

City of Oxnard \*  
Affordable Housing and Rehabilitation  
BEGIN  
Program Guidelines

City of Oxnard  
Affordable Housing and  
Rehabilitation Program  
435 South D Street  
Oxnard, CA 93030

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## **PROGRAM DESCRIPTION**

The City of Oxnard Affordable Housing and Rehabilitation Program's (AHRP) – BEGIN Loan Program's goal is to help low or moderate income families residing in the City of Oxnard achieve homeownership. Funds expended under the loan will be approximately 100 individual mortgage assistance loans with a maximum of \$30,000 per unit

To maximize BEGIN funds effectiveness, the program is designed to be layered with additional local, state and federal loan, grant and mortgage assistance programs. An example is the Affordable Housing and Rehabilitation Program's Citywide Homebuyer Loan gap financing of up to \$30,000.00. These funds should be layered with the BEGIN funds to increase affordability.

## **APPLICANT ELEGIBILITY**

Eligible applicants are encouraged to apply by completing the City of Oxnard Affordable Housing and Rehabilitation – BEGIN Loan Program application and returning it with the requested information and documentation to the City of Oxnard Affordable Housing and Rehabilitation Program located at 435 South D Street, Oxnard, CA 93030. Complete applications will be reviewed and eligibility determinations will be made within two to three weeks from the date of receipt.

Eligible households should reside within the City of Oxnard boundaries, be considered low or moderate income as defined by the State of California income limits and be first time homebuyers. Applicants should also be credit worthy and eligible for a first trust deed loan. These last two factors will be determined by the primary lender.

Eligible households should meet the following criteria:

1. Be a low-income or moderate-income household, when considering the gross income of all household residents eighteen (18) years old or older.
2. Include as borrowers on the BEGIN Program Promissory note all persons who will be on title to the property: and
3. Be a first-time homebuyer and intend to occupy the home as a principal residence for the first five (5) years.

First-Time Homebuyers means:

1. A person who has not owned a home during a three year period before the purchase of a home with BEGIN assistance. The Affordable Housing and Rehabilitation Program (AHRP) will verify that the borrower has not taken a property interest deduction on his taxes and will run a name search through the Ventura County Recorder's Office.

2. A displaced homemaker who has not, within the preceding two years, worked on a full time basis and who has been unemployed or underemployed.
3. A displaced homemaker meaning:
  - a. A person who owned a home with his spouse.
  - b. A person, who has not, within the preceding two years, worked on a full time basis and has been unemployed or underemployed.
  - c. A single parent who, while married, owned a home with his or her spouse.
    - i. A single parent is a person who is unmarried or legally separated.
4. A person who owns or has owned a mobile home or manufactured home that was not attached to a permanent foundation.

## QUALIFYING INCOME

### Calculating Income

In calculating income eligibility, the “gross” income of all household residents over the age of 18 who will reside in the property should be determined and combined. Gross income means the anticipated income of a person or family for the twelve-month period following the date of determination of income. Gross income also means the reported income before any deductions.

Unless there is verifiable evidence to the contrary, it should be assumed that the current total household income will continue for the next twelve months. Please see the examples listed below.

Example1: The income for a person making \$7.00 per hour.

- \$7.00 per hour x 40 hrs per week x 52 weeks = \$14,560.

Example 2: The income for a person currently making \$7.50 per hour who will receive a raise to \$8.25 in two months.

- \$7.50 per hour x 40 hrs per week x 8 weeks = \$2,400
- \$8.25 per hour x 40 hours per week x 44 weeks = \$14,520
- Total income for 52 weeks: \$16,920

### Verifying Income

In verifying income, the following documents should be collected:

1. Taxes for the last three years
2. W2's for the last three years
3. One full month current pay stubs

4. Current checking and savings information
5. Other asset information

Particular attention should be paid to overtime, bonuses and commissions. Additionally, pay periods (i.e. 24 vs. 26 pay periods) and salary payments should be defined as they may skew income.

### **Gross income Inclusions**

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;
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.

### **Gross Income Exclusions**

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, fee, 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:
  - National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
  - 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).

### **Determining Household Size**

In determining household size **do not** count the following individuals:

1. Foster children
2. Unborn children

3. Children being pursued for legal custody or adoption who are not living at home.
4. **Shared custody children residing with the household 50% of the time.**

### **Comparing Gross Income to HCD Income Limits**

For each applicant, the BEGIN Gross Income Worksheet should be completed. See Attachment 1. Once the household size and income have been determined and verified they must be compared to the current HCD program income limits. See Attachment 2. All applicant incomes should qualify as being either low income (80%) or moderate income (120%) of the Ventura County median income established by the HCD income guidelines.

### **Assets**

If applicant's net household assets are over \$5,000, then gross income will equal the greater of actual gross income or 2.5% of asset value. Net household assets mean equity in real property other than the applicant's full time residence, savings, checking, stocks, bonds or other capital investments.

## **UNDERWRITING REQUIREMENTS**

Once income has been established, the AHRP should review the borrower's credit report. A copy of the credit report should be requested from the borrower or his primary lender. The credit report should be dated within thirty to forty five days of acceptance. The credit report will not only assist the AHRP to determine credit worthiness, discussed later, but will allow the AHRP to determine debt.

When both income and debt have been established, the applicant's BEGIN Subsidy Calculation Worksheet should be completed. Please see Attachment 4. The worksheet will determine the amount of subsidy the homebuyer is eligible to receive. The maximum BEGIN LOAN IS \$30,000.

### **Front End and Back End Ratios**

A typical front end ratio or housing ratio ranges from 29% to 33%. While the AHRP will be mindful of these ratios, it recognizes that debt is one of the definitive factors in determining mortgage payment affordability. For example, if a borrower has no debt most lenders will allow a front and back end ratio of 45% or greater. Therefore, the AHRP is primarily concerned with the borrower's back end debt ratio. The applicant's back end debt ratio should not exceed approximately 45%. If there are positive compensating factors, the ratios may be increased to 48%.

These positive compensating factors include:

1. Successful twelve month payment of housing costs equal to or greater than proposed total monthly payment including principal, interest, taxes, insurance and home owners association (if applicable).

2. The buyer is a limited user of credit and they have a history of being able to save money.
3. The borrower has sustainable non-taxable income such as: child support, permanent disability payments, retirement payments, permanent workers compensation payments, social security and VA benefits.
4. There will be no more than a 5% increase in the buyer's housing expense.
5. The borrower will be receiving pay increases.
6. The borrower has sources of undocumented income.

The ultimate decision to exceed the 45% back end debt ratio lies with the primary lender. The AHRP will only be confirming the results. If there is a disagreement, the AHRP retains the right not to allocate funds to the borrower.

### **Credit History**

The ultimate credit decision to approve the applicant's mortgage loan rests with their lender. However, the AHRP shall review the buyer's credit report for derogatory credit issues and items that may have been "overlooked" by the lender or "forgotten" by the applicant. The purpose of reviewing the credit report is to project the likelihood of repayment in a timely manner.

Below is a credit score scale that ranges from 400 to 800, the higher the range, the lower the risk. The AHRP should utilize this credit range in reviewing the credit profile of the applicant.

### **Credit Score Range: 400 – 800**

720 and Above	Very Low Risk
659 – 719	Low Risk
620 – 659	Begins to Represent Risk
620 and Below	High Risk

### **Derogatory Credit Profiles**

Finally, some clients with credit scores below 620 are eligible for mortgage loans through the Federal Housing Administration (FHA). FHA examines the applicant's credit pattern and may accept credit explanation letters explaining the reasons behind derogatory accounts. Additionally, in order to supplement the existing credit report, FHA may ask for alternative credit resources.

## **Alternative Credit Resources**

For those clients who do not have an established credit history, alternative credit may be used. Alternative credit consists of at least four accounts that should have been active and paid on time during the last 12 months. These include a verification of rent and/or utility bills, insurance or other personal loans or lines of credit.

## **Determining Housing Expenses**

In calculating the monthly mortgage payment, the following should be included:

1. The principal and interest payment.
2. Property taxes and assessments
3. Property insurance (i.e. fire, flood or earthquake – if applicable)
4. Home Owners Association dues (if applicable)
5. Mortgage insurance (if applicable)

## **Review of Primary Lenders Loan Terms and Conditions**

The AHRP must review the primary lenders loan conditions. This includes the term, interest rate and conditions of the loan. The term of the mortgage shall be 30 years, except when Acorn or California Housing Finance Agency (CalHFA) 40 year loans are used.

The interest rate shall be fixed for 30 or 40 years and shall be competitively priced. Both Acorn and CalHFA Interest only products are allowed along with CalHFA's standard array of additional loan products. All loans must be fully amortized and must include impounds of property taxes, insurance and if applicable: mortgage insurance, home owner's association dues and any other assessments.

Mortgage loans shall not include provisions for negative amortization or principal increases of deferred interest.

## **PURCHASE PRICE LIMITS**

"Maximum Sales Price" is the maximum allowable sales price of a home assisted with a BEGIN loan. This shall be set at 100% of the current median sales price of a single family home located in the County of Ventura. Purchase price limits may also be defined by CalHFA and FHA loans when these products are selected by the buyers.

## **DESCRIPTION OF TYPES OF UNITS ALLOWED**

Under the AHRP BEGIN program the following types of units are eligible for funding. These include:

1. Manufactured or modular homes permanently attached to a permanent foundation.
2. Condominiums or Planned Unit Developments (PUD's)
3. Single family detached homes
4. Duplexes, if purchased by two families simultaneously.

Please note, manufactured units sitting on piers are not permitted under the program.

## **ALLOWABLE LOAN-TO-VALUE RATIOS AND SUBORDINATE FINANCING**

Homebuyer mortgage assistance loans must have a loan-to-value not to exceed 100%. The homebuyer will not pay actual closing costs. Five percent of the sales price to cover actual closing costs will be financed with BEGIN funds. No financing, junior or senior to BEGIN loans may have a balloon payment due before the maturity date of the BEGIN loan.

All subordinate financing shall defer all principal and interest payments for the term of the BEGIN loan. Below is a sample of subordinate financing and lien position.

1. First Trust Deed Loan
2. BEGIN Loan
3. AHRP Conditional Matching Grant Program

## **BEGIN ASSISTANCE AMOUNTS AND LOAN TERMS**

The Housing and Community Development Department has set the loan limit to \$30,000, not to exceed 20% of the sales price. AHRP has set an assistance benchmark of 156 families.

All BEGIN loans will accrue 3% simple interest per year. The loan term shall be 30 years. Payments of principal and interest will be deferred for the life of the loan. BEGIN funds may be used to pay for re-occurring or non-reoccurring loan closing costs.

The BEGIN loan will be secured by the property via a deed of trust. Principal and interest payments shall be deferred for 30 years or until the property is sold.

### **BEGIN Loan Repayment**

1. BEGIN loans are assumable and shall be recorded no lower than second position.

Prepayment of a portion or all deferred loan amounts is allowed without any penalty. If the BEGIN loan is the only subsidy, the borrower cannot be restricted from selling the home at its fair market value.

BEGIN loans will be repayable upon the:

1. Sale or transfer of the property
2. When the property ceases to be owner-occupied
3. Upon AHRP defined BEGIN maturity date

### **Financial Hardship**

If payment of the BEGIN loan causes borrower financial hardship, the AHRP may:

1. Amending the note and Deed or Trust to defer repayment of the amount due at loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at 0 percent additional interest), this may be offered one time, or;
2. Converting the debt at loan maturity, that is the original principal balance and any accrued interest, to an amortized loan, repayable in 15 years at 0 percent additional interest.

### **Allowable Transfers of Property Interest**

The following transfers of interest shall not require the repayment for the loan:

1. Transfer to a surviving tenant by devise, descent, or operation of law on the death of the joint tenant.
2. A transfer in which the transferee is a person who occupies or will occupy the property, which is:
  - a. A spouse where the spouse becomes an owner of the property.
  - b. A transfer resulting from a decree of dissolution of marriage, legal separation or incidental property settlement agreement by which the spouse becomes an owner of the property.
  - c. A transfer into an inter-vivo trust in which the homebuyer is and will remain the beneficiary and occupant of the property.

## **LOAN CLOSING PROCEDURES**

The AHRP will be responsible for drawing the BEGIN deferred payment loan documents, sending the documents and the escrow instructions to escrow and closing the loan.

## **Document Review**

Before BEGIN closing documents and escrow instructions are executed, the Program should contact the escrow company or primary lender and request a copy of escrow instructions and a copy of the preliminary title report. These items should be reviewed as follows:

- A. Confirm that the borrower has obtained the maximum primary loan with a term and interest rate consistent with the program's defined affordable housing costs.
- B. Confirm that fees and charges for financing are consistent with usual and customary market fees.
- C. The preliminary title report should be reviewed for correct property address and legal description. It should be reviewed for unallowable exceptions, exceptions requiring an endorsement and proposed vesting of the borrower.
- D. Review the primary lender's escrow instructions for their requirements with regard to what exceptions may show on the CLTA and ALTA policies or any endorsements they are requesting.
- E. Property taxes and insurance amounts should be reviewed for accuracy. The primary lender shall be required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance for the term of the primary loan.
- F. The homebuyers should be vested the same on the AHRP's loan documents as the primary lender's documents.

## **Drawing Documents**

Once the AHRP has reviewed the escrow instructions and the preliminary title report then it is ready to draw the BEGIN loan closing documents and the escrow instructions. The following documents must be prepared and sent to title:

- A. Promissory Note, see attachment 2, secured by a deed of trust evidencing the loan, payable to the AHRP in the principal amount of the loan and stating the terms and rate of the interest of the loan consistent with the requirements of the BEGIN Program. AHRP is prohibited from assigning its beneficial interest under the note.
- B. The BEGIN Deed of Trust, see attachment 3, shall name the AHRP as the beneficiary and shall be recorded in the required lien position.
- C. Escrow instructions with clear instructions to the escrow company. In the AHRP escrow instructions, AHRP should request an original ALTA Policy with the AHRP

listed as a lien holder and a copy of all hazard insurance(s) showing the AHRP as additional loss payee.

D. Request for Copy of Notice of Default or Sale to be recorded on behalf of the Program

All the above closing documents are sent to escrow to be reviewed by the escrow officer and the homebuyer's signature. Once the homebuyer has signed, all the above original documents, along with certified copies, except for the original Deed of Trust and Notice of Default (these two items will be sent to the County Recorder's office for recording) are returned to the AHRP to be reviewed for completeness, accuracy and conformance to the escrow instructions. After the closing documents have been reviewed for compliance, and funds have been disbursed from the AHRP to escrow, escrow will be in a position to record the BEGIN lien.

### **After the BEGIN Loan Closing**

The Program should receive a certified Settlement Statement, the ALTA Policy and proof of insurance from the escrow company shortly after the loan documents record. Check the Settlement Statement for unallowable fees the homebuyer might have been charged and make sure the borrower did not receive any unallowable cash back.

If the borrower received unallowable cash back, it must be collected from the borrower credited as a principal reduction to the BEGIN loan. Review the Alta Policy to make sure the BEGIN loan shows in the required program lien position and that all required endorsements have been provided.

## **PERFORMANCE REPORTING**

### **Quarterly Reporting**

During the term of the BEGIN Standard Agreement and no later than 30 days after the end of each calendar quarter, the Program will submit quarterly status reports on an HCD provided BEGIN Form.

### **Yearly Reporting**

During the term of the BEGIN Standard Agreement and no later than 30 days after June 30<sup>th</sup> of each year and/or within 30 days of the expiration date of the Standard Agreement, the Program will submit yearly status reports on an HCD provided BEGIN Form.

## **MONITORING**

As part of the BEGIN monitoring process, HCD will be looking for back-up documentation that verifies compliance with the BEGIN Program. Below is a list of documents that should be included in the borrower's file.

### **First-Time Homebuyer Mortgage Assistance**

For mortgage assistance loans the files should contain the following information:

1. Application for BEGIN assistance.
2. Confirmation of first-time homebuyer status and household size.
3. Income and asset verification documentation.
4. Credit Report or other documentation required to show a good credit history.
5. Property sales contract, appraisal, and preliminary title report.
6. For new units:
  - a. The final inspection report
  - b. Certificate of Occupancy.
7. From the primary lender:
  - a. The primary loan application
  - b. The conditional approval
  - c. Loan documents
8. BEGIN disbursement forms including Borrower Summary Sheets.
9. If required a BEGIN Contributed Labor Certificate
10. Documentation of completion of the required Homebuyer Education course
11. BEGIN loan escrow instructions.
12. From the escrow and title company:
  - a. Executed promissory note
  - b. Recordable deed of trust
  - c. Title insurance naming the AHRP as the insured
  - d. Property insurance naming the AHRP as additional loss payee
  - e. Certified copy of settlement statement
  - f. Recordable notice of default or sale provided by the AHRP
  - g. Certified copy of settlement statement
13. Correspondence or notes between all parties.

## **OTHER REQUIREMENTS**

Prior to the close of escrow an appraisal by an independent, State-licensed appraiser shall be conducted and a copy forwarded to the Program. The appraisal shall use the sales comparable approach to determine value.

Cash transactions and oral agreements outside of escrow are prohibited.

Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender required minimum down payments.

BEGIN funds cannot be used to payoff all or any portion of the borrowers debts, liens or judgments.

With the exception of HUD, FHA 203(K) and self help housing, the property being purchased must be ready for occupancy.

Attachment 1: BEGIN Gross Income Worksheet

Attachment 2: HCD 2018 Income Limits

Attachment 3: Deed of Trust and Promissory Note

Attachment 4: BEGIN Subsidy Calculation Worksheet

**ATTACHMENT 1- BEGIN Gross Income Worksheet**

1. Name: _____		2. Program: <u>Homebuyer's Program</u>			
<b>ASSETS</b>					
<b>Family Member</b>	<b>Assets Description</b>	<b>Current Cash Value of Assets</b>		<b>Actual Income from Assets</b>	
3. Net Cash Value of Assets.....		\$			
4. Total Actual Income from Assets.....				\$	
5. If line 3 is greater than \$5,000, multiply line by <u>.02%</u> (Passbook Rate) and enter the results here; otherwise, leave blank.				\$-0-	
<b>ANTICIPATED ANNUAL INCOME</b>					
Family Member	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income	Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals.....	a. \$	b.	c.	d. \$	e. \$
Enter total of items from 6a. through 6.e This is Annual Gross Income.					\$

\$\_\_\_\_ Income Limit

\$\_\_\_\_ Income of Household

Reviewed by: \_\_\_\_\_

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT 2 -BEGIN HCD Income Guidelines**  
**VENTURA COUNTY INCOME ELIGIBILITY Effective 4/30/2020**

**2020 HCD INCOME LIMITS**

VENTURA COUNTY	INCOME CATEGORY	NUMBER OF PERSONS IN HOUSEHOLD							
		1	2	3	4	5	6	7	8
	<b>EXTREMELY LOW</b>	23,700	27,100	30,500	33,850	36,600	39,300	42,000	44,700
<b>VERY LOW INCOME</b>	39,550	45,200	50,850	56,450	61,000	65,500	70,000	74,550	
<b>LOW INCOME</b>	63,250	72,300	81,350	90,350	97,600	104,850	112,050	119,300	
<b>MODERATE INCOME</b>	82,150	93,900	105,600	117,350	126,750	136,150	145,500	154,900	

Determination of Income Limit for Households Larger than Eight Persons: Per person (PP) adjustment above 8: (1) multiply 4-person income limit by eight percent (8%), (2) multiply result by number of persons in excess of eight, (3) add the amount to the 8-person income limit, and (4) round to the nearest \$50.

Yuba County  
**E X A M P L E**

<b>E X A M P L E</b>	4 persons	8% PP Adj	+ 8 persons	=9 persons
Extremely Low	24,600	1968	39,550	41,500
Very Low Income	29,950	2396	39,550	41,950
Lower Income	47,900	3832	63,250	67,100
Moderate Income	71,900	5752	94,900	100,650

8 person +	8% Adj x 2	=10 persons
39,550	3936	43,500
39,550	4792	44,350
63,250	7664	70,900
94,900	11504	106,400

*SOURCE: State of California Department of Housing and Community Development (HCD) 2020 Income Limits*



personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property.

**2. FOR THE PURPOSE OF SECURING:**

**2.1.** Repayment of the indebtedness evidenced by that certain Promissory Note of the Borrower dated \_\_\_\_\_, 20\_\_\_\_\_, and entitled the City of Oxnard BEGIN Program First-time Homebuyer

Promissory Note “Loan No. \_\_\_\_\_” (the “Note”) of the Borrower in the principal amount of \_\_\_\_\_), together with simple interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note. The Note and this Deed of Trust are subject to the terms, conditions, and restrictions of the State of California BEGIN Program as set for the in the Health and Safety Code section 50860 et seq. and implementing guidelines adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.

**2.2.** Payment of such additional sums, with interest thereon:

(a) As may hereafter be borrowed from Lender by the then-record owner of the Property and evidenced by a promissory note or notes reciting that it or they are so secured and all modifications, extensions, or renewals of the Note; and

(b) As may be incurred, paid, or advanced by Lender, or as may otherwise be due to Trustee or Lender, under any provision of this Deed of Trust and any modification, extension, or renewal of this Deed of Trust; and

(c) As may otherwise be paid or advanced by Lender to protect the security or priority of this Deed of Trust.

**2.3.** Performance of each obligation, covenant, and agreement of Borrower contained in this Deed of Trust, the Note, or any other document executed by Borrower in connection with the loan(s) secured by this Deed of Trust, and all amendments to these documents whether set forth in this Deed of Trust or incorporated in this Deed of Trust by reference.

**3. BORROWER COVENANTS:**

Borrower hereby covenants to maintain and protect the security of this Deed of Trust, to secure the full and timely performance by Borrower of each and every obligation, covenant, and agreement of Borrower under the Note and this Deed of Trust, and as additional consideration for the obligation(s) evidenced by the Note, Borrower covenants as follows:

**3.1. Title.** That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands subject to any declarations, easements, or restrictions listed in the schedule of exemptions to coverage in any title insurance policy insuring Lender’s interest in the Property.

**3.2. Payment of Principal and Interest.** That Borrower shall promptly pay, when due, the principal and interest on the Note, and such other charges as are provided in the Note, and such other amounts as are provided under this Deed of Trust.

**3.3. Maintenance of the Property.** (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law,

ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without the Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of the Lender.

**3.4. Appear and Defend.** Borrower shall appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Lender 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 the Lender or Trustee may appear, and in any suit brought by the Lender to foreclose this deed.

**3.5. Payment of Taxes and Utility Charges.** Borrower shall pay, at least ten (10) days before delinquency all taxes and assessments affecting the Property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, fines and impositions attributable to the Property, leasehold payments or ground rents, if any, and any interest on the Property or any part thereof; all costs, fees and expenses of this trust. Borrower shall make such payments when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and Borrower shall promptly furnish to Lender receipts evidencing all such payments made.

**3.6. Insurance.** To keep the Property insured with loss payable to the Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies on such forms and in the amount of the replacement cost of the Property, and to deliver the original of all such policies to the Lender, together with receipts satisfactory to the Lender evidencing payment of the premiums. All such policies provide that the Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to the Lender, shall be delivered to the Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor the Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses. All insurance proceeds for such losses must be utilized for the repair or restoration of the insured property.

**3.7. Payments and Discharge of Liens.** Borrower will pay, when due, all claims of every kind and nature which might or could become a lien on the Property or any part thereof; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by Borrower in good faith and by appropriate legal proceedings, and Borrower shall post security for the payment of these contested claims as may be requested by the Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

#### **4. IT IS MUTUALLY AGREED THAT:**

**4.1. Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under the Note and Section 2.1 shall be applied by Lender first to interest payable on the Note and then to the principal due on the Note.

**4.2. Future Advances.** Upon request by Borrower, Lender, at Lender's option, may make future advances to Borrower. All such future advances, with interest thereon, shall be added to and become a part of the indebtedness secured by this Deed of Trust when evidenced by promissory note(s) reciting that such note(s) are secured by this Deed of Trust.

**4.3. Disbursements to Protect Lender's Security.** All sums disbursed by Lender to protect and preserve the Property, this Deed of Trust, or Lender's security for the performance of Borrower's obligations under the Note shall be and be deemed to be an indebtedness of Borrower secured by this Deed of Trust.

**4.4. Protection of Lender's Security.** If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, arrangements

or proceedings involving a bankrupt or decedent, foreclosure of any mortgage secured by the Property or sale of the Property under a power of sale of any instrument secured by the Property, then Lender, at Lender's option, upon notice to Borrower, may make such appearance, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 4.4, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. Nothing contained in this Section 4.4 shall require Lender to incur any expense or take any action hereunder.

**4.5. Inspection.** Lender or its agent may make or cause to be made reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to any such inspection specifying reasonable cause for the inspection.

**4.6. Awards and Damages.** All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to the Lender. The Lender is authorized and empowered (but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as the Lender shall determine at its option. The Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by the Lender may be released to Borrower upon such conditions as the Lender may impose for its disposition. Application of all or any part of the amounts collected and received by the Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

**4.7. Prohibition on Transfers of Interest.** With the exception of the transfers permitted in Section 4.11 below, if all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Security Instrument to be immediately due and payable. If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with Section 6.9 hereof. Such notices shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by Section 5.2(a) hereof.

**4.8. Sale or Forbearance.** No sale of the Property, forbearances on the part of the Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

**4.9. The Lender's Rights to Release.** Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the Property not released pursuant hereto, at any time and from time to time without notice: (a) The Lender may, at its sole discretion, (I) release any person now or hereafter liable for payment of any or all such indebtedness. (II) extend the time for or agree to alter the terms of payment of any or all of such indebtedness, and (III) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of the Lender, may reconvey all or any part of the Property, consent to the making of any map or plot thereof, join in granting any assessment thereon, or join in any such agreement of extension or subordination.

**4.10. Reconveyance.** Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing indebtedness secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof.

**4.11. Requirement of Owner-occupancy and Permitted Transfers.** Borrower shall occupy the Property as Borrower's principal place of residence during the term as described in the Note. Notwithstanding any other provision of the Note or this Deed of Trust, the following transfers shall not be deemed to be a default under the Note or this Deed of Trust:

- (a) The loans are assumable if the home is re-sold to another income-qualifying household after five years from the recordation of the deed of trust securing the BEGIN loan.
- (b) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (c) A transfer of the Property where the spouse becomes an owner of the property;
- (d) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property.
- (e) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.

## **5. EVENTS OF DEFAULT**

**5.1. Events of Default.** Any one or more of the following events shall constitute a default under this Deed of Trust (a) failure of the Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust including but not limited to the occupancy of property by Borrower provision; or (c) the occurrence of any event which, under the terms of the Note, shall entitle the Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event which, under the terms of the First Note and First Deed of Trust shall entitle the Lender to exercise the rights or remedies thereunder.

### **5.2. Acceleration and Sale.**

(a) **Acceleration.** Except as provided in Section 4.7, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, upon Borrower's failure to make any payment or to perform any of its obligations, covenants and agreements pursuant to the Note, Lender shall mail notice to Borrower as provided in Section 6.9 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the

Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorney's fees.

(b) **Borrower's Right to Reinstate.** Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust, Borrower will have the right to have any proceedings begun by Lender to enforce this Deed of Trust discontinued at any time prior to five (5) days before sale of the Property pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of the judgment enforcing this Deed of Trust if: (1) Borrower pays Lender all sums which would be then due under this Deed of Trust and the Note, had no acceleration occurred; (2) Borrower pays all reasonable expenses incurred by Lender and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, remedies including, but not limited to, reasonable attorneys' fees; and (3) Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby will remain in full force and effect as if no acceleration had occurred.

(c) **Sale.** After (1) acceptance of a deed in lieu of foreclosure (2) assignment of the insured mortgage to the US Department of Housing and Urban Development, or (3) foreclosure (e.i., deliver to Trustee of a Notice of default and Demand for Sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without demand on Borrower, sale of the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United states of America, payable at time of sale), this Deed of Trust shall automatically terminate.

Trustee may postpone sale of all or any portion of the 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 and place fixed by the preceding postponement. Any person, including Borrower, Trustee or the Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied. The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee and after deducting all costs, expenses and fees of Trustee and of this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by the Lender under this Deed of Trust, or the secured obligations or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured thereby, including interest as provided in this Deed of Trust, the secured obligations or any other such instrument, in such order as the Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

(d) **Assignment of Rents; Appointment of Receiver; Lender in Possession.** Upon acceleration under paragraph (a) of Section 5.2 hereof or abandonment of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property (if any) including those past due. All rents collected by Lender or the Receiver shall be applied first to payment of the costs of management of the Property and collection of rents including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Security Instrument. Lender and the receiver shall be liable to account only for those rents actually received. The provisions of this paragraph and paragraph (a) of Section 5.2 shall operate subject to the claims of prior lien holders.

**5.3. Exercise of Remedies; Delay.** No exercise of any right or remedy by the Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by the Lender or Trustee in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

**5.4. Trustee Substitution.** The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to the Lender, to be exercised at any time hereafter, without specifying any reason therefore by filing for record in the office where this Deed of Trust is recorded a deed of appointment, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever the Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or deeds of appointment, the trustee or trustees so appointed shall thereupon, without

further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally names as trustee or as one of the trustees.

**5.5. Remedies Cumulative.** No remedy herein contained or conferred upon the Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to the Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

## **6. MISCELLANEOUS PROVISIONS**

**6.1. Successors, Assigns, Gender, Number.** The covenants and agreements contained in this Deed or Trust shall bind, and the benefit and advantages under it shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

**6.2. Headings.** The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

**6.3. Actions on Behalf of the Lender.** Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by the Lender is required or permitted under this Deed of Trust, such action shall be in writing.

**6.4. Terms.** The words "the Lender" means the present Lender, or any future owner or holder, including pledgee of the indebtedness secured hereby.

**6.5. Obligations of Borrower.** If more than one person has executed this Deed of Trust as "Borrower," the obligations of all such persons hereunder shall be joint and several.

**6.6. Incorporation by References.** The provisions of the BEGIN Program security instruments and the documents relating to that program are incorporated by reference as though set out verbatim.

**6.7. Severability.** If any provision of this Deed of Trust shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

**6.8. Indemnification.** Borrower will indemnify and hold the Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which the Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against the Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower's expense, defend, indemnify, save and hold the Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature) asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay the Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by the Lender as a result of any legal action arising out of this Deed of Trust.

**6.9. Notice.** Except for any notice required under applicable law to be given in another manner (a) any notice to Borrower provided for in this Deed of Trust shall be given by mailing such notice by certified mail directed to the Property Address or any other address Borrower designates by notice to Lender as provided herein; and, (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's mailing address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall deem to have been given to Borrower or Lender when given in the manner designated herein.

**6.10. Beneficiary Statement.** Lender may collect a fee for furnishing the beneficiary statement in an amount not to exceed the amount as provided by Section 2943 of the Civil Code of California.

**6.11. Use of Property.** Borrower shall not permit or suffer the use of any of the Property for any purpose other than as a single family residential dwelling.

**WITNESS WHEREOF,** Borrower has executed this Deed of Trust on the day and year set forth above. By signing below, Borrower agrees to the terms and conditions as set forth above.

**MAILING ADDRESS FOR NOTICES:**

City of Oxnard  
Affordable Housing  
435 S. D Street  
Oxnard, CA 93030

**SIGNATURE OF BORROWER(s):**

\_\_\_\_\_  
\_\_\_\_\_

**CITY OF OXNARD**

**BEGIN PROGRAM**

**FIRST-TIME HOMEBUYER  
PROMISSORY NOTE**

**NOTICE TO BORROWER  
THIS DOCUMENT CONTAINS PROVISIONS  
RESTRICTING ASSUMPTIONS AND IS SECURED BY  
A SUBORDINATE DEED OF TRUST ON RESIDENTIAL PROPERTY**

Loan No. \_\_\_\_\_

\$ \_\_\_\_\_, 2012

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (the "Borrower") hereby promises to pay to the order of The City of Oxnard ("Lender") at the following address 435 S. D Street Oxnard, CA 93030 or at such other place as the holder may from time to time designate by written notice to Borrower, in lawful money of the United States, the sum of \_\_\_\_\_ Dollars (\$) with simple interest at the rate of 3% percent per annum on the unpaid principal balance from the date of this Note, until paid. The obligation of the Borrower with respect to this Note is secured by that certain BEGIN Program First-Time Homebuyer Deed of Trust Loan No. \_\_\_\_\_ (the "Deed of Trust"), and executed by the Borrower concurrently herewith.

1. **Borrower's Obligation.** This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned (the "BEGIN Loan") to finance the purchase of that certain real property (the "Property"), which has the address of \_\_\_\_\_  
(Street) (City)  
California, \_\_\_\_\_ more fully described in Exhibit A of the Deed of Trust.  
(Zip Code)
2. **Borrower(s) Acknowledge(s) and Agrees:** that the BEGIN Loan is subject to the terms, conditions, and restrictions of the State of California BEGIN Program as set forth in Health and Safety Code section 50860 et seq. and implementing guidelines adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.
3. **Repayment of Loan Principal and Interest.** No periodic payments are required hereunder. Borrower agrees to pay the unpaid principal balance, unpaid accrued interest, and any other amounts due under this Note upon the earlier of:
  - (a) 30 years from the date of this Note; or
  - (b) Upon sale, transfer, lease, or encumbrance of all or any interest in the Property without Lender's prior written consent, except for a transfer permitted in Paragraph 4; or
  - (c) Upon the maturity date, or full repayment, of any debt that is secured by a lien on the Property that is senior to the Deed of Trust; or
  - (d) Upon Borrower's failure to occupy the Property as Borrower's principal place of residence during the first five (5) years after the date of recordation of the deed of trust securing the BEGIN loan.

4. **Permitted Transfers.**

The BEGIN Loan is assumable under the following limited circumstances:

- (a) The loans are assumable if the home is re-sold to another income-qualifying household after five years from the recordation of the deed of trust securing the BEGIN loan.
- (b) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (c) A transfer of the Property where the spouse becomes an owner of the property;
- (d) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property.
- (d) A transfer to an inter vivo trust in which the Borrower is and remains the beneficiary and occupant of the property.

5. **Acceleration of Payment.** The principal amount of this loan, together with any then outstanding accrued interest thereon shall become immediately due and payable, at the option of the holder and without demand or notice, upon the occurrence of any of the following events:

- (a) In the event of a default under the terms of this Note or the Deed of Trust;
- (b) In the event that the Borrower shall cease to occupy the Property as Borrower's principal place of residence during the first five year; or
- (c) In the event of any sale, transfer, lease, or encumbrance of the Property without Lender's prior written consent in violation of Paragraph 4 of this Note.

6. **Effect of Due-on Sale Clause.** Failure of the holder to exercise the option to accelerate payment as provided in Paragraph 5 of this Note will not constitute waiver of the right to exercise this option in the event of subsequent cause for acceleration. Failure by Borrower to occupy the Property as Borrower's principal place of residence shall be considered an on-going event of default under this Note.

7. **Place and Manner of Payment.** All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time-to-time.

8. **Application of Payments.** All payments received on account of this Note shall be first applied to accrued interest, if any, and the remainder shall be applied to the reduction of principal.

9. **Attorney's Fees.** The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.

10. **Default and Acceleration.** All covenants, conditions and agreements contained in the Deed of Trust are hereby made a part of this Note. The Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of the Lender or, if so provided in this Note and Deed of Trust executed by the Borrower, shall automatically, become immediately due and payable, and thereafter until paid bear interest at the rate of 9.5% per annum, upon the failure of the Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other term or provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust, shall entitle the Lender to exercise rights or remedies thereunder.

11. **Notices.** Except as may be otherwise specified herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and must be communicated to the Borrower at the address of the Property, or at such

other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender. Mailed notices shall be deemed delivered and received five (5) working days after deposit in the United States mails in accordance with this provision

- 12. **Prepayment Policy:** Borrower may prepay this Note at any time without penalty.
- 13. **Governing Law.** This Note shall be construed in accordance with and be governed by the laws of the State of California.
- 14. **Severability.** If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
- 15. **No Waiver by the Lender.** No waiver of any breach, default or failure of condition under the terms of the Note or Deed of Trust shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note, Deed of Trust, or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.
- 16. **Successors and Assigns.** The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

Executed as of the date set forth above at \_\_\_\_\_, California  
City

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower

Mailing Address for Notices:

The City of Oxnard  
Affordable Housing  
435 So. D Street  
Oxnard, CA 93030

## ATTACHMENT 4 - BEGIN Subsidy Calculation Worksheet

### GAP FINANCING AND RATIOS

		<b>Conventional</b>	
1	Total Sales Price		220,000
2	Closing costs		8,986
3	<b>Total Costs</b>		<b>228,986</b>
6	<b>Total Loan Amount (FHA 1st TD + UPMIP )</b>	208,941	<b>208,941</b>
7	<b>Amount Needed to Cover Total Costs.</b>		<b>20,045</b>
8	Closing Cost Subsidy		
9	Other Closing Cost Subsidy		
10	Reservation Fee Paid Up Front		
11	Other Fee Paid Up Front		
12	Buyer's Liquid Assets	14,653	
13	3 months mortgage payments as reserves	-4,308	
14	Available Liquid Assets for Downpayment (min. \$5,000)	10,345	-10,345
15	Down Payment Gift		
16	Other Subsidies		
17	Other Subsidies		
18	<b>City of Oxnard "GAP" loan</b>		<b>-9,700</b>
19	<b>Remaining Amount Needed to Cover Total Costs.</b>		<b>0</b>
<b>RATIOS</b>			
20	Interest Rate	3.625	
21	Term	30	
22	Monthly Interest Rate	0.003	
23	Principal & Interest Payment		952.88
24	Property Taxes (1.25%)		217.65
25	Mortgage Insurance (1.25% of the loan amount)	N/A	0.00
26	HOA		
27	<b>Total PITI + M &amp; U Payment</b>		<b>1170.53</b>
28			
29	Ventura County HH Size of 3 @ 80% AMI		60,900
30	Household Income		48,801
31	Targeted Monthly Income		4,067
32	<b>Front End Ratio</b>	<b>35%</b>	<b>28.78%</b>
33	Debt Assumption		50
34	<b>Back End Debt Ratio</b>	<b>45%</b>	<b>30.01%</b>