Standards (“HQS”) as determined by the RDA. The purchaser must move into the home as his or her **principal** residence within sixty (60) days of purchase and thereafter reside there; the home shall not be used as a business nor as a vacation (second) home.

4. Home Condition. A home shall not be eligible for purchase under this program unless it meets program requirements and is suitable for occupancy upon purchase. The following procedures will be used to determine if the home meets these requirements:

Existing Homes. All purchasers of existing homes must obtain a home inspection report prepared according to industry standards. Any deficient items affecting habitability of the home noted in the home inspection and the purchase agreement shall be corrected prior to the close of escrow. The cost of the home inspection report is an eligible expense for RDA Assistance. If the home inspection report indicates that the home has serious deficiencies, the RDA may inspect the home to determine if it meets the Housing Quality Standard (HQS). The HQS is a basic standard of livability based on health and safety standards. The HQS Checklist is attached in Appendix E. Any home which does not meet HQS will be disqualified from purchase under this program.

New Homes. All newly constructed homes must receive a certificate of occupancy from the City prior to the close of escrow. In addition, the Seller must agree to have all operating systems and fixtures (plumbing, electricity, etc.), as well as floor coverings and similar items, installed and fully operational prior to the close of escrow.

The RDA may perform random inspections to verify that homes purchased through the Program meet HQS and are in standard condition and suitable for occupancy.

5. Occupancy Standard. One of the purposes of the FTHB Program is to address persistent conditions of housing overcrowding in the City. Therefore, the RDA is requiring that all homes have a minimum of two bedrooms in order to be eligible for this Program. In

addition, an occupancy standard applies to all households applying through this Program. This occupancy standard allows a maximum of two persons per bedroom, plus one. For example, a two bedroom house could not exceed a household size of five persons, a three bedroom house could not exceed seven persons, etc.

B. Characteristics of the Home Buyer

1. **Income Limits.** In order to be eligible for this program, the purchaser's annual income shall not exceed 120% of the area median income, as determined by HUD, adjusted for family size. In addition, family assets, excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase, shall not exceed a 12 month reserve based on the maximum income for the family size. The income and assets of all persons age 18 and older who will reside in the home must be included in the calculation to determine income eligibility. The current income limits are shown in Appendix A. See item C below for instructions on calculating annual income.
2. **Co-owners.** Co-owners are only permitted if they will occupy the home as their principal residence and qualify as first time buyers. The income of all co-owners will be included in determining if the household qualifies as low income, as noted in 1 above, as well as appendices A and B.
3. **Minimum Buyer Investment.** Each buyer shall provide from his/her own funds a minimum investment of three percent (3%) of the purchase price. The buyer's contribution may be used toward the down payment or closing costs, in accordance with the requirements of the first mortgage. **This investment shall be from the buyer's own funds and not from a gift or a loan.**
4. **Prior Home Ownership Criteria.** In order to qualify as a first time home buyer, the purchaser cannot have owned a home for the previous three (3) years from the date of application to the FTHB Program. The purchaser must sign a sworn application attesting that he/she has not owned a home; in addition, the last three (3) years' tax returns will be reviewed to ascertain that no mortgage interest or real estate tax deductions have been claimed.

For the purposes of determining home ownership, ownership of a dwelling unit that was not permanently affixed to a permanent foundation (*i.e.*, a mobile home) or a dwelling unit that is substandard and cannot be brought into standard condition for less than the cost of constructing a permanent structure, shall be deemed to disqualify an applicant. In addition, displaced homemakers or single parents after a divorce who otherwise meet income qualifications shall not be deemed to have owned a home in the prior three (3) years if they no longer have any interest in the home that they formerly owned with their former spouse.

C. Determination of Adjusted Gross Income

The FTHB Program is limited to buyers with an annual gross income that is one hundred and twenty percent (120%) or less of the area median income, as determined by HUD. Annual gross income is the gross amount of income anticipated to be received by all adults in a family during the twelve months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next twelve months. The annual income for purposes of qualifying for the FTHB Program includes all income and may be higher than the income amount utilized by the lender to underwrite the first mortgage.

See Appendix C for a detailed definition of gross income.

D. Assets

In addition to income, family assets (excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase) shall not exceed a twelve-(12) month reserve based on the maximum income for the family size. See Appendix C for a detailed explanation of the items to be included and excluded from assets.

III. GENERAL LOAN REQUIREMENTS

The following minimum requirements shall apply to all purchases receiving assistance through the FTHB Program.

A. First Loan Requirements

The purchaser shall apply for a first mortgage from a participating lender and provide a minimum investment of three percent (3%) from their own funds. The first mortgage must be a fully amortized, fixed rate, thirty-year term mortgage. Mortgages with temporary interest rate buy-downs, as well as all adjustable rate mortgages, are not eligible. The purchaser must accept the highest first mortgage amount (principal amount at going interest rate) for which they can qualify. Lenders should provide buyers with the best possible interest rate available at the time their loan rate is locked. In general, the participating lender shall be responsible for determining the buyer's creditworthiness and qualifications for obtaining the first mortgage. However, the following minimum criteria must be satisfied:

- (1) The buyers shall provide a minimum investment of three percent (3%) from their own funds. This minimum investment may be applied to the down payment and/or closing costs, at the discretion of the borrower and in accordance with the requirements of the first mortgage. The lender shall verify that the buyer has sufficient funds to meet this requirement and that these funds shall be provided from the borrower's own sources, and not borrowed or received as a gift. In cases where a borrower has saved cash at home, the lender shall document these savings in accordance with standard underwriting practices.
- (2) The first loan amount shall be the maximum amount for which the borrower can qualify, based on their income, debts, and current interest rates. The total monthly payment (principal, interest, taxes, insurance and PMI, if applicable) shall not be less than 25% nor more than 35% of the borrower's gross monthly income.

The participating lender may only assess those usual and customary fees and charges that would be assessed for a buyer with the same type of first mortgage who is not participating in the FTHB Program. No additional lender fees may be charged for processing of a loan in conjunction with the FTHB Program.

B. Occupancy Period

In exchange for receiving funds to assist in the purchase of a home, the purchaser must sign a Regulatory Agreement, Promissory Note, Disclosure Notice, and Subordinate Deed of Trust in the forms attached hereto or as otherwise approved by the RDA. These documents will

provide that the borrower(s) must occupy the home as a principal residence and, upon sale, transfer, lease or any other disposition, including refinancing or incurring of additional debt secured by the home, or failing to occupy the home as a principal residence within thirty (30) years of purchase, the principal amount of the FTHB Assistance is repaid to the RDA.

C. Types of Down Payment Assistance

The FTHB financial assistance can be provided as down payment assistance and/or payment of other costs associated with home purchase. Eligible costs include, but are not limited to, permanent interest rate buy-downs and non-recurring closing costs (as defined by the City in Appendix C). The FTHB Assistance cannot be used to pay the borrower's prepaid costs (also known as recurring costs). In addition, the lender needs to satisfy the requirements of the first mortgage, which may require that the borrower pay a minimum percentage of the down payment and certain other costs.

D. Maximum Assistance

The maximum amount of RDA assistance is \$65,000. This assistance includes up to twenty percent (20%) of the purchase price, plus closing costs, the total of which is not to exceed \$65,000.

E. Notifications

The following notifications are required for participation in this program:

Homeownership Notice to Sellers (FTHB-3). This notice shall be provided to the seller at the time a purchase offer is initiated and included as an Addendum to the sales agreement. The seller shall complete and sign this notice at the time of acceptance of the purchase offer. Failure to provide this notice prior to execution of a sales contract shall disqualify the home from purchase through this Program. Compliance with this requirement shall be demonstrated by:

1. Submission of a fully executed Form FTHB-3 at the time the lender submits a request for reservation of funds; and
2. Verification that the dates indicated on Form FTHB-3 are not later than the date the sales agreement was executed.

This Notice will be used to determine if the home is eligible for purchase under the FTHB Program.

Lead-Based Paint Hazard Notice. The purchasers of all homes constructed prior to 1978 shall be provided with a Lead-Based Paint Hazard Notice. This Notice shall be provided to the buyers prior to close of escrow and shall be signed by the buyers. A copy of this signed notice shall be provided to the RDA with the closing package.

Disclosure Statement (FTHB-5). This notice discloses to the buyers the terms of the FTHB Assistance. This form is to be signed and notarized at the settlement appointment and submitted to the RDA with the closing package.

F. Resales

Sale, transfer, refinance and/or conveyance of the property during the Affordability period shall trigger repayment of the FTHB Assistance, as detailed in the Regulatory Agreement, Deed of Trust, Promissory Note, and Disclosure Notice.

G. Subordination

The FTHB Deed of Trust shall be recorded in second position to the first mortgage on the property. The FTHB Deed of Trust shall remain in second position and will not be subordinated to any additional debt, except as approved by the RDA. The RDA will not agree to subordinate the FTHB Assistance to any other indebtedness with the following exceptions: (1) the first mortgage obtained concurrently with the FTHB Assistance to purchase the home; and (2) limited refinancing as detailed in the following section.

H. Refinancing

Refinancing is only permitted with the prior authorization of the Agency and for purposes of reducing the monthly carrying costs of the borrower. The Agency shall not authorize refinancing for any of the following purposes: (1) to remove equity from the property; (2) to consolidate debts; (3) to consolidate the first mortgage with any junior liens or obligations; and/or (4) to increase the principal indebtedness amount of the first mortgage (except for the amount of the reasonable and usual costs associated with the refinancing).

I. Title Insurance

The purchaser shall obtain title insurance for the property, listing the RDA and the City of Temecula as “co-insured.”

J. Property Maintenance Requirements

Maintenance. The borrower shall agree to maintain the home in HQS condition for the term of the RDA assistance. To this end, the purchaser shall be required to obtain a one-year home warranty as part of the home purchase. The costs of the home warranty are eligible for financial assistance under the FTHB Program. For newly constructed homes, the builder shall warranty the home for a minimum of one year from date of purchase. In the absence of a written warranty from the builder, the buyer shall obtain a one year home warranty from an independent company.

Hazard Insurance. The purchaser shall obtain and maintain, for the term of the assistance, a hazard insurance policy for the property, listing the City of Temecula as co-insured. The hazard insurance policy shall be of a sufficient amount to cover the City’s interest in the home. Full insurance for the amount of the first and second loans, or a Guaranteed Replacement Cost policy, is acceptable.

Flood Insurance. Properties located in a flood hazard zone shall obtain flood insurance listing the RDA and the City of Temecula as co-insured.

K. Loss Payee

The RDA and City shall be listed on the hazard insurance, flood insurance, and title insurance as the loss payee in the following manner:

Redevelopment Agency of the City of Temecula, and
City of Temecula
41000 Main Street
P.O. Box 9033
Temecula, CA 92589-9033

L. Auditing/Monitoring

All participating lenders shall maintain complete files for each Program participant for at least seven (7) years. The RDA will maintain records for each Program participant for the term of Affordability, plus three (3) years.

The RDA may conduct random audits of lender files to ascertain compliance with the FTHB Program. This may include review of participant files, and review of lender information to document compliance with all lender requirements. In addition to participant files, participating lenders shall maintain records of affirmative marketing efforts, Community Reinvestment Act (CRA) compliance, bi-lingual (Spanish) staffing, and efforts to provide assistance with minimal inconvenience to the borrower.

The RDA may also conduct surveys of program participants to obtain their input on the program, the processing of their application, and their level of satisfaction with the results. The results of any such surveys will be shared with the participating lenders. Complaints about particular individuals or lenders will be investigated and, if necessary, corrective action taken.

M. Conflict of Interest

FTHB assistance shall not be provided to any person or the immediate family of any person who is in a decision-making position relative to any aspect of the FTHB Program or the associated first mortgage. This includes, but is not limited to, employees and immediate family members of employees of the RDA and participating lenders.

IV. PARTICIPATING LENDERS

A. Requirement

The RDA will only accept FTHB Applications from approved Participating Lenders who have entered into a Lender Participation Agreement with the RDA for this Program.

B. Selection

The RDA shall establish minimum criteria for the selection of participating lenders for the FTHB Program. All selected lenders shall enter into a lender participation agreement with the RDA and shall agree to abide by the RDA's procedures for all borrowers participating in the FTHB Program. The minimum lender criteria for the First Time Home Buyer Program are as follows:

- (1) Participating lenders shall be direct lenders with the ability to originate and service loans. Loan brokers are not eligible for approval as a participating lender.

- (2) Participating lenders shall provide staff personnel with the ability to communicate in Spanish. Bi-lingual (Spanish) staff shall be available at all branches serving the City of Temecula.
- (3) Participating lenders shall provide application assistance with minimal inconvenience to the borrower. Application assistance shall be provided at a time and place convenient to the borrower.
- (4) Participating lenders shall demonstrate a commitment to Community Reinvestment Act (CRA) and affirmative marketing requirements, and outreach to minority and low income communities. Lenders shall agree to proactively market the Program to low income and minority people. All advertising to the general public shall be complimented with advertising targeted to these groups, including, but not limited to, minority newspaper, television, and radio advertisements. The RDA will monitor all marketing efforts and will require periodic updates on the marketing efforts of participating lenders.
- (5) Participating lenders shall have demonstrable experience in first time home buyer programs.
- (6) At least one branch of each participating lender shall operate from a City of Temecula location.

The selection of participating lenders shall be at the sole discretion of the RDA. The RDA reserves the right to limit the number of approved participating lenders.

C. Brokers

Mortgage Brokers are not eligible for designation as participating lenders in the FTHB Program. Participating Lenders may enter into arrangements with brokers to process FTHB Applications. However, the Participating Lender shall remain responsible for all submittals to the RDA and for verifying that all aspects of the purchase meet the FTHB Program requirements.

D. Removal

The RDA may suspend or remove participating lenders from the First Time Home Buyer Program in accordance with the terms of the Lender Participation Agreement. Lenders may be suspended or removed from the Program based on, but not limited to, the following violations:

1. Failure to follow the FTHB Program Guidelines, as described in this Manual and periodic Lender Bulletins.
2. Failure to submit all outstanding documentation within fifteen (15) days of loan closing.
3. Withholding of information that would result in applicant or property disqualification from the program.
4. Negligent or fraudulent misstatements or actions in regard to the Program.

5. Failure to conduct reasonable verification of applicant qualifications for the Program.
6. Failure to maintain complete applicant records for a minimum of seven (7) years after loan closing.

E. Authorized Lender Staff

Staff of participating lenders must be employees of the lender and licensed by the state if required.

V. PROCESSING PROCEDURES

FTHB Applications will be processed by the RDA on a first-come, first-served basis, in chronological order as received from participating lenders. The RDA will maintain a running balance of funds available, and once funds are exhausted, the RDA will stop accepting applications and notify the participating lenders that the Program is out of funds. The following procedures are to be followed for all FTHB Applications:

A. Pre-Qualification Phase

1. Potential buyer contacts participating lender.
2. Participating lender screens the buyer for program eligibility (income & first-time buyer status).
3. Participating lender takes a loan application and pre-qualifies buyer for the maximum first loan that they can afford given their income, debts and prevailing interest rates. First loan must be a thirty-year, fully amortized, fixed rate loan.
4. Lender provides buyer with a pre-qualification letter that states:
 - (a) the maximum home price that the buyer can afford, based on the maximum first loan amount plus the maximum FTHB Program assistance (not to exceed twenty percent (20%) of the home price or \$65,000, whichever is less);
 - (b) that the buyer shall provide a Homeownership Notice to the Sellers (Form FTHB-3) by attaching this form to the Purchase Offer as an Addendum and request that the Seller(s) sign this form when they accept the purchase offer; and
 - (c) any conditions imposed by the lender.
5. Buyer attends an RDA-approved Home Buyer Education seminar and receives a Certificate of Completion. The buyer is encouraged to complete this requirement as soon as possible in the home purchase process. A copy of the Certificate of Completion certifying that the buyer has completed this requirement is needed prior to the Request for Funding Phase.
6. Buyer locates a home and enters into a purchase agreement. Buyer provides Homeownership Notice to Sellers (FTHB-3) as an addendum to the purchase contract for the Seller to sign at acceptance of purchase offer.

B. Reservation Phase

1. Lender submits a request for reservation of funds to the RDA. Request must include all of the following:
 - (a) First Time Home Buyer Assistance Reservation Form (Form FTHB-1).
 - (b) Signed Original Certification of Applicant Form (Form FTHB-2).
 - (c) Copy of the signed purchase agreement, including all counter offers and the Real Estate Transfer Disclosure Statement. In addition, if buyer will be purchasing a new home that is not yet complete, include evidence that building permits have been paid by the contractor and that construction will be completed within ninety (90) days of loan approval.
 - (d) Homeownership Notice to Sellers (Form FTHB-3), fully signed and dated.
 - (e) Copy of the Escrow Instructions.
 - (f) Completed FTHB Program Financing Worksheet (Form FTHB-4).
 - (g) Copy of fully completed and signed Loan Application and credit report.
 - (h) Copy of federal tax returns or Income Tax Affidavit (Form FTHB-5) of the last three years. **PLEASE NOTE:** The applicant must sign the tax returns stating in writing: "This is a true and exact copy of the returns submitted to the IRS."
2. RDA will review the Reservation and within ten (10) days will issue or reject the reservation. Reservation requests will be processed on a first come, first served basis. The reservation may be rejected for the following reasons:
 - (a) Buyer or home does not meet the Program Requirements.
 - (b) Reservation package is incomplete; or
 - (c) The Agency does not have sufficient funds to provide the requested amount of assistance.
3. A written Funding Reservation will be issued within ten (10) days of receipt of the Reservation Request. The Funding Reservation will be conditioned upon certain items, as follows:
 - (a) Transaction must be completed within sixty (60) days of the Funding Reservation. If home is under construction, construction must be completed and the purchase closed within ninety (90) days of the Funding Reservation. Requests for extensions of time shall be submitted in writing at least ten (10) days prior to expiration of the Funding Reservation and shall include the reason for the extension. The RDA will evaluate the request for reasonableness and will approve or deny the extension in writing.

- (b) For existing homes, a copy of the home inspection shall be submitted as soon as it is available, and shall demonstrate that the home will be ready for occupancy upon closing. Funds deposited into an escrow account for the purpose of making repairs necessary for occupancy shall meet this requirement pending approval by the Lender and the RDA.
- (c) Written proof that any items listed in the Home Inspection or purchase agreement that were to be completed prior to occupancy have been completed.
- (d) Appraisal establishing property value (not purchase price). Property value shall equal or exceed the purchase price.
- (e) Any other items needed to verify applicant or property eligibility for the Program.

4. Lender processes first loan and establishes a closing date.

C. Request for Funding Phase

1. Upon final loan approval, **at least fifteen (15) days prior to scheduled funding**, Lender submits the following:

- (a) Signed, original Lender's Certification of Applicant Eligibility (Form FTHB-6) and a true and correct copy of the FNMA Summary Form 1008, or a true and correct copy of the FHA Mortgage Credit Analysis Worksheet, Form 92900-WS, as appropriate.
- (b) Copy of Certificate indicating buyer's completion of an approved Home Buyer Education class.
- (c) Copy of Home Inspection Report for existing homes.
- (d) Written proof that any items listed in the Home Inspection or purchase agreement that were to be completed prior to occupancy have been completed.
- (e) Copy of appraisal establishing property value (not purchase price).
- (f) Any outstanding items noted in the written Funding Reservation letter issued by the RDA.
- (g) Written request from an escrow officer for FTHB funds to be deposited into escrow, including instructions for wire transfer, if applicable. The RDA requires a minimum of seven (7) working days, not including Fridays or holidays, to process a claim and wire funds to escrow. This time period begins with receipt of the escrow funding request (by fax or mail).

NOTE: The Home Inspection Report should be submitted to the RDA as soon as it is available. Based on an evaluation of this Report, the RDA may require repairs to be completed prior to close of escrow. The RDA will mail a copy of this Report to the borrowers, for their information.

2. The RDA will review these items within five (5) days. If all items have been satisfied, the RDA will issue a confirmation letter to the Lender and Escrow Company approving the RDA Assistance and designating the date that funds will be deposited into escrow. The RDA will also prepare the loan documents and forward them to escrow to be signed by the borrower(s).

D. Closing Phase

1. Buyer(s) attend settlement appointment and sign all closing documents. RDA documents to be signed at closing are as follows:
 - (a) First Time Home Buyer Assistance Program Disclosure Statement (Form FTHB-7).
 - (b) Promissory Note.
 - (c) Subordinate Deed of Trust.
 - (d) Regulatory Agreement
 - (e) Lead-Based Paint Notice for homes constructed before 1978.

The RDA will prepare these documents and submit them to escrow for execution by the borrowers. Escrow will send for recording Subordinated Deed of Trust and Request for Notice.

2. Loans are funded and home purchase closes.
3. Escrow submits the signed First Time Home Buyer Assistance Program Disclosure Statement (Form FTHB-7), Promissory Note, Lead-Based Paint Notice (if required), copy of executed Subordinated Deed of Trust and Request for Notice and proof of property insurance to the RDA as soon as they are executed.
4. Escrow submits a copy of the HUD-1 Statement as soon as possible after closing.
5. Title Company provides the RDA with a copy of the Title Insurance Policy insuring the RDA's interest in the property.
6. **FAILURE TO SUBMIT CLOSING DOCUMENTS WITHIN FIFTEEN (15) DAYS OF CLOSING WILL RESULT IN SUSPENSION OF LENDER, INCLUDING ALL BRANCHES, FROM THE FTHB PROGRAM. THE RDA WILL NOT ACCEPT FUNDING RESERVATION REQUESTS FROM SUSPENDED LENDERS.**
7. RDA closes out the FTHB File.

E. Resubmission of Denied Applications.

The RDA will only process resubmissions of denied applications if it can be demonstrated that the reasons for denial were based on inaccurate or missing information. Back-up documentation to support all such resubmissions shall be submitted, and the Application will be processed as indicated above. For example, if an application was denied for not being a first-time home buyer, the resubmission shall include evidence that the buyer did not have

any ownership interest in their principal residence. Examples of such evidence may include, but are not limited to, a chain of title, copies of deeds, copies of divorce papers or other legal documents showing ownership of property.

F. Changes in Information.

In some cases there may be changes in information between the date the Reservation Request is submitted and the date of the closing. All such changes shall be handled in the following manner:

1. Change in Home Being Purchased. In order to change the home being purchased, the following shall be completed listing the new address and re-submitted to the RDA:

Change After Reservation and Before Request for Funding

- (a) Cover letter from Lender describing change and why it occurred;
- (b) New Reservation (Form FTHB-1), completed in full and listing new address and relevant information;
- (c) New Homeownership Notice to Sellers (Form FTHB-3) completed and fully signed;
- (d) Copy of new signed sales purchase agreement or equivalent; and
- (e) Copy of New Escrow Instructions.

Change After Request for Funding

- (f) All items listed above, plus:
- (g) New Lender's Certificate of Applicant Eligibility (Form FTHB-6), fully completed and signed;
- (h) Copy of new Home Inspection Report;
- (i) Written proof that items listed in the Home Inspection that affect habitability of the unit have been corrected; and
- (j) Copy of new appraisal.

The RDA will evaluate these materials and determine whether the property and buyer meet all of the Program Requirements. This determination of approval or denial of the change will be provided to the Lender in writing. Denial may occur if the home is not located in a participating location, if the home value exceeds the program limit, if the home is determined to not be in standard condition, if the home is occupied by a tenant or has been vacant for less than sixty (60) days, if there is an increase in the amount of assistance required and this amount exceeds the program limits or if the RDA has insufficient funds to increase the amount of assistance, or if there are any other changes which affect eligibility of the buyer or property.

2. Changes in Income. The initial income determination is valid for six (6) months. A re-verification of income will be required if more than six months elapse from date of income determination. Any changes in income that increase the household income must be re-submitted for an eligibility determination. This includes the addition of additional household members age 18 and older, or increases in the income of any household member. Changes in income shall be immediately reported by submitting a new, fully signed, Certification of Applicant (Form FTHB-2).
3. Marriage and/or the Addition of New Adult Household Members. The addition of any new adults to the household shall be immediately reported by submitting a new, fully signed, Certification of Applicant (Form FTHB-2), as well as the last three (3) years' tax returns for the new family members. All new adult household members must meet the first time home buyer requirement, and the income of all adult household members shall be included in determining income eligibility.
4. Homeownership Interest. If the applicants acquire an ownership interest in their principal residence at any time prior to closing, the household no longer meets the first time buyer requirement and is ineligible for the Program. The Application and Reservation are automatically denied if this should occur.
5. Increase in Price. If the price of the home increases, or the amount of assistance needed changes, the RDA must be notified immediately. Revised forms noting the changes shall be submitted as soon as possible. The home may become ineligible if the home value as established by the appraisal exceeds the maximum value limitation. In addition, any increase in the amount of assistance needed must comply with the maximum assistance amounts and is dependent upon availability of sufficient Program funds.
6. Decrease in Price. If the price of the home decreases, the amount of RDA assistance will decrease. The RDA shall be notified no later than the Request for Funding. The Lender shall note the decrease on the Request for Funding Cover Sheet and shall include the new price in the Lender's Certification. RDA assistance will be determined based on twenty percent (20%) of the revised purchase price, not to exceed \$65,000.

MINIMUM PROGRAM TIMELINES

Lenders should keep the following schedule in mind when considering funding a loan through the FTHB Program. These are minimum program timelines. Additional time for lender processing should be incorporated into the timeline. The RDA will strive to process loans as quickly as possible however the RDA cannot guarantee a particular closing schedule.

Prior to Day 1: Buyer is pre-qualified by Lender and Buyer attends First Time Home Buyer Education seminar.

Day 1 **Purchase Agreement is accepted and buyer enters escrow**

Day 2 Lender submits Request for Reservation of Funds with all required items.

Days 2 - 12 Home Inspection of Property is performed and all repairs are completed. Home is appraised. Lender processes first loan.

Day 12 RDA issues Funding Reservation

- Day 12 Lender gives final loan approval for first loan. Lender submits Lenders Certification and all items listed in the Funding Reservation to the RDA. Escrow officer submits written request for FTHB funds to be deposited into escrow.
- Day 17 RDA issues a confirmation letter to Lender and Escrow company designating the date funds will be deposited into escrow.
- Day 17 - 27 Buyer attends settlement appointment and signs all documents.**
- Day 27 First and Second Loans are funded. Escrow closes.
- Day 28 Buyer takes possession of home. Escrow sends loan documents to RDA.
- Day 42 Lender submits closing documents to the RDA.

APPENDICES

- A. INCOME AND PROPERTY VALUE LIMITS
- B. ELIGIBLE CLOSING COSTS
- C. CALCULATING ANNUAL INCOME
- D. DEFINITIONS
- E. HOUSING QUALITY STANDARD CHECKLIST
- F. FIRST TIME HOME BUYER APPLICATION CHECKLIST
- G. FIRST TIME HOME BUYER RESERVATION FORMS
- H. FIRST TIME HOME BUYER REQUEST FOR FUNDING PHASE
- I. FIRST TIME HOME BUYER CLOSING PACKAGE

APPENDIX A

INCOME AND PROPERTY VALUE LIMITS

2010 Annual Household Income Limits	
Family Size	Moderate Annual Income
1	\$ 54,600
2	\$ 62,400
3	\$ 70,200
4	\$ 78,000
5	\$ 84,250
6	\$ 90,500
7	\$ 96,700
8	\$ 102,950

MAXIMUM PROPERTY VALUE

No Limit

ASSETS

In addition to income, family assets (excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase) shall not exceed a twelve (12) month reserve based on the maximum income for the family size. For example, a family of four (4) shall have a maximum of \$78,000 in assets, excluding personal property (such as automobiles and furniture), funds in restricted retirement accounts, and funds to be used in the home purchase.

See Appendix C for a detailed description of the items to be included and excluded from assets.

APPENDIX B

CLOSING COSTS ELIGIBLE FOR RDA ASSISTANCE

The FTHB Assistance may be utilized to pay the following non-recurring closing costs, as defined by the Agency, and subject to the maximum assistance limits of the program:

Abstract or Title Search, Title Examination, Title Insurance Binder.

Appraisal Fee.

Assumption Fee.

Credit Report Fee.

Document Preparation.

Flood Certification.

Funding Fee.

Government Recording and Transfer Charges.

Guarantee Fee.

Home Inspection Fee.

Home Warranty Fee.

Lender's Inspection Fee.

Loan Origination fees and discount points.

Mortgage Insurance Premium.

Notary fees.

Pest and Other Inspections.

Points paid in advance to buy-down the interest rate.

Processing Fee.

Property survey fees.

Settlement or Closing Fees.

Survey.

Tax Service Fee.

Title Charges.

Title Insurance (both owners and lenders).

Underwriting Fee.

Wire Transfer Fees.

The following closing costs are not eligible to be paid with FTHB Assistance:

Annual Assessments.

Attorney's Fees.

City/County Property Taxes.

Hazard Insurance.

Hazard Insurance Premium.

Homeowners or Property Owners Association Fees and Dues.

Interest.

Mortgage Insurance.

Mortgage Insurer Application Fee.

Other Recurring Costs Required by Lender To Be Paid In Advance.

Reserves Deposited With Lenders.

APPENDIX C

CALCULATING ANNUAL INCOME

Gross Income shall be determined in accordance with 25 California Code of Regulations Section 6914, which provides as follows:

“Gross income” shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income. If the circumstances are such that it is not reasonably feasible to anticipate a level of income over a twelve-month period, a shorter period may be used subject to a redetermination at the end of such a period.

“Income” shall consist of the following:

(a) Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

(1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;

(2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);

(3) Interest and dividends;

(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 subdivision (b)(3)).

(6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which 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 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 family or spouse (but see subdivision (b)(5)).

Where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household’s full-time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

(b) The following items shall not be considered as income:

- (1) Casual, sporadic or irregular gifts;
- (2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;
- (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;
- (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income;
- (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (6) Relocation payments made pursuant to federal, state, or local relocation law;
- (7) Foster child care payments;
- (8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
- (9) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
 - (A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (B) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

APPENDIX D

FIRST TIME HOME BUYER PROGRAM DEFINITIONS

Abstract or Title Search, Title Examination, Title Insurance Binder. These charges cover the costs of the search and examination of records of previous ownership, transfers, etc., to determine whether the seller can convey clear title to the property, and to disclose any matters on record that could adversely affect the buyer or the lender. Examples of title problems are unpaid mortgages, judgment or tax liens, conveyances of mineral rights, leases, and power line easements or road right-of-ways that could limit use and enjoyment of the real estate. In some areas, a title insurance binder is called a commitment to insure.

Additional Settlement Charges. The lender or the title insurance company may require that a surveyor conduct a property survey to determine the exact location of the home and the lot line, as well as easements and rights of way. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fees, but sometimes this may be handled by the seller.

Amortization. The gradual repayment of a mortgage with equal monthly payments over the life of the loan.

Annual Assessments - Recurring. This reserve item covers assessments that may be imposed by subdivisions or municipalities for special improvements (such as sidewalks, sewers or paving) or fees (such as homeowners association fees).

Annual Income. Gross amount of income anticipated to be received by all adults in a household during the twelve (12) months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next twelve (12) months. See Appendix C for income to be included and excluded from the annual income calculation.

Appraisal Fee. The fee charged for the preparation of an appraisal of property value.

Appraisal. An estimate of property value prepared in accordance with accepted practices and standards by an independent appraiser who is licensed by the State of California. The appraiser inspects the house and the neighborhood, and considers sales prices of comparable houses and other factors in determining the value. The appraisal report may contain photos and other information of value to you. It will provide the factual data upon which the appraiser based the appraised value.

Assumption Fee. This fee is charged for processing papers for cases in which the buyer takes over the payments on the prior loan of the seller.

Attorney's Fees. You may be required to pay for legal services provided to the lender in connection with the settlement, such as examination of the title binder or sales contract. Occasionally this fee can be shared with the seller, if so stipulated in the sales contract. If a lawyer's involvement is required by the lender, the fee will appear on this part of the form. The buyer and seller may each retain an attorney to check the various documents and to represent them at all stages of the transaction, including settlement. Where this service is not required and is paid for outside of closing, the person conducting settlement is not obligated to record the fee on the settlement form.

City/County Property Taxes - Recurring. The lender may require a regular monthly payment to the reserve account for property taxes.

Closing Costs. Fees and expenses, in addition to the down payment, that are required to complete a real estate transaction. Closing costs may be non-recurring or recurring. Non-recurring costs are only paid once and include , but are not limited to items such as loan origination fees, points, title fees, recording fees, transfer taxes. Non-recurring costs are eligible for payment by the FTHB Program. Recurring costs are paid at closing and will be incurred again after purchase. Examples of recurring costs are property taxes, hazard insurance, interest, mortgage insurance and mortgage insurance premiums, and annual assessments. Recurring costs are not eligible for payment by the FTHB Program. For specific costs which are payable by the FTHB Program, see Appendix B.

Closing. The final step in transferring ownership of a property from seller to buyer.

Credit Report Fee. This fee covers the cost of the credit report, which shows how you have handled other credit transactions. The lender uses this report in conjunction with information you submitted with the application regarding your income, outstanding bills, and employment, to determine whether you are an acceptable credit risk and to help determine how much money to lend you. When credit reporting problems are encountered, you have protection under the Fair Credit Laws.

Deed. A legal document conveying title to a property.

Displaced homemaker. An individual who, (1) is an adult; (2) has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and (3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

Document Preparation. There may be a separate document fee that covers preparation of final legal papers, such as a mortgage, deed of trust, note, or deed. You should check with the settlement agent to see that these services, if charged for, are not also covered under some other service fees.

Eligible Property. A property to be used as the buyer's principal residence which is located in a participating location and has an appraised property value that does not exceed the property value limit established by the FTHB Program.

Equity. The owner's value or interest in a property. Equity is computed as the difference between the market value of a property and the owner's indebtedness incurred against the property.

Escrow. The placement of money or documents with a third party for safekeeping pending the fulfillment or performance of a specific act or condition.

Existing Home. Any residence that has been previously occupied for residential purposes.

FHA Mortgage. A mortgage loan insured by the Federal Housing Administration.

Fannie Mae. A nickname for the Federal National Mortgage Association (FNMA), a tax paying corporation created by Congress to support the secondary mortgage insured by FHA or guaranteed by VA, as well as conventional home mortgages.

First Mortgage. A mortgage, the proceeds of which are used to purchase the property, issued by a participating lender and recorded in first position on the deed.

First-Time Home Buyer. An individual or an individual and his or her spouse who have not owned their principal residence during the three-year period before the purchase of a home with CITY

assistance, except that the following persons shall not be excluded from consideration as a first-time Home Buyer:

A person who owns or owned a principal residence during the three year period which is (a) not permanently affixed to a permanent foundation in accordance with local or other applicable regulations, or (b) not in compliance with State, local or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Freddie Mac. A nickname for the Federal Home Loan Mortgage Corporation (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market. Freddie Mac purchases and sells conventional home mortgages.

Government Recording and Transfer Charges. These fees may be paid either by borrower or seller, depending upon your contract when you buy the home or accept the loan commitment. The borrower usually pays the fees for legally recording the new deed and mortgage. These fees, collected when property changes hands or when a mortgage loan is made, may be quite large and are set by State and/or local governments. City, County and/or State tax stamps may have to be purchased as well.

Hazard Insurance Premium - Recurring. This premium prepayment is for insurance protection for you and the lender against loss due to fire, windstorm, and natural hazards. This coverage may be included in a homeowner's policy which insures against additional risks which may include personal liability and theft. Lenders often require payment of the first year's premium at settlement. A hazard insurance or homeowner's policy may not protect you against loss caused by flooding. If your mortgage is Federally insured and your property is within a special flood hazard area identified by FEMA, you may be required by Federal law to carry flood insurance on your home. Such insurance may be purchased in participating communities under the National Flood Insurance Act.

Hazard Insurance - Recurring. The lender determines the amount of money that must be placed in the reserve in order to pay the next insurance premium when due.

Home. A one-unit dwelling, including a single family home, condominium or manufactured home on a permanent foundation, that will be the buyer's permanent residence.

Home Buyer Education. A course or class designed to prepare persons for homeownership. Topic covered include the home buying process, obtaining a loan, and responsibilities associated with homeownership, including, but not limited to, maintenance and payment obligations.

Home Inspection Report. A pre-purchase inspection prepared by a qualified home inspector which documents the condition and working order of the home and all fixtures included in the home purchase agreement. The inspection and report shall be prepared in accordance with industry standards. The report shall list any and all conditions which impair the habitability of the unit. The Home Inspection Report is used to determine that the home is in standard condition and will comply with Housing Quality Standards upon occupancy.

Home Warranty. A warranty provided by an independent company that provides for the repair of specified items in a home during the warranty period, usually for a small deductible.

Homeownership. Ownership in fee simple title or a 99 year leasehold interest in a one- to four-unit dwelling or in a condominium unit, or ownership or membership in a cooperative. The ownership interest may be subject only to mortgages, deeds of trust, or other liens or instruments securing debt on the property; resale restrictions imposed through this Program; or any other restrictions or encumbrances that so not impair the good and marketable nature of title to the ownership interest.

Household. One or more persons occupying a housing unit.

Housing Quality Standard. A minimum standard of habitability established by the Public Housing Authority.

HUD. The United States Department of Housing and Urban Development, a federal governmental agency established to implement certain federal housing and community development programs.

Impound Account. That portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other recurring items, as they become due. Also referred to as an escrow payment.

Interest - Recurring. Lenders usually require that borrowers pay at settlement the interest that accrues on the mortgage from the date of settlement to the beginning of the period covered by the first monthly payment. For example, suppose your settlement takes place on April 16 and your first regular monthly payment will be due June 1 to cover interest charges for the month of May. On the settlement date, the lender will collect interest for the period from April 16 to May 1. If you borrowed \$60,000 at 12 percent interest, the interest item would be \$303.30.

Items Required by Lender To Be Paid In Advance. You may be required to prepay certain items, such as interest, mortgage insurance premium and hazard insurance premium, at the time of settlement.

Lender's Inspection Fee. This charge covers inspections, often of newly-constructed housing made by personnel of the lending institution or an outside inspector.

Lender's Title Insurance. A one-time premium may be charged at settlement for a lender's title policy which protects the lender against loss due to problems or defects in connection with the title. The insurance is usually written for the amount of the mortgage loan and covers losses due to defects or problems not identified by title search and examination. The borrower may pay all, a part of, or none of this cost depending on the terms of the sales contract or local custom.

Lien. A legal claim against a property that must be paid when property is sold.

Loan Origination Fee. The charge assessed by a lender for processing a mortgage.

Loan-to-Value Ratio. The ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price).

Mortgage. A lien on real estate given by the buyer as security for money borrowed from a lender.

Mortgagee. The lender of money or the receiver of the mortgage document.

Mortgagor. The borrower of money of the giver of a mortgage document.

Mortgage Insurance Premium - Recurring. Mortgage insurance protects the lender from loss due to payment default by the borrower. The lender may require you to pay your first premium or a lump sum premium covering the life of the loan in advance, on the day of settlement. The premium may cover a specific number of months, a year in advance or the total amount. With this insurance protection, the lender is willing to make a larger loan, thus reducing your down payment requirements. This type of insurance should not be confused with mortgage life, credit life, or disability insurance designed to pay off a mortgage in the event of physical disability or death of the borrower.

Mortgage Insurance - Recurring. The lender may require that part of the total annual premium be placed in the reserve account at settlement. The portion to be placed in reserve may be negotiable.

Mortgage Insurer Application Fee. This fee covers processing the application for private mortgage insurance which may be required on certain loans. It may cover both the appraisal and application fee.

New Home. A residence that has never been previously occupied for residential purposes by any person.

Non-recurring Closing Costs. One-time fees and expenses paid at the time of closing. Non-recurring costs are paid in full at the time of closing.

Notary Fee. This fee is charged for the cost of having a licensed person affix his or her name and seal to various documents authenticating the execution of these documents by the parties.

Note. A written promise to pay a certain amount of money.

Owner's Title Insurance. This charge is for owner's title insurance protection and protects you against losses due to title defects. In some areas it is customary for the seller to provide the buyer with an owner's policy and for the seller to pay for this policy. In other areas, if the buyer desires an owner's policy he or she must pay for it.

Pest and Other Inspections. This fee is to cover inspections for termite or other pest infestation of the home. This may be important if the sales contract included a promise by the seller to transfer the property free from pests or pest-caused damage. Be sure that the inspection shows that the property complies with the sales contract before you complete the settlement. If it does not, you may wish to require a bond or other financial assurance that the work will be completed. This fee can be paid either by the borrower or seller depending upon the terms of the sales contract. Lenders vary in their requirements as to such an inspection.

Point. One percent of the loan amount.

Principal and Interest Payment (P&I). A periodic (usually monthly) payment that includes the interest charges for the period plus an amount applied to amortization of principal balance.

Principal, Interest, Taxes, and Insurance Payment (PITI). The periodic payment that includes a principal and interest payment plus a contribution to the escrow account set up by the lender to pay insurance premiums and property taxes on the mortgage property.

Principal Residence. The primary dwelling unit in which a family resides. The residence can be a single family property, a 2-4 unit property, a condominium unit, a manufactured home on a permanent foundation or a cooperative unit.

Professional Property Inspection. A pre-purchase inspection that is conducted to determine the condition of a property prior to purchase. See also Home Inspection Report.

Property Value. The total value of a property as established in an appraisal by a qualified appraiser. The property value, not the purchase price, shall not exceed 95% of the area median purchase price for that type of housing, as annually determined by the United States Department of Housing and Urban Development (HUD).

Reserves Deposited With Lenders. Reserves (sometimes called “escrow” or “impound” accounts) are funds held in an account by the lender to assure future payment for such recurring items as real estate taxes and hazard insurance.

Settlement or Closing Fee. This fee is paid to the settlement agent. Responsibility for payment of this fee should be negotiated between the seller and buyer at the time the sales contract is signed.

Single parent. An individual who is (1) unmarried or legally separated from a spouse and (2) has one or more minor children for whom the individual has custody or joint custody, or (3) is pregnant.

Survey. The lender or the title insurance company may require that a surveyor conduct a property survey to determine the exact location of the home and the lot line, as well as easements and rights of way. This is a protection to the buyer as well. Usually the buyer pays the surveyor’s fees, but sometimes this may be handled by the seller.

Title. The accumulation of all rights in a property, often used interchangeably with the word ownership. Also refers to the document that is evidence of ownership.

Title Charges. Title charges may cover a variety of services performed by title companies and others and include fees directly related to the transfer of title (title examination, title search, document preparation) and fees for title insurance, legal charges, which include fees for lender’s, seller’s or buyer’s attorney or the attorney preparing title work and fees for settlement agents and notaries. Due to the great diversity in practice from area to area, your particular settlement may not include all of these items or may include others not listed. Ask your settlement agent to explain how these fees relate to services performed on your behalf.

Title Insurance. The total cost of owner’s and lender’s title insurance is shown here. The borrower may pay all, a part or none of this cost depending on the terms of the sales contract or local custom.

Title Search. A check of title records to identify liens, encumbrances and ownership rights to the property.

VA Mortgage. A mortgage loan guaranteed by the Veterans Administration, an agency of the federal government that provides services for eligible veterans.

APPENDIX E

HOUSING QUALITY STANDARD CHECKLIST

The following checklist will be utilized by the RDA to determine a minimum level of habitability for all homes purchased through the FTHB Program.

Home inspectors should not use this form - it is provided here for informational purposes only. Home inspectors should prepare their reports in accordance with industry standards for that profession, and should use forms and methods in accordance with those standards.

APPENDIX F

FIRST TIME HOME BUYER APPLICATION CHECKLIST PAGE 1 OF 3

All applications must be typed or printed neatly. All forms should be filled out completely. Make sure applications are signed, and notarized, where required. Any incomplete application can be rejected.

The FTHB Program uses a three-phase process: reservation, request for funding, and closing. The items required for each phase are as follows:

FTHB Reservation. The following items are required in order to reserve funds for a specific borrower. FTHB Reservations are accepted on a first come, first served basis. The FTHB Administrator will review these items and respond to any reservation request within ten (10) days.

- Cover letter indicating mortgage company name and address, contact person, phone and fax numbers, name of applicant and location (address) of home.
- First Time Home Buyer Assistance Reservation Form (Form FTHB-1).
- Original Certification of Application Form (Form FTHB-2), fully signed.
- Copy of purchase agreement or equivalent, fully signed.
- Homeownership Notice to Sellers (Form FTHB-3), fully signed and dated.
- Copy of the escrow instructions.
- Fully completed FTHB Program Financing Worksheet (Form FTHB-4) and copy of Good Faith Estimate of Closing Costs.
- Copy of fully completed and signed Loan Application and credit report.
- Copy of last three years federal tax returns or Income Tax Affidavit (Form FTHB-5).

PLEASE NOTE: The applicant must sign the tax returns stating that “This is a true and exact copy of the returns submitted to the IRS.”

FIRST TIME HOME BUYER APPLICATION CHECKLIST
PAGE 2 OF 3

FTHB Request for Funding. The following items are required in order for the RDA to transfer FTHB funds into escrow. These items shall be submitted at least **fifteen (15) days** prior to scheduled funding. The FTHB Administrator will review these items and issue a confirmation letter within five (5) days, approving the FTHB Assistance and designating the date that funds will be deposited into escrow.

- Cover letter indicating mortgage company name and address, contact person, phone and fax numbers, name of applicant and location (address) of home, and FTHB Program code number (assigned in the funding reservation letter).
- Lender's Certification of Application Eligibility (Form FTHB-6).
- A true and correct copy of the FNMA Summary Form 1008, or a true and correct copy of the FHA Mortgage Credit Analysis Worksheet, Form 92900-WS, as appropriate.
- Copy of Home Inspection Report.
- Written proof that any items listed in the Home Inspection of purchase agreement that were to be completed prior to occupancy have been completed.
- Copy of appraisal establishing property value (not purchase price).
- Any outstanding items noted in the written Funding Reservation letter issued by the Agency.
- Written request from escrow officer for FTHB funds to be deposited into escrow, including instructions for wire transfer, if applicable.

FIRST TIME HOME BUYER APPLICATION CHECKLIST
PAGE 3 OF 3

FTHB Closing Phase. The following items are to be submitted to the RDA as soon as possible after closing and no later than fifteen days after closing. **FAILURE TO SUBMIT CLOSING DOCUMENTS WITHIN FIFTEEN DAYS OF CLOSING WILL RESULT IN SUSPENSION OF LENDER, INCLUDING ALL BRANCHES, FROM THE FTHB PROGRAM. THE RDA WILL NOT ACCEPT FUNDING RESERVATION REQUESTS FROM SUSPENDED LENDERS.**

- Signed First Time Home Buyer Assistance Program Disclosure Statement (Form FTHB-7), Original Promissory Note, and Lead-Based Paint Notice (if required) and copy of Deed of Trust and Request for Notice from Escrow.
- Copy of HUD-1 Statement (forwarded by Escrow).
- Recorded Subordinate Deed of Trust (forwarded from the County Recorder).
- Proof of homeowners insurance listing the RDA and the City of Temecula as co-insured.
- Copy of a Title Insurance Policy insuring the RDA's interest in the property.
- Regulatory Agreement

APPENDIX G

FIRST TIME HOME BUYER RESERVATION FORMS

Cover Letter

First Time Home Buyer Assistance Reservation (FTHB-1)

Certification of Applicant (FTHB-2)

Homeownership Notice to Sellers (FTHB-3)

FTHB Program Financing Worksheet (FTHB-4)

Income Tax Affidavit (FTHB-5)

**CITY OF TEMECULA REDEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM (FTHB)**

**RESERVATION PHASE
COVER LETTER**

(Lenders should use this form or provide their own cover letter
containing all of the following information)

Date Submitted: _____

Lender Submitting FTHB Reservation: _____

Contact Person: _____

Address: _____

Telephone: _____

FAX Number: _____

Name(s) of FTHB Applicant(s): _____

Address and of Home Being Purchased

(Street Number, Street, City and Zip Code): _____

Special Comments or Notes: _____

**City of Temecula
Redevelopment Agency
41000 Main Street
P.O. Box 9033**

**Temecula, CA 92589
(951) 694-6412**

First Time Home Buyer Assistance Reservation

Lender: _____

Lender Address _____

Lender Telephone Number _____

Contact Person _____

We are processing a mortgage loan application for the below listed applicant(s). Our preliminary review indicates that this household meets the eligibility for First Time Home Buyer Assistance as set forth in the Program Guidelines of the Redevelopment Agency of Temecula . Attached is a **copy** of the **escrow instructions**.

Please reserve First Time Home Buyer Assistance funds for the following applicant(s):

Name of Applicant(s) _____

Current Address _____

Address of Property Being Purchased _____

City _____ Zip Code _____

Purchase Price \$ _____

Estimated First Mortgage \$ _____

Gross Annual Household Income \$ _____

\$ _____ Total Amount of Assistance Requested

% _____ (Assistance-percentage of purchase price)

\$ _____ Amount of Assistance subject to Trust Deed (securing interest of the City of Temecula Redevelopment Agency)

Certification of Applicant

1. The undersigned, has applied for First Time Home Buyer Assistance from the City of Temecula Redevelopment Agency, hereinafter referred to as RDA, in conjunction with the First Time Home Buyer Program, and hereby acknowledges and understands the following:
 - a) The First Time Home Buyer Assistance Program is to be used in conjunction with a mortgage loan for the purchase of a single-family residence, which is required to be used as my/our principal residence within sixty (60) days after the closing of the mortgage loan. The home shall not be used as a business nor as a vacation (second) home.
 - b) The decision to grant the first mortgage loan is completely within the discretion of the mortgage lender to whom I/we have applied. The RDA makes no decision in regard to the approval of any first mortgage loan.
 - c) The decision to grant First Time Home Buyer Assistance is within the sole discretion of the RDA, and is dependent upon my/our application meeting all requirements of the RDA's First Time Home Buyer Assistance Program and the availability of funds.

2. Listed below are the names of all persons who intend to reside in the residence and the income of all adults age 18 and older who will reside in the residence:

Name	Relation to Head of Household	Age	Social Security Number	Employer/ Source of Income	Annual Income
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
					TOTAL: \$ _____

I/we certify that my/our total household gross annual income is \$ _____ as listed above and that the number of family members is _____ as listed above.

3. I/we certify that I/we have not had a previous ownership interest in a principal residence during the last three (3) years. First Time Home Buyer Assistance **will not** be granted if I/we have had a previous ownership interest in a principal residence during the last three (3) years, unless each ownership is exempt pursuant to Section I.B.4 of the RDA FTHB Manual (*i.e.*, certain displaced homemakers, certain single parents, persons presently living in a dwelling not meeting local codes and which cannot be brought into compliance, or owners of

manufactured homes not fixed to permanent foundation). In connection with the requirement listed above, I/we understand that I/we will be required to submit copies of my/our previous three (3) years of federal income tax returns, and if unavailable, I/we will cooperate with the lender to submit alternative documentation acceptable to the lender and the RDA.

4. I/we acknowledge that a material misstatement **negligently** made in any statement by me/us in connection with an application for First Time Home Buyer Assistance will constitute a violation of law punishable by a fine; and a material misstatement **fraudulently** made by me/us will constitute a violation of law punishable by a fine and a revocation of the First Time Home Buyer Assistance, in addition to any criminal penalty imposed by law.
5. By affixing my/our signature to this document, I/we acknowledge that I/we have read and understand all of the elements as indicated, and give my/our consent to proceed with the application for First Time Home Buyer Assistance through the RDA.

Date: _____

Signature of Applicant _____

Printed Name _____

Signature of Applicant _____

Printed Name _____

Signature of Applicant _____

Printed Name _____

Name of Participating Lender _____

Signature of Lender Representative _____

Printed Name _____

Title _____

**FTHB PROGRAM
FINANCING WORKSHEET**

BUYER(S): _____

ADDRESS OF HOME BEING PURCHASED: _____

1. PURCHASE PRICE: \$ _____

2. ESTIMATED NON-RECURRING CLOSING COSTS: \$ _____

3. ESTIMATED RECURRING CLOSING COSTS: \$ _____

4. TOTAL NEEDED (line 1 + line 2 + line 3): \$ _____

5. FIRST LOAN AMOUNT: \$ _____

TYPE OF LOAN: _____

INTEREST RATE (See #12 below): _____% TERM: _____ months

PROPOSED PITI/PMI: \$ _____

MONTHLY INCOME: \$ _____

PAYMENT/INCOME RATIO: _____%

6. FINANCED MIP \$ _____

7. TOTAL AMOUNT FINANCED(line 4 + line 5) \$ _____

8. BUYER'S CONTRIBUTION
(Minimum 3% of purchase price): \$ _____

9. RDA ASSISTANCE NEEDED \$ _____

10. MAXIMUM RDA ASSISTANCE AMOUNT:
(20% of purchase price not to exceed \$65,000): \$ _____

11. PROPOSED USE OF RDA FUNDS:

DOWN PAYMENT: \$ _____

NON-RECURRING CLOSING COSTS:

LOAN FEES: \$ _____

HOME WARRANTY: \$ _____

HOME INSPECTION: \$ _____

OTHER (LIST:)

\$ _____

\$ _____

\$ _____

INTEREST RATE BUY-DOWNS: \$ _____

TOTAL RDA FUNDS: \$ _____

12. ESTIMATED DATE LOANS WILL BE FUNDED: _____

13. LOAN LOCK RATE: _____% POINTS: _____ DATE LOCK EXPIRES: _____

City of Temecula
First Time Home Buyer Program
Form FTHB-4

PREPARED BY: _____ DATE: _____

(ATTACH COPY OF GOOD FAITH ESTIMATE OF CLOSING COSTS)

**City of Temecula
Redevelopment Agency
41000 Main Street**

**P.O. Box 9033
Temecula, CA 92589
(951) 694-6412**

First Time Home Buyer Assistance Program

Income Tax Affidavit

1. I (We) hereby certify that I (we) was (were) not required by law to file a Federal Income Tax Return for the following year(s) _____ for the reason(s) stated below:

2. I (We) acknowledge and understand that this Affidavit will be relied upon for purposes of determining my (our) eligibility for Down Payment Assistance. I (We) acknowledge that a material misstatement negligently made in any statement by me (us) in connection with an application for Down Payment Assistance will constitute a federal violation punishable by a fine; and a material misstatement fraudulently made in any statement by me (us) in connection with an application for Down Payment Assistance will constitute a federal violation punishable by a fine and repayment of all Assistance received, which will be in addition to any criminal penalty imposed by law.

3. In addition, I (we) hereby acknowledge and understand that any false pretense, including false statement or representation, or the fraudulent use of any instrument, facility, article or other valuable thing or service pursuant to participation in any City of Temecula Redevelopment Agency program is punishable by imprisonment or by a fine.

Signature of Applicant(s) _____

_____ Date

_____ Date

_____ Date

APPENDIX H
FIRST TIME HOME BUYER REQUEST FOR FUNDING FORMS

Cover Letter

Lender's Certificate of Applicant Eligibility (FTHB-6)

**CITY OF TEMECULA REDEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM (FTHB)**

**REQUEST FOR FUNDING PHASE
COVER LETTER**

(Lenders should use this form or provide their own cover letter
containing all of the following information)

Date Submitted: _____

FTHB Code Number (from Reservation Letter): _____

Lender Submitting FTHB Reservation: _____

Contact Person: _____

Address: _____

Telephone: _____

FAX Number: _____

Name(s) of FTHB Applicant(s): _____

Address and of Home Being Purchased
(Street Number, Street, City and Zip Code): _____

Special Comments or Notes: _____

**City of Temecula
Redevelopment Agency
41000 Main Street**

**P.O. Box 9033
Temecula, CA 92589
(951) 694-6412**

First Time Home Buyer Assistance Program

LENDER'S CERTIFICATE OF APPLICANT ELIGIBILITY

1. (Lender), hereby states the following:

The Lender has accepted and reviewed the First Time Home Buyer Assistance Application for:
_____ ; who shall be referred to as "Applicant",
currently residing at the following address:

_____ City _____ ZIP _____

2. The First Time Home Buyer Assistance application was made in conjunction with an application for a fully amortized, fixed rate, 30 year mortgage loan for the purchase of a single-family residence located at:

_____ City _____ Zip Code _____

3. The purchase price for the residence is \$ _____.

4. The Lender is considering underwriting a first mortgage loan for the Applicant in the amount of \$ _____, with a fixed interest rate of _____%. Said loan will represent a loan-to-value ratio of _____, which Lender certifies is the maximum loan for which Applicant will qualify. The proposed total monthly payment will be \$ _____. The monthly payment will include Principal and Interest of \$ _____, Taxes of \$ _____, Insurance of \$ _____ and Private Mortgage Insurance of \$ _____.

5. The Applicant's gross annual household income is \$ _____, which is within the First Time Home Buyer Assistance Program income limits. The proposed monthly payment represents _____% of the applicant's monthly income.

6. \$ _____ Total Amount of Assistance Requested

% _____ (Assistance-percentage of purchase price)

\$ _____ Amount of Assistance subject to Trust Deed
(securing interest of the City of Temecula Redevelopment Agency, typically this is the amount of FTHB funds to be used for down payment).

13. Lender hereby certifies that the applicant will obtain a minimum one year Home Warranty from a reputable company, or that the builder has provided an equivalent warranty for a minimum of one year. Name of Home Warranty Provider: _____
_____.
14. Based upon reasonable investigation, the lender has no reason to believe that the applicant has made any negligent or fraudulent statements, nor any material misstatements in connection with this application for First Time Home Buyer Assistance.
15. Lender certifies that all files and records pertaining to any First Time Home Buyer Assistance application will be retained by Lender and made available for inspection by the Redevelopment Agency and/or its designee for a minimum of seven (7) years.
16. In the event that lender's first mortgage loan will be sold to the Federal National Mortgage Association (FNMA), lender certifies that a valid contract is in existence between lender and FNMA allowing for the sale of mortgage loans pursuant to FNMA's Community Partnership Program.

Lender _____

Date _____

Executed By _____

(Authorized Signatory Agent of Lender)

Title _____

(THIS DOCUMENT IS TO BE NOTARIZED)

APPENDIX I
FIRST TIME HOME BUYER CLOSING FORMS

Cover Letter

Disclosure Statement (FTHB-7) **SEE NOTE BELOW.**

Promissory Note **SEE NOTE BELOW.**

Subordinate Deed of Trust **SEE NOTE BELOW.**

Regulatory Agreement **SEE NOTE BELOW.**

Request for Notice **SEE NOTE BELOW.**

NOTE: These documents will be drawn by the RDA and delivered to escrow for the borrower to sign. The following are provided as samples for informational purposes only.

**CITY OF TEMECULA REDEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM (FTHB)**

**CLOSING PHASE
COVER LETTER**

(Lenders should use this form or provide their own cover letter
containing all of the following information)

Date Submitted: _____

FTHB Code Number (from Reservation Letter): _____

Lender Submitting FTHB Reservation: _____

Contact Person: _____

Address: _____

Telephone: _____

FAX Number: _____

Name(s) of FTHB Applicant(s): _____

Address of Home Being Purchased
(Street Number, Street, City and Zip Code): _____

Date of Mortgage Closing: _____

Special Comments or Notes: _____

**City of Temecula
Redevelopment Agency
41000 Main Street**

**P.O. Box 9033
Temecula, CA 92589
(951) 694-6412**

First Time Home Buyer Assistance Program

Disclosure Statement

In consideration of funding provided by the City of Temecula Redevelopment Agency (the "RDA") to assist in the purchase of the single family residence located at: _____, the undersigned acknowledges acceptance and understanding of this program and hereby agrees to the following terms and conditions hereon.

By signing this document you agree to occupy the property as your principal residence and should you choose to sell the property within the Affordability Period, the sale will be restricted to certain other purchasers meeting income requirements as established by the RDA. You agree not to rent or lease any part or whole of the subject property. You further agree to contact the RDA in writing by certified mail and receive written permission prior to the sale, refinancing, or any transfer of the subject property during this Affordability Period.

Upon notification to the RDA of your intent to sell, the RDA reserves the right to inspect the property and to determine whether any housing code violations exist. Housing code violations must be remedied by the original borrower prior to sale or the estimated costs for repairs will be deducted from the proceeds of the sale.

RDA funds invested in the First Time Home Buyer Assistance Program, and which are secured, will require no monthly payments during the first five years. In the event that the property is sold prior to the fulfillment of the contract term, all RDA funds will be paid out of the sale proceeds.

Insurance: Buyer will purchase Title insurance for the property, which will include the RDA and the City of Temecula as "co-insured." Buyer will purchase home warranty insurance for a minimum period of one year. Buyer shall maintain property insurance and flood insurance, if required, listing the RDA and the City of Temecula as co-insured, for the term of the assistance.

Affordability Period. It is intended that the above referenced property will remain as an affordable home for up to thirty (30) years and, in the event that the property is sold during this time period or used for purposes other than your personal residence, the Assistance will become immediately due and payable.

Sale of the Property. As the owner of the property you are entitled to receive a fair return of the equity proceeds, if any, upon the sale of the property. If you sell during the Affordability Period, the full amount of the Assistance shall be repaid to the RDA out of the net proceeds of the sale. The net proceeds of the sale shall be determined as the sales price minus loan repayment and closing costs, and the actual value of any documented capital improvements, as shown in the following worksheet:

(Disclosure Statement continues on next page)

Disclosure Statement (cont'd)

EXAMPLE:

Sales price:	\$ 100,000
Less: Cost of Sale	\$ 3,000
First Loan Balance	\$ 70,000
Documented Capital Improvements	\$ 0
Net Proceeds	\$ 27,000
Less: FTHB Assistance	\$ 15,000
Balance to Borrower	\$ 12,000

Dated: _____

Buyer Signature: _____

Buyer Name: _____

Dated: _____

Buyer Signature: _____

Buyer Name: _____

Dated: _____

Buyer Signature: _____

Buyer Name: _____

Dated: _____

Buyer Signature: _____

Buyer Name: _____

(THIS DOCUMENT IS TO BE NOTARIZED)

**PROMISSORY NOTE
SECURED BY DEED OF TRUST**

\$ _____

Temecula, California
_____, 20__

FOR VALUE RECEIVED, the undersigned (“Maker”), hereby promises to pay to the order of the Redevelopment Agency of the City of Temecula, a public body, corporate and politic (“Holder”), at Temecula, California, without deduction or offset, the sum of _____ DOLLARS (\$_____.00) (the “Loan”), together with simple interest at the rate of five per cent (5.00 %) per annum, commencing on the fifth (5th) anniversary of the date of this Note. If more than one person is signing this Note as Maker, then the obligations of the Maker shall be joint and several.

This Note is secured by that certain Long Form Deed of Trust and Assignment of Rents (the “Deed of Trust”) of even date herewith executed by Maker for the benefit of Holder. In addition, Maker and Holder are concurrently entering into a Regulatory Agreement (the “Regulatory Agreement”) governing the real property (the “Property”) encumbered by the Deed of Trust.

Principal and interest shall be payable in monthly installments of \$_____ each, commencing _____; all theretofore unpaid principal and interest shall be due and payable on _____ (the “Maturity Date”).

Maker may prepay, without penalty or premium, all or any portion of the interest or principal due under this Note. Prepayments shall be credited first against accrued interest and the balance shall be credited to principal.

Should default be made by the undersigned in the performance of any of the covenants or agreements of the Maker contained in the Regulatory Agreement, this Note, or the Deed of Trust, and if such default is not cured within five (5) days from Holder’s notice to Maker of such default (or such longer period as may be provided in the Regulatory Agreement or the Deed of Trust), then, at Holder’s option, all sums owing hereunder shall immediately become due and payable. Thereafter, interest shall accrue at the maximum legal rate permitted to be charged by non-exempt lenders under the usury laws of the State of California.

This Note shall be governed by and construed in accordance with the laws of the State of California.

All parties who are obligated to pay any portion of the indebtedness represented by this Note, whether as principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor, and all other notices to which they might otherwise be entitled, and further waive all defenses based on release of security, extension of time or other indulgence given in respect to payment of this Note, to whomsoever given, and further waive all defenses, generally, except the defense of actual payment of this Note according to its tenor.

The undersigned hereby covenants and agrees to pay all costs and expenses of collection, whether by suit or otherwise, at any time or from time to time incurred, including without limitation attorney’s fees and all costs and expenses actually incurred in connection with the protection or realization of the property secured by the Deed of Trust.

If Maker shall sell, lease, assign, convey, transfer, encumber, mortgage, hypothecate or alienate the Property, or any part thereof, or any interest therein, or shall be divested of their title in any manner or way, whether voluntarily or involuntarily, the indebtedness evidenced hereby, irrespective of the maturity date expressed herein, at the option of the Holder, upon demand, shall immediately become due and payable, except as permitted by Holder pursuant to the terms and conditions set forth in the Regulatory Agreement. To this end, the Deed of Trust securing this Note provides as follows:

If the Trustor shall sell, lease, transfer, assign, convey, encumber, mortgage, hypothecate or alienate the real property described herein, or any part thereof, or any interest therein, or shall be divested of title or any interest therein in any manner or way, whether voluntarily or involuntarily (except as permitted by Beneficiary pursuant to the terms and conditions set forth in the Regulatory Agreement), or if Trustor shall fail to make any payments due under the note secured by this deed of trust, or fail to perform any other obligation under said Regulatory Agreement of even date herewith, this deed of trust or the note secured hereby, or any other deed of trust encumbering the subject property, then Beneficiary shall have the right, at its option, to declare any indebtedness or obligations secured hereby, irrespective of the maturity date specified in any note evidencing the same, immediately due and payable.

Subject to the foregoing, the terms of this Note shall be binding upon and inure to the benefit, as the case or context may require, of the respective heirs, successors in interest and assigns of the undersigned and the Holder.

Failure of Holder to assert any right in this Note shall not be deemed a waiver of such right.

This note may be subject to Section 2966 of the California Civil Code, which provides that the Holder of this Note shall give written notice to Maker, or its successor in interest, of prescribed information at least sixty (60) and not more than one hundred and fifty (150) days before any balloon payment is due.

Time is of the essence with respect to each and every provision hereof. If any provision hereof is found to be invalid or unenforceable by a court of competent jurisdiction, the invalidity thereof shall not affect the enforceability of the remaining provisions of this Note.

“Maker”

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City Clerk
City of Temecula
41000 Main Street
P.O. Box 9033
Temecula, California 92589

No Recording Fee Required -- Government Code Section 6103

LONG FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

A.P.N. _____

This Deed of Trust, made this _____ day of _____, 20__,
between _____,
herein called Trustor, whose address is _____ in
favor of First American Title Insurance Company, as Trustee, for the benefit of the Redevelopment
Agency of the City of Temecula, a public body, corporate and politic, herein called Beneficiary,

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO
TRUSTEE IN TRUST, WITH POWER OF SALE, that property (the "Property") in Riverside
County, California, described as:

That certain property described on Exhibit A attached hereto and incorporated herein by
reference.

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power
and authority hereinafter given to and conferred upon Beneficiary to collect and supply such rents,
issues and profits.

For the Purpose of Securing:

1. Performance of each agreement of Trustor herein contained.
2. Payment of the indebtedness evidenced by one promissory note of even date herewith,
and any extension or renewal thereof, in the principal sum of \$_____ executed
by Trustor in favor of Beneficiary or order.
3. The rights of the Beneficiary set forth in that certain Regulatory Agreement (the
"Regulatory Agreement") from Trustor to Beneficiary dated and recorded concurrently herewith.

To Protect the Security of This Deed of Trust, Trustor Agrees:

4. To keep said Property in good condition and repair; not to remove or demolish any
building thereon; to complete or restore promptly and in good workmanlike manner any building
which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor
performed and materials furnished therefor; to comply with all laws affecting said Property, or
requiring any alterations or improvements to be made thereon; not to commit or permit waste

thereof; not to commit, suffer or permit any act upon said Property in violation of law; and to do all other acts which from the character or use of said Property may be reasonably necessary, the specific enumerations herein not excluding the general.

5. To provide or cause to provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary and any superior trust deed holder, as their interests may appear. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

7. To pay: at least ten (10) days before delinquency all taxes and assessments affecting said Property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said Property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Deed of Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said Property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

8. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

9. That any award of damages in connection with any condemnation for public use of or injury to said Property or any part thereof is hereby assigned and shall be paid to Beneficiary (and to any superior trust deed holder, as their interests may appear) who may apply or release such moneys received by him or her in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

10. That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his or her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

11. That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note for endorsement,

and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said Property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

12. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five (5) years after issuance of such full reconveyance, Trustee may destroy said note and this Deed of Trust (unless directed in such request to retain them).

13. That as additional security, subject to the rights of superior trust deed holders, as their interests may appear, Trustor hereby absolutely and unconditionally gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said Property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said Property or any part thereof, in his or her own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

14. That upon default by Trustor in payment of any indebtedness secured hereby, or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and election to cause to be sold said Property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all

sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

15. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said Property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

16. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

17. That Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

18. If the Trustor shall sell, lease, transfer, assign, convey, encumber, mortgage, hypothecate or alienate the real property described herein, or any part thereof, or any interest therein, or shall be divested of title or any interest therein in any manner or way, whether voluntarily or involuntarily (except as permitted by Beneficiary pursuant to the terms and conditions set forth in the Regulatory Agreement), or if Trustor shall fail to make any payments due under the note secured by this Deed of Trust, or fail to perform any other obligation under said Regulatory Agreement of even date herewith, this Deed of Trust or the note secured hereby, or any other deed of trust encumbering the subject Property, then Beneficiary shall have the right, at its option, to declare any indebtedness or obligations secured hereby, irrespective of the maturity date specified in any note evidencing the same, immediately due and payable. The restrictions contained in this paragraph shall automatically terminate if title to the Property is transferred by foreclosure or deed-in-lieu of foreclosure under a superior mortgage or deed of trust, or a prior mortgage or deed of trust is assigned to the United States Secretary of Housing and Urban Development.

19. Any breach or default under the Regulatory Agreement shall be deemed a breach of this Deed of Trust.

20. First Deed of Trust. This Deed of Trust is subject and subordinate to a deed of trust ("the First Deed of Trust"), dated _____, recorded concurrently herewith, in which _____ is named as Trustee and _____ is named as Beneficiary, encumbering said property, securing an indebtedness in the original principal sum of \$_____. Trustor hereby promises to fully perform each and every covenant and agreement of Trustor under the First Deed of Trust, the note secured by the First Deed of Trust; and any other instrument securing such note.

Any breach of any of such covenants or agreements shall at the option of Beneficiary constitute a breach of this Deed of Trust. Trustor hereby agrees that Beneficiary shall have the right, but not the obligation, to cure any breach of any such covenants or agreements, and that any expense, cost, fee or charge of any kind incurred by Beneficiary in curing such breach shall be added to the indebtedness owed to Beneficiary, shall bear interest from the date of expenditure at the rate of ten percent (10%) per annum, and shall be secured by this Deed of Trust. Any cure by Beneficiary of Trustor's breach of such covenants or agreements shall not be a cure of Trustor's breach of this Deed of Trust.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him or her at his or her address hereinbefore set forth.

Signature of Trustor

Title Order No. _____

Escrow or Loan No. _____

EXHIBIT "A"

LEGAL DESCRIPTION

That certain real property situated in the City of Temecula, County of Riverside, State of California, described as follows:

DO NOT RECORD

FOR RECONVEYANCE OR FORECLOSURE SEND TO THE NEAREST OFFICE
OF THE FIRST AMERICAN TITLE INSURANCE COMPANY OF CALIFORNIA

REQUEST FOR FULL RECONVEYANCE

To be used only when note has been paid.

Dated _____

TO Trustee:

The undersigned is the legal owner and holder of all indebtedness secured by the within Deed of Trust. All sums secured by said Deed of Trust have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

MAIL RECONVEYANCE TO

_____ (By)

_____ (By)

**Do not lose or destroy this Deed of Trust OR THE NOTE which it secures.
Both must be delivered to the Trustee for cancellation before reconveyance will be made.**

Return Original To and
Recording Requested By:

City Clerk
City of Temecula
41000 Main Street
P.O. Box 9033
Temecula, California 92589-9033

No Recording Fee Required -- Government Code Section 6103

REGULATORY AGREEMENT AND REQUEST FOR NOTICE

[Notice to Lenders -- This instrument includes a Request for Special Notice pursuant to Civil Code Section 2924b]

THIS REGULATORY AGREEMENT ("Agreement") is made this ____ day of _____, 2011, by and between the REDEVELOPMENT AGENCY OF THE CITY OF TEMECULA, a public body, corporate and politic (the "Agency"), and _____ (the "Owner").

RECITALS

A. The Owner is concurrently acquiring fee title to that certain real property (the "Property") located in the City of Temecula, County of Riverside, State of California, legally described in Exhibit "A" attached hereto and incorporated herein by reference, the address of which is _____, Temecula, California.

B. The Owner has represented to the Agency that the Owner qualifies for participation in the Agency's First Time Homebuyer Program (the "Program").

C. Concurrently herewith, the Owner is executing a promissory note (the "Note") evidencing a loan (the "Affordable Housing Loan") in the amount of \$_____ from the Agency to the Owner to assist in the Owner's acquisition of the Property, and a deed of trust (the "Deed of Trust"), securing the Note.

D. Pursuant to the Program, as further inducement for the Agency to extend the Affordable Housing Loan the Owner is willing to encumber the Property with this Agreement by which the Property will be limited to use as low and moderate income housing and as the Owner's principal residence.

NOW, THEREFORE, the parties agree as follows:

1. Term. The term of the restrictive covenants described herein (the "Term") shall commence on the date this instrument is recorded in the Official Records of the Riverside County Recorder, and shall end upon the earlier of (i) repayment in full or forgiveness of the Affordable Housing Loan (the maturity date of which is thirty (30) years after the date of this Agreement), or (ii) transfer of title to the Property by foreclosure or deed-in-lieu of foreclosure under a superior mortgage or deed of trust, or assignment of a prior mortgage or deed of trust to the United

States Secretary of Housing and Urban Development; provided, however, the covenants against discrimination set forth in Section 8 shall remain in effect in perpetuity.

2. Covenant to Maintain as Principal Residence. The Owner agrees that throughout the Term the Owner shall occupy the Property as the Owner's principal residence. The Owner's failure to occupy the Property as the Owner's principal residence for a period of thirty (30) consecutive calendar days shall constitute a breach of this Agreement.

3. Restriction on Transfer. Except as provided in Section 4 hereof, the Owner shall not sell, convey, transfer, lease, assign, encumber, mortgage, or hypothecate the Property, or enter into an agreement to sell, convey, lease, assign, transfer, encumber, mortgage, or hypothecate the Property.

4. Permitted Transfers and Mortgages.

(a) Spousal Transfers. The following transfers of title are hereby permitted and shall not violate this Agreement: a transfer by gift, devise, or inheritance to the Owner's spouse; the taking of title by a surviving joint tenant that is the Owner's spouse; a transfer of title to a spouse as part of a divorce or dissolution proceedings; acquisition of title in connection with marriage; if the Owner consists of more than one person, a transfer of interests among the persons comprising Owner. Any transferee hereunder shall take title to the Property subject to the terms, conditions, restrictions and requirements hereof and the transferee shall execute any reasonable document required by the Agency to ratify the assumption by such transferee of the terms hereof.

(b) First Trust Deed - Purchase. The Owner may encumber the Property with a first priority deed of trust or mortgage securing a purchase money loan and otherwise meeting the requirements of the Program. The Owner may refinance any first trust deed or mortgage encumbering the Property if the new loan qualifies for subordination under Section 5.

(c) Junior Trust Deeds. With the prior written consent of the Agency (which consent may be withheld in the good faith discretion of the Agency), the Owner may encumber the Property with a junior deed of trust or mortgage encumbering the Property, provided that: (i) the proceeds of the loan secured by the junior deed of trust or mortgage are to be used to pay for repairs or the construction of improvements to the Property; (ii) the cost of the repairs or the improvements (plus loan fees and loan costs), does not exceed the principal amount of such loan, unless the Owner provides the Agency with adequate assurances that sufficient funds are available to pay the amount of the deficiency; (iii) the loan is originated by a bank, savings and loan association, or other institutional lender; (iv) the interest rate and payment terms thereon are reasonable (in the Agency's reasonable opinion); (v) the Owner shall be capable of meeting the monthly payments provided by such loan (in the Agency's reasonable opinion); and (vi) the Property is not over-encumbered as the result of the additional financing (in the Agency's reasonable opinion).

5. Subordination.

The Agency agrees to subordinate the Deed of Trust and this Agreement to a new first deed of trust or mortgage, in favor of any bank, savings and loan association, or other institutional lender, which refinances a previously-existing first deed of trust or mortgage permitted under the Program, subject to all the following terms and conditions:

(a) The principal amount of the new loan shall not exceed the balance of the loan being refinanced, plus reasonable and customary loan fees and loan costs;

(b) The interest rate and amortization schedule of the new loan shall not be less favorable to the borrower than the comparable terms of the loan being refinanced;

(c) The principal balance of all monetary obligations secured by liens against the Property shall not exceed 97% of the fair market value of the Property, as determined by the appraisal relied upon by the lender and approved by the Agency;

(d) The terms and provisions of the loan secured by such deed of trust, including interest rate, term, amortization, fees, acceleration clauses, late payment charges, and prepayment charges, shall conform substantially to the provisions in the lender's loan documents for comparable loans, unless deviations are pre-approved in writing in advance of the subordination by the Agency;

(e) The Owner shall deliver to the Agency true and accurate copies of the loan agreement, proposed promissory note, deed of trust, and a written statement from the Owner certifying that such documents are true and accurate copies of the loan documents which the Owner intends to execute in connection with the loan;

(f) On recording the new first trust deed, the Owner, at the Owner's expense, shall cause to be recorded in the Office of the Riverside County Recorder a written request for a special notice of default in favor of the Agency;

(g) The Agency may condition any such subordination upon its receipt of assurances from a reputable title company that this Agreement is not being subordinated to any liens or encumbrances; and

(h) The lien holder shall execute an agreement in favor of the Agency providing as follows:

Upon any default by the Owner of any or all of its obligations with respect to the repayment by the Owner of the applicable loan, the lien holder shall provide written notice (which may be provided by statutory notice of default, and need not be given thereafter or in addition thereto) of said default to the Agency, and the Agency shall be given the right (but shall have no obligation) to cure the default within the greater of (a) a ninety (90) day period following receipt of the written notice, or (b) any period provided by law. Such notice shall be delivered to the Agency within thirty (30) days after the date the Owner fails to pay any amount due under the loan.

If title to the Property is taken by the Agency, whether by voluntary or involuntary transfer, and if the Agency timely cures any default on the applicable loan within said period provided above following a default by the Owner on the loan, the lien holder shall refrain from exercising any right it may have to accelerate the loan by reason of the transfer of title to the Agency, and the Agency may take title to the Property subject to the lender's deed of trust and other loan documents.

6. Federal and State Laws. Notwithstanding the above provisions, nothing contained herein shall require the Agency to do anything contrary to or refrain from doing anything required by Federal and State laws and regulations promulgated thereunder applicable to the

construction, management, maintenance, and rental of very low, lower, and moderate income housing units in the City of Temecula.

7. Annual Report. The Owner shall submit to the Agency annually, on or before June 30 of each calendar year, a report stating (i) whether the Property has been used as the owner's principal residence at all times during the period since the date of the last previous report, and (ii) whether there was a change in ownership during the period since the date of the last previous report. The Owner shall not be deemed to be in default for any failure to deliver such report until thirty (30) days after receipt of written notice from the Agency requesting such report. The Agency shall have the option of establishing the type of form on which this information must be provided.

8. Nondiscrimination Covenants.

(a) Obligation to Refrain from Discrimination. The Owner shall not restrict the sale of the Property or any portion thereof on account of race, color, creed, religion, ancestry, sex, marital status, natural origin, age or any other basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, transfer, use, occupancy, tenure or enjoyment of the Property. The foregoing covenant shall run with the land. The covenant contained in this Section 8 shall remain in effect in perpetuity.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.

(b) Form of Nondiscrimination and Nonsegregation Clauses. All deeds relating to the sale or transfer of the Property or any interest therein shall contain or be subject to substantially the following nondiscrimination or nonsegregation clause:

(1) "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens.

Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

9. Warranties and Representations. The Owner warrants and represents that all statements, applications, reports and other information heretofore or hereafter provided to the Agency in connection with the Affordable Housing Loan were and will be true and correct at the time provided, and did not and will not fail to state any material fact, the absence of which would make the information provided misleading.

10. Maintenance of the Property/Prohibition Against Waste. The Owner shall not commit waste upon the Property. The Owner shall not remove or demolish the improvements comprising the Property. The Owner shall keep and maintain the Property and the improvements thereon in good condition and repair. If the Owner at any time fails to so keep and maintain the Property in good condition and repair, after thirty (30) days’ notice from the Agency, the Agency shall have a right to enter onto the Property and perform such deferred maintenance, and the Owner shall promptly reimburse the Agency for all costs incurred by the Agency in performing such maintenance.

11. Covenants to Run With the Land. The covenants and restrictions contained herein shall run with the land and shall be a burden upon the Property and shall be enforceable by the Agency, its successors in interest and assigns, against the Owner and the Owner’s heirs, successors in interest and assigns.

12. Administration. The Agency may administer the terms hereof or may, from time to time assign its rights hereunder or designate another entity, person, licensed real estate broker or organization to administer the terms hereof.

13. Independent and Severable Provisions. In the event that any provision of this instrument is held by a court of competent jurisdiction to be unenforceable or invalid, such holding shall not render unenforceable any other provision hereof, each provision hereof being expressly severable and independently enforceable to the fullest extent permitted by law.

14. Successors and Assigns. The restrictions on transfer of the Property shall be binding upon the Owner and the Owner’s heirs, successors and assigns, and shall inure to the benefit of the Agency and its successors and assigns; provided, however, the Owner and any permitted successors shall be liable for performance hereof only during their respective periods of ownership of the Property, provided the transferee has in writing assumed and agreed to perform the Owner’s obligations hereunder or such obligations as they may pertain in part to the Property.

15. Default. If the Owner defaults with regard to any of the provisions of this Agreement, then the Agency shall serve written notice of such default upon the Owner. If the default is not cured by the Owner within thirty (30) days after service of the notice of default (or if the default is of a type which cannot be cured within thirty (30) days, if the Owner commences the cure within thirty (30) days after service of the notice of default and thereafter diligently pursues the cure to completion), then the Owner shall be liable to the Agency for damages caused by such default, or, if the default is of a type which cannot be compensated by the payment of money, the Agency shall be entitled to injunctive relief.

16. Further Assurances. The Owner covenants that upon request of the Agency, the Owner, or the Owner’s heirs, successors or assigns, will execute, acknowledge and deliver, or

cause to be executed, acknowledged and delivered, such further instruments and agreements and do such further acts as may be necessary, desirable or proper to carry out more effectively the purpose of this Agreement. At the expiration of the Term, the Agency agrees to provide to the Owner an instrument in recordable form that has the effect of confirming the termination of the affordable housing requirements of this instrument.

17. Captions and Section Headings. Captions and section headings used herein are for convenience only and shall not be used in construing this instrument.

18. No Waiver. No waiver by the Agency of its rights hereunder, or of any breach by the Owner of any covenant, restriction, or condition herein contained, shall be effective unless such waiver is in writing, signed by the Agency and delivered to the Owner. Any waiver by the Agency of its power to terminate the Owner's estate herein or of any covenant, restriction, or condition herein contained, or the failure by the Agency to exercise any right or remedy with respect to any breach or breaches, shall not constitute a waiver or relinquishment for the future of any rights regarding subsequent sales, or of any such covenant or condition nor bar any right or remedy of the Agency in respect of any subsequent breach.

19. Request for Special Notice. Owner covenants to cause a "Request for Special Notice" as provided in California Civil Code Section 2924b, or any successor or replacement statute, to be recorded to provide notice to the Agency at the address for the Agency set forth on the first page hereof. Owner shall cause such Request for Special Notice to be recorded concurrently with the recordation of any deed of trust encumbering the Property.

20. Notices. All notices to be delivered to the parties pursuant to the terms hereof shall be in writing and shall be delivered in person or by U.S. Mail or other delivery service to the addresses listed below.

Any of the following addresses may be changed by written notice. If notice is given it shall be deemed effective upon 3 business days after deposit of same, postage prepaid, in the U.S. Mail, or the date of actual receipt as evidenced by personal acknowledgement, return receipt or other comparable means.

If to the Owner: at the Property

If to the Agency: Temecula Redevelopment Agency
Attention: Executive Director
P.O. Box 9033
Temecula, California 92589-9033

Use this address for delivery service or hand-deliveries ONLY:
41000 Main Street
Temecula, CA 92590

21. Entire Agreement. This instrument constitutes the entire agreement of the parties hereto, and the provisions hereof may be modified or amended only by a written instrument signed by the party to be charged.

22. Attorneys' Fees. In any action brought to declare the rights granted herein or to enforce or to interpret any of the terms of this Agreement, the prevailing party shall be entitled to an award of reasonable attorney's fees in an amount determined by the court.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

“Owner”

“Agency”

REDEVELOPMENT AGENCY OF THE
CITY OF TEMECULA, a public body, corporate
and politic

By: _____
Shawn D. Nelson, Executive Director
Temecula Redevelopment Agency

Attest :

Susan W. Jones, CMC
City Clerk/Agency Secretary

Approved as to form:

Peter Thorson, Agency Attorney

EXHIBIT "A"

LEGAL DESCRIPTION

That certain real property situated in the City of Temecula, County of Riverside, State of California, described as follows:

EXHIBIT A