

**The City of Chico and the Chico
Redevelopment Agency are Pleased to
Announce the Availability of the Mortgage
Subsidy Program (MSP)**

The Mortgage Subsidy Program is designed to help first-time homebuyers purchase a home and qualify for long term financing from the lender of their choice.

Homeownership is often out of reach for low and moderate income families because of the large amount of cash required for the down payment or because the monthly payments would be too large.

The Mortgage Subsidy Program addresses these problems by loaning eligible first time homebuyers money to be used as part of the down payment on a home.

Sound like the answer to your problem? The City of Chico has put together the following information to help familiarize you with the MSP loan program.



QUALIFYING

To determine whether you are eligible for the MSP and what level of assistance for which you qualify, begin by locating your family size on the following table.

Your gross income (before taxes) must be at least the Minimum Income and may not exceed the Moderate Income amount for your family size.

Family size	Minimum Income	Lower income	Median income	Moderate income
1	\$19,550	\$31,250	\$39,050	\$46,850
2	\$22,300	\$35,700	\$44,650	\$53,550
3	\$25,100	\$40,200	\$50,200	\$60,250
4	\$27,900	\$44,650	\$55,800	\$66,950
5	\$30,150	\$48,200	\$60,250	\$72,300
6	\$32,350	\$51,800	\$64,750	\$77,650
7	\$34,600	\$55,350	\$69,200	\$83,000
8	\$36,850	\$58,950	\$73,650	\$88,350

The amount of the loan is based upon the gross income level of the family, family size, and the sale price of the home.

The loan amounts are a percentage of the sales price of the home, as follows:

- Lower Income - 30%
- Lower to Median Income - 20%
- Median to Moderate Income - 10%

**CHECKLIST FOR FIRST TIME
HOME BUYERS**

- Request an application for the Mortgage Subsidy Program and return it with all required information.
- Prepare a very realistic household budget to determine how much you can afford each month for housing expenses, which includes payment on the home loan, property taxes, hazard insurance, and monthly savings for home repairs.
- It is recommended that you interview several residential lenders in order that you find one that is right for you. Loan programs vary and it is appropriate to “shop around” to find the best loan terms that meet your personal income and credit criteria. The lender will determine the amount of the home loan you to qualify for. It is strongly recommended that a local area lender is used.
- After the lender’s prequalification determination and the City’s determination of your eligibility for a MSP loan, you are then ready to start looking for a home.

You should carefully consider the Program’s terms and conditions to make sure it is appropriate and affordable for you.

SPECIAL CONDITIONS

- Applicant must be a "first-time homebuyer", which is defined as not having owned a home in the last three years.
- The purchase price of the home is limited by the borrower's income and their available downpayment funds; the lender will advise the maximum sales price upon full review of your loan qualifications.
- Families must contribute a minimum of \$5,000 toward the purchase of the home as downpayment and closing costs. This contribution may be gifted. Not more than \$10,000 in liquid assets may be retained after the close of escrow.
- The home must be located in a residentially zoned area within the City of Chico, or be located within the Redevelopment Project Area.
- The home must be considered safe, sound, decent, and sanitary by the City. A clearance from a licensed pest inspector and a whole-house inspection must be submitted by the lender prior to the close of escrow.
- Applicants must complete a HUD certified first-time homebuyer workshop. A calendar of workshop dates can be obtained by contacting the Community Housing and Credit Counseling Center at (530) 891-4124, or visit their website at www.chiphousing.org.
- The home must be owner-occupied. The MSP loan is due in full when the home is sold, title is transferred, or the owner does not occupy the home.

LOAN TERMS AND CONDITIONS

- The MSP loan is a "deferred payment loan" and does not require monthly payments. The loan is secured by a Deed of Trust on your property.
- Repayment of the loan will be required if the house is sold, title is transferred, or if the home is rented.
- The interest rate on the loan is fixed for the term of the loan. The specific rate is based on the income level of the borrower and the market rate at the time of the loan.
- Interest accrues during the first ten years of the loan. Twenty percent of the accrued interest is forgiven for each year the loan remains outstanding between year 11 and the end of year 15.
- The Housing Expense Ratio (percentage of gross monthly income required to make the house payment which includes principal, interest, taxes and insurance) must be a minimum of 28% and must not exceed 35% when the first mortgage has a fixed interest rate, and must not exceed 33% when the first mortgage has an adjustable interest rate.
- Limited to first mortgages with 30-year term, and interest rates that do not change more than 3% over the loan term.

City of Chico and Chico Redevelopment Agency Mortgage Subsidy Program



*A Program to Assist
First-Time
Home Buyers*