



Application Processing Procedures for City of Huntington Beach First-Time Homebuyers Down Payment Assistance Program

Step 1: Applicant Contacts Administrator

The applicant contacts the Program Administrator (Affordable Housing Clearinghouse – AHC) for information about Program and to determine eligibility. Applicant completes Homebuyer Assistance Program Application and submits information requested in Items Required for City of Huntington Beach Homebuyer Assistance Program Application. Program Administrator determines applicant's eligibility based on income guidelines and first-time homebuyer requirements. Program Administrator assists applicant in initiating pre-approval process with first mortgage lender.

Step 2: First Mortgage Lender Pre-Approves Applicant

The applicant completes the pre-approval process for the first mortgage loan with a participating lender.

Lender ensures that all necessary financial documentation has been obtained from the applicants to determine eligibility under the first mortgage lender's and City's criteria. Lender orders credit reports and verifications as necessary. Lender determines that loan size does not exceed the lender's maximum loan amount, the borrowers have sufficient funds to enter into the transaction, and the borrower's credit and income demonstrate an ability to make the loan payments. Participating lender approves or denies applicant based on lender's underwriting guidelines and City guidelines. Lender submits copy package to Program Administrator for pre-approval of Homebuyer Assistance Program application.

Step 3: Applicant Completes Homebuyer Education Seminar

Applicant completes mandatory homebuyer education seminar provided by City-approved homebuyer education provider, Affordable Housing Clearinghouse.

Step 4: City Pre-Approves Homebuyer Assistance Program Application

After first mortgage loan is pre-approved, Program Administrator prepares application for review by City. City approves or denies application based on Program guidelines. Program Administrator reviews loan terms offered by lender to confirm that interest rate is not more than current market rate and fees are consistent with usual and customary market fees and charges for such financing. Program Administrator notifies applicant of pre-approval.

Following pre-approval, applicant has 45 days to identify a property to purchase and open escrow. If a property is not identified during this time period, the applicant's approval must be extended subject to available funds. Approval is valid as long as there are no changes that would affect the eligibility of the applicant.

Step 5: Applicant Identifies Property to Purchase

Pre-approved applicant begins search for home to purchase in eligible area that is within pre-approved purchase price. Program Administrator assists applicant in identifying eligible properties. The applicant is instructed to allow additional time in the escrow period for the City to process and fund the Homebuyer Assistance Program loan. The applicant also is asked to obtain a home inspection report. Once a purchase agreement is accepted and executed by all parties, escrow is opened.

Step 6: First Mortgage Lender Completes Process for Final Approval

After escrow is opened, applicant contacts lender to satisfy conditions of pre-approval and to complete approval process. Lender coordinates with borrowers, escrow and title companies, appraisers, and realtors to obtain any additional information necessary to close the loan. Lender obtains fully executed purchase agreement, escrow instructions, preliminary title report, appraisal report, pest inspection report, home inspection report, any updated information, and all other items necessary for final loan approval. Lender generates disclosures and loan documents for the homebuyers review and approval in accordance with state and federal regulations.

Program Administrator and lender work closely together to coordinate loan process and ensure that loan applications are processed in a timely manner. Lender submits final copy package to Program Administrator for Homebuyer Assistance Program final loan approval.

Step 7: Program Administrator Reviews Final Application Package

First mortgage lender provides final application package to Program Administrator for review. Program Administrator ensures that the loan package is complete and meets the City's criteria. Program Administrator reviews first mortgage lender's Good Faith Estimate to confirm that interest rate, fees, and charges are consistent with usual and customary market fees and charges for such financing. Program Administrator verifies that homebuyers' vesting is same for all mortgage loans.

Step 8: City Provides Final Approval on Homebuyer Assistance Program Loan Application; Loan Documents Are Prepared

After the package has been reviewed by Program Administrator, City provides final approval. Participating lender prepares loan documents on first mortgage loan. Program Administrator prepares Homebuyer Assistance Program Promissory Note, Deed of Trust, Request for Notice of Default, Borrower Disclosure Statement, and instructions to the escrow agent for funding Homebuyer Assistance Program loan. Program Administrator ensures that borrower's name, vesting, and property address are correct. City reviews Homebuyer Assistance Program loan documents and file for final approval. City provides notarized signature on Request for Notice of Default and approves loan documents as to form prior to sending to escrow agent for execution by the borrower. City approval process may take 5 business days.

Step 9: Applicant Attends One-On-One Counseling Session

Applicant will need to enroll and attend a one-on-one housing counseling session with the City's designated staff. The City Staff member will review the program guidelines and restrictions.

Step 10: Program Administrator Sends Documents and Instructions to Escrow

After City provides final approval, Program Administrator sends Homebuyer Assistance Program loan closing instructions accompanied by approved Promissory Note, Deed of Trust, executed and notarized Request for Copy of Notice of Default or Sale, Borrower Disclosure Statement, and instructions for funding Homebuyer Assistance Program loan to escrow agent. Escrow agent is instructed to ensure that borrower does not receive loan funds from escrow, coordinate execution of loan documents, provide copies of policies for Lender's ALTA, hazard insurance and flood insurance, if applicable, return original executed Promissory Note and Borrower Disclosure Statement, provide copy of executed Deed of Trust, provide copies of all loan documents from other lender(s), record the Deed of Trust and Notice of Default, and provide certified copy of HUD-1 Settlement Statement after closing. Program Administrator obtains signed acknowledgment of escrow instructions from escrow agent.

Step 11: Review Documents From Escrow/Prepare for Closing

After escrow agent returns all requested items, City Project Manager and Program Administrator review executed loan documents for accuracy, verify receipt of items required for funding and complete Authorization to Release Funds for Homebuyer Assistance Program form. Borrower's name, vesting, and property address must be accurate and exactly the same for all loan documents. Release of funds must be coordinated with escrow agent.

Upon receipt of insurance policies, Program Administrator reviews to determine that City is shown as second mortgagee (loss payee).

Program Administrator reviews estimated closing cost statement to

- Confirm that fees and charges are consistent with usual and customary market fees and charges for such financing.
- Verify that unallowable fees were not charged to the homebuyer
- Verify that homebuyer did not receive any unallowable cash back.
- Ensure that property tax and insurance amounts accurate.

Step 12: City Authorizes Loan Funding

When all documentation has been received, City provides authorization to fund loan for Homebuyer Assistance Program.

Step 13: City and Lender Fund Loan to Homebuyer

When first mortgage lender and borrower(s) are ready, City funds loan. The City wires funds to escrow account according to escrow agent's wire instructions. Approximately 5 working days should be allowed for processing funding request. After all conditions of escrow have been satisfied, loans are funded and liens are recorded. Program Administrator follows up with the lender and the escrow company to ensure that the loan is properly funded and recorded.

Step 14: City Monitors and Follows Up

Program Administrator and City verify receipt of certified HUD-1 Settlement Statements. Program Administrator reviews settlement statement.