



CITY OF FULLERTON

Redevelopment Agency

HERITAGE WALK

AFFORDABLE OWNERSHIP HOUSING PROGRAM

Heritage Walk development will be comprised of approximately 34 homes (“Homes”) with three- and four-bedrooms ranging in size from approximately 1,293 to 1,450 square feet. The Homes will be built on West Avenue in the Richman Park Area neighborhood and are adjacent to Richman Elementary School and Richman Park.

The Homes will be built by The Olson Company. The Homes are being developed as a redevelopment project pursuant to a program of the Fullerton Redevelopment Agency (“Agency”).

The purpose of this document is to explain the Agency's affordable housing program for the Heritage Walk Homes (“Program”). Pursuant to the Program, the Homes are subject to buyer income and asset limitations and price controls at resale, as well as other terms and restrictions that affect your rights as a homeowner. The sale and resale prices of the Homes will be affordable prices determined by the California Redevelopment Law and are not based on the fair market value. Some of the terms and provisions of the Program are complex and the Agency requires that you thoroughly understand them prior to your purchase of a Home. **IF YOU DESIRE TO PARTICIPATE IN THE PROGRAM AND PURCHASE A HOME, YOU MUST ATTEST TO YOUR FULL UNDERSTANDING OF AND AGREEMENT TO ALL THE PROGRAM'S TERMS AND CONDITIONS BY SIGNING BELOW PRIOR TO CLOSING ESCROW.**

PROGRAM SUMMARY

- The purpose of the Program is to provide homeownership opportunities to income Eligible Buyers who otherwise may not be able to purchase a home in Fullerton.
- To make Homes affordable to Eligible Buyers, the Agency provided construction funding for the development of the Homes. In return for this assistance, the developer agreed to sell the Homes to Eligible Buyers. Eligible Buyers, in turn, purchase their Homes at affordable prices and agree to comply with Program requirements.
- The Agency is able to offer the benefits of homeownership to many generations of Eligible Buyers through restrictions on resale prices, which limit the amount of equity that an Eligible Buyer is able to realize. Market fluctuations, which often result in prices that exceed what is affordable to moderate income households, do not affect the resale affordable prices of the Homes.



PROGRAM ELEMENTS

1. Buyer Eligibility.

In order to qualify as an eligible buyer ("Eligible Buyer"), households must meet certain criteria, including the following:

- Annual household income cannot exceed an amount equal to 120% of the Orange County area median income ("AMI") adjusted for household size.
- Demonstrated ability to qualify for a mortgage, i.e., good credit, stable employment, and manageable debt.
- Savings available for a down payment as required by Agency and any lender providing a mortgage for the Home, as described in Section 6 below.
- Use of the Home as the owner's principal residence.
- Execution of a Regulatory Agreement and Declaration of Covenants and Restrictions ("Regulatory Agreement") with the Agency providing for, among other things, the Home to remain an affordable unit under the Program in perpetuity.

2. Income Requirements and Asset Limitations.

The annual household income of a buyer cannot exceed an amount equal to 120% of the AMI adjusted for household size. The actual household size and actual income of the buyer are used to determine eligibility to purchase a Home.

If a proposed buyer has net family assets in excess of \$5,000, the greater of the following is included as part of the buyer's income for purposes of determining household income: (i) the actual amount of income, if any, derived from all of the net family assets; or (ii) 10% of the value of the net family assets. The term "net family assets" means the 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 are not included.

The maximum allowable household income by household size is as follows:

Household Size	2009 Orange County Moderate Income Limits
1 person	\$72,300
2 persons	\$ 82,650
3 persons	\$ 92,950
4 persons	\$ 103,300
5 persons	\$111,550

NOTE: Income limits effective for 2009. Income limits are subject to change annually.

The Agency or its agent will qualify all homebuyers for both initial sale and resales. Documentation of household size and income and assets, such as W-2s, tax returns, and bank statements will be required.

3. Affordable Purchase Price.

The allowable purchase price and resale price of a Home (“Affordable Purchase Price”) is a price that would result in an annual Monthly Housing Cost (as defined below) which is not less than 28% of the gross annual income of the Eligible Buyer and not more than (i) the product of 35% times 110% of the AMI adjusted for family size appropriate to the Home for Eligible Buyers earning not more than 110% of the AMI, or (ii) the product of 35% times the actual gross income of the household for Eligible Buyers earning more than 110% and not than 120% of the AMI adjusted for family size appropriate to the Home. For purposes of calculating the Affordable Housing Cost, the term “adjusted for family size appropriate to the Home” used above means a household of 4 persons in the case of a three bedroom Home and a household of 5 persons in the case of a four bedroom Home.

The “Monthly Housing Cost” includes all of the following costs associated with a Home, estimated or known as of the date of the proposed sale of the Home and shall be an average of estimated costs for the next twelve (12) months

- Principal and interest payments on a loan(s) not exceeding the prevailing conventional home mortgage lending rates applied by any reputable institutional home mortgage lender, or the lending rates of any government-subsidized or special mortgage program for which a Eligible Buyer qualifies and has obtained a loan for the acquisition of the Home.
- Property taxes and assessments.
- Fire and casualty insurance covering replacement of property improvements.
- A reasonable allowance for utilities, including garbage collection, sewer, water, electricity, gas and other heating, cooking, and refrigeration fuels. Utilities do not include telephone and cable television services. Such an allowance shall take into consideration the cost of an adequate level of service.
- Homeowners’ association fees.

Example of Maximum Monthly Housing Cost

Income Category	Maximum Affordable Housing Cost Calculation	3-Bedroom Unit	4-Bedroom Unit
Moderate	35% of 110% x AMI/12	\$2,762 Monthly Housing Cost	\$2,984 Monthly Housing Cost

Based on 2009 AMI figures.

4. Resale Restrictions; Resale Price.

When a household decides to sell its Home, it is required to sell the Home to an Eligible Buyer at an Affordable Purchase Price. The owner will notify the Agency and the Agency will calculate the Affordable Purchase Price applicable to the Home using the same formula used to calculate the seller's Affordable Purchase Price described in Section 3 above. By transferring the Home from one Eligible Buyer to another under the Program, the Home remains affordable and the benefits of homeownership are passed along.

As described above, the resale Affordable Purchase Price is subject to variable factors that fluctuate over time, such as mortgage interest rates, taxes, and insurance costs. Because of the variability of these factors, owners assume some risk when they purchase their Homes. For example, if the interest rate used in the pricing calculation increases from the time of initial purchase to time of resale, and increases in AMI over that same time do not compensate for the interest rate increase, a resale Affordable Purchase Price could actually be lower than the original price an owner paid.

5. Transfer by Marriage or Inheritance.

If an Eligible Buyer marries after purchasing the Home, the spouse can become a co-owner of the Home.

Upon the death of an Eligible Buyer, the Home can be transferred to an heir as long as the heir is an Eligible Buyer who will live in the Home and who is approved by the Agency. If the heir does not qualify to own the Home, the heir will be required to transfer title to the Property to an Eligible Buyer at an Affordable Housing Cost.

6. Down Payment.

The Agency requires the Eligible Buyer to provide a cash down payment of not less than 3% of the Affordable Purchase Price of the Home. No portion of the down payment may be provided from the proceeds of a loan and no more than 50% of the required down payment amount may be provided from the proceeds of a gift, bequest or grant (i.e., at least 50% must be cash from the Eligible Buyer's own liquid assets). The minimum down payment required by a lender to obtain a loan for the Home may be greater than 3%.

7. Occupancy Requirements and Rental Prohibition.

The Homes must be owner occupied by all persons on title for the duration of ownership. No Home or portion of the Home may be rented at any time.

8. Loan for Purchase of Home.

The Agency is not responsible for the selection of a lender providing funds for the purchase of the Home, any action or inaction by a lender, or providing information concerning public or

private sources of loans. The potential buyer assumes all responsibility for obtaining information on the availability and terms of public or private loans. The Agency will not be charged with the knowledge of the contents of the documents of the Eligible Buyer's financing for the Home.

The lender you select and Agency will verify your household income and debts. Based on your income and debts, the lender will determine if you are eligible for a mortgage, the maximum amount you can borrow, and the maximum monthly first mortgage payment you can afford. You will have to qualify for a loan amount sufficient to pay the Affordable Purchase Price. The lender will review your credit score by obtaining a credit report. The higher your credit score, the more likely you will be eligible to purchase a Home.

The Agency has a right to step in and cure if you default on any financing on the Home and you will be required to repay to Agency any sums expended by the Agency. The obligation to repay the Agency if such event occurs will be secured by a Deed of Trust that is recorded against the Home at the time you purchase the Home.

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For more information about Heritage Walk Homes, you may contact The Olson Company through its website at www.heritagewalkhomes.com. For more information about the Agency's affordable housing Program for the Homes, you may contact Linda Morad, Housing Programs Supervisor at the City of Fullerton, at (714) 738-6878.

CERTIFICATION/REQUEST TO PURCHASE

I, the undersigned, hereby acknowledge and accept all the terms and conditions contained in this document, the Regulatory Agreement and Declaration of Covenants and Restrictions, and the Deed of Trust to be executed in favor of Agency (collectively, the "Agency Documents"), all of which I will agree to comply with in return for purchasing my Home at a below-market-rate price. I acknowledge that I have had a chance to review this Affordable Ownership Housing Program document, which further explains the Agency Documents. I have also been provided enough time to seek an independent legal opinion about the Agency Documents and my purchase of the Home, if I so chose.

I understand that by my execution of the Agency Documents, I agree that the resale price of my Home will be restricted to a price that is affordable to a household of a predetermined size, earning a pre-determined percentage of the Orange County Area Median Income, based on data published by the U.S. Department of Housing and Urban Development (or any government agency subsequently assuming this responsibility). I understand that fair market value will not determine the resale price of my Home.

I understand that the Agency cannot ensure that information provided by or on my behalf will be kept confidential.

I understand that the Agency imposes resale restrictions on the Homes in perpetuity so that it can provide homeownership opportunities to many generations of moderate income families over time and that the equity I will be able to build in my Home will be limited so that the Program is available to the next purchaser of my Home. I understand that my ability to purchase my Home at an affordable price is contingent upon my agreement to comply with the resale controls and Program restrictions.

I understand that the Agency will not be responsible for any costs associated with the Home I purchase including, but not limited to, any loan fees or charges, any charges for appraisals, maintenance costs, or any escrow costs or other costs relating to the transfer of the Home.

I have reviewed the requirements of Heritage Walk Homes. I have answered all questions asked to the best of my knowledge and believe that I am eligible to purchase a Heritage Walk Home. I certify that all information provided or to be provided for the purpose of qualifying to purchase a Home is and will be true, complete, and correct.

Name: _____

Phone: _____

Signature: _____

Email: _____

Date: _____

Address: _____