



CITY OF SOUTH EL MONTE FIRST TIME HOMEBUYER PROGRAM GUIDELINES

MISSION

The City of South El Monte’s mission is to increase home ownership by providing financial assistance to low-income families seeking to purchase a home. To support this effort, the City of South El Monte First Time Homebuyer Program “Program” provides first-time homebuyers with a maximum amount of \$57,000 in down-payment assistance in the form of no interest, deferred loan with a 30 year term secured by a Deed of Trust. The Program is funded by the CalHome Program.

PROPERTY REQUIREMENTS

ELIGIBLE AREAS	Within South El Monte’s City limits
ELIGIBLE PROPERTIES	The home may either be a new or existing single-family home, townhouse, or condominium.
HOME INSPECTION	Prior to the issuance of an approval on a loan, the applicant must arrange for a City inspection of the home to ensure that the home meets National Standards for the Physical Inspection of Real Estate (NSPIRE), and conforming building health and safety standards as defined in Section 17.04.800 of the South El Monte Municipal Code. In addition, the buyer must purchase a one-year home warranty plan prior to close of escrow.
PURCHASE OFFER	The purchase offer must be contingent upon receiving the City financial assistance.

APPLICANT GENERAL REQUIREMENTS

FIRST TIME HOMEBUYER	<p>The applicant must be a first-time homebuyer. A “first time homebuyer” is an applicant who has not owned a home within three years prior to the date of the applicant’s application except that the following individuals will not be excluded from consideration as a first-time homebuyer:</p> <ul style="list-style-type: none"> (A) a displaced homemaker, who, while a homemaker owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without enumeration to care for his or her home and family; (B) an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or (C) joint custody or is pregnant; or (D) an individual or individuals who owns or owned, as a principal residence within three years from the date of the individual’s application, a dwelling unit whose structure is:
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	<p>(1) not permanently affixed to a permanent foundation in accordance with local or state regulations; or</p> <p>(2) not in compliance with state, local or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure. Legal and valid documentation will be requested to verify satisfaction of this requirement.</p>
CITIZENSHIP	The applicant (s) must either be a U.S. Citizen or possess valid permanent residency status. Legal and valid documentation will be requested to verify meeting this requirement.
PRIORITY CONDITIONS	Applicants who have resided in South El Monte for at least one year shall be given priority over all other applicants. Document verification will be requested and reviewed for priority consideration.
PRIMARY RESIDENCE	The home must be occupied by the owner as the owner's principal place of residence for the loan term of 30 years. Annual documentation will be requested to verify meeting this requirement.
QUALIFIED APPLICANTS POSTPONED	Should an applicant meet program requirements and qualify for funding, but the loan is not funded within the applicable Fiscal Year, the applicant must apply once again for the new Fiscal Year and comply with any and all new guidelines. In addition, in the event that the City has more qualified candidacy than funding available, qualified applicants will be selected based upon a lottery.
FINAL RE-CERTIFICATION	Prior to opening escrow, all applicants must agree to undergo a final re-certification process to assure continued eligibility for the First Time Homebuyer's Program. The re-certification process will require copies of the following up-to-date documents: (1) the most current three pay stubs, (2) the most current three bank statements, and (3) the most current Federal and State Income Tax Forms.
CREDIT-WORTHINESS	The applicant(s) must provide a credit report, and the report will be analyzed for consistency with the loan application as well as for complete credit account information from the credit reporting agency, and all applicants shall have a minimum credit score of 600 and at least one applicant must have a credit score above 720

ELIGIBLE INCOME CRITERIA

The gross income of all household residents eighteen (18) years old or older cannot exceed the Los Angeles County Area Income Limits listed below:

Household Size	1	2	3	4	5	6	7	8
Income Limit	\$ 84,850	\$ 96,950	\$ 109,050	\$ 121,150	\$ 130,850	\$ 140,550	\$ 150,250	\$ 159,950

2025 Los Angeles County Income Limit

NOTE: Qualifying income levels are determined and revised annually by the California Department of Housing and Community Development (HCD); the phrase “persons and families of lower income” as used in these First Time Homebuyer Loan Program Guidelines include extremely low, very low, and lower income households.

The applicant household cannot exceed 80% of the State's Area Median Income (AMI), including income assessed by the household's assets.

Available assets do not include funds held in pension accounts, retirement funds, 401(k) plans, trust funds, or similar assets, which are not available for liquidation without substantial financial penalty to the Borrower. Personal property such as household furnishings, tools of trade or employment, or automobiles are NOT considered available assets.

The City of South El Monte will apply an asset test to all applicants. Assets include all savings and checking accounts, gifts, and other sources of money (cash) other than retirement accounts. However, if your retirement account is currently generating income- i.e. you are living off your retirement savings, you must count this money as income on the CalHome Loan Application. 2.5% of the assets' cash value will be added to the total household income. Retirement savings will be excluded from the asset test, but all retirement statements should be included in the application package. The value of necessary items such as furniture and automobiles shall be excluded.

At a minimum, the borrower will be required to contribute 5% of the purchase price as a down payment and pay all closing costs; exception will be made for veteran loans.

There can only be one CalHome loan per household, whether it is for First Time Home Buyer Program Loan or Home Repair Program Loan.

APPLICANT FINANCIAL REQUIREMENTS/OBLIGATIONS

LOAN-TO-VALUE REQUIREMENTS	The loan-to-value ratio for all indebtedness secured by the property must not exceed one hundred (100) percent of the sales price plus a maximum of up to five (5) percent of the sales price to cover actual closing costs.
CLOSING COST REQUIREMENTS	The applicant must pay for all required closing costs associated with either a Federal Housing Act (FHA) or Conventional (CONV) loan under the guidelines and requirements for those loan programs except to the extent the seller agrees to pay for such closing costs. Legal and valid documentation will be requested to verify closing costs and/or the seller's payment of closing costs. Borrowers will be responsible to pay all closing costs. City Loan can include Non-Recurring Closing Costs but cannot exceed 5% of purchase price.
NON-RECURRING CLOSING COSTS	Includes the following fees: Title Insurance Premium, Recording Fees, any Endorsements to the policy, Sub-Escrow Fees, Reconveyance Fee, Documentary Transfer Fee, Escrow Fee, Notary Fee and Messenger Fees.
UNDERWRITING CRITERIA	The applicant must meet the City of South El Monte's underwriting criteria and receive loan approval and the senior lender's credit, income, and loan requirements in order to qualify for the First Time Homebuyer Program.
INSURANCE	Applicants must maintain insurance on the property in an amount at least equal to the value of the home. The insurance policy must name the City as additional loss payee.

MORTGAGE CREDIT CERTIFICATE (MCC)	The City of South El Monte is a participating member of the Los Angeles County Mortgage Certificate (MCC) program that offers first time homebuyers a Federal Income Tax Credit of up to 15%; applicants that qualify are strongly encouraged to consult their lender and/or contact LA County Community Development Commission.
HOMEBUYER EDUCATION REQUIREMENT	All approved applicants must complete, prior to the close of escrow, an 8-hour First Time Homebuyer Program class that is offered online or by a HUD-approved First Time Homebuyer training organization. Proof of completion is required to receive funding of the loan.

LOAN TERMS

MAXIMUM LOAN AMOUNT	The down payment loan cannot exceed the lesser of (i) the amount necessary to ensure affordable monthly housing costs, or (ii) \$25,000 for existing homes and \$50,000 for new construction homes, or (iii) up to \$57,000. The City reserves the right to loan out a lower amount. The maximum loan amount is \$57,000.
LOAN TERM	The term of the loan shall be for 30 years.
INTEREST RATE	The interest rate shall be 0% for the 30 year term. In addition, the interest rate on the senior lender's loan can only be a fixed rate.
MAXIMUM SALES PRICE	All Lenders must provide an appraisal, from a state licensed certified appraiser, of the fair market value of the home using the sales comparison method. The sales price of the home may not exceed the appraised value. The City's loan-to-value (LTV), combined loan-to-value (CLTV), and other qualifying ratios will be based on the lesser of the sales price or appraised value. For CalHome program funded loans, the maximum sales price may not exceed 100% of the City of South El Monte's approval of maximum sales price limit of \$930,720 for New Homes, Single Family and Condominiums/Townhomes for the year 2025.
SUBORDINATE FINANCING	No financing subordinate to the City's loan may have a balloon, deferred, or negative amortization payment prior to 30 years. Fees and/or charges for subordinate financing shall be consistent with industry standards.
REFINANCING	No cash-out refinancing will be allowed. Applicant can refinance for lower term and/or rate only.
OTHER LOAN TERMS AND CONDITIONS	No monthly payments are required. The home must be owner-occupied during the term of the loan. The loan amount is payable in full upon the earlier of: <ul style="list-style-type: none"> (A) 30 years from the date of the promissory note, (B) the sale or transfer of the property except for permitted transfers, (C) the date the owner ceases to occupy the property as owner's principal residence, or (D) an event of default under the loan documents. Non-Occupying co-signers will not be accepted.

QUALIFYING LOAN TO VALUE PROGRAM RATIOS

Front-end Ratio: The front-end ratio (i.e. monthly housing payment) or the debt-to-income ratio as it is commonly called, is calculated by dividing the total monthly housing payment by the applicant's gross monthly income. The front-end ratio shall not be less than 28% or exceed 43%.

The front-end ratio includes:

- (A) Principal and interest payment on the first mortgage;
- (B) Principal and interest payments, if any, on subordinate non-deferred loans;
- (C) Real estate taxes;
- (D) Hazard insurance premium;
- (E) Flood insurance premium, if applicable;
- (F) Private mortgage insurance premium, if applicable;
- (G) Monthly Homeowners' Association dues for condominiums and for homes located in planned unit developments (PUD).

Exception: The minimum housing payment ratio for a City loan applicant applying to utilize more than one City loan program shall be required to have a maximum housing debt ratio of at least 35%. This exception does not include loans made through the CalHome or Inclusionary programs.

Back-end Ratio: The back-end ratio, or the total debt-to-income ratio, is calculated by adding together the total monthly payments of all existing long-term debt and the total monthly housing payment and dividing that sum by the applicant's gross monthly income. The Back-end ratio should not exceed 48% of the applicant's gross monthly income.

The back-end ratio includes:

- (A) The monthly housing payment as defined above;
- (B) Long-term installment debt beyond 10 months remaining to be paid;
- (C) Revolving accounts and lines of credit;
- (D) Alimony, child support or maintenance, if applicable.

Exception: Some applicants may qualify for first-mortgage financing at higher ratios than those cited above. Recognizing that the financial circumstances of each home buyer are unique and that there may be other factors besides debt-to-income ratios that reflect the applicant's ability and willingness to repay mortgage loans, the City may consider the following indicators in approving higher ratios:

- (A) The applicant's proven ability to devote a larger amount of income to housing expenses. The applicant has successfully demonstrated an ability to make mortgage or lease payments for twelve consecutive months that are equal to or greater than the proposed monthly payments for the housing being purchased;
- (A) The applicant's substantial net worth as demonstrated through non-liquid assets and retirement accounts;
- (B) The applicant has at least one FICO credit score greater than 720;
- (C) The applicant's demonstrated potential for increasing his/her earnings;
- (D) The applicant's down payment on the purchase of the property is at least five percent (5%) of the sales price and is made from his/her own funds;
- (E) The applicant's substantial non-taxable income such as child support, disability payments, retirement payments, etc.;
- (F) The applicant's housing expense will not increase more than five percent over previous housing payments.

	Lenders and applicants seeking City approval of higher debt ratios should submit a written request and a letter of explanation seeking higher ratios as part of the applicant's loan application. The decision to approve or deny higher ratios will be made in accordance with the above-stated guidelines, by the Community Development Department, a final determination can be made by the City Manager and/or City Council.
LOAN REPAYMENT	Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome program loan maturity date. Program loans are not assumable. However, in some limited circumstances, the original loan might be transferrable. Borrower may begin making voluntary payment to the City at any time.
LOAN MONITORING	To ensure adherence to program requirements, the City will monitor owner-occupancy, property tax payment, hazard insurance coverage, payment of primary loans, and general upkeep of housing unit.
LOAN DOCUMENTS	<ul style="list-style-type: none"> (A) Loan Agreement (B) Promissory Note (C) Deed of Trust (D) Truth in Lending Disclosure Statement