

CITY OF EL MONTE

POLICE HOMEBUYER INCENTIVE PROGRAM INFORMATION AND DISCLOSURE STATEMENT (GUIDELINES)

I. Purpose:

The purpose of the Police Residence Incentive Program (the "Program") is to provide El Monte Police Officers (inclusive of all ranks) with the financial assistance of a one-time, no interest, forgivable loan by the City of El Monte (the "City Loan"), the proceeds of which ("Proceeds") are to be used toward the purchase of a principal residence within the City of El Monte.

II. Eligibility Criteria:

A. Any applicant for a City Loan under the Program must:

1. Be a full-time (non-probationary) El Monte Police Officer, or in a higher rank even if serving a probationary period. For example, an Officer promoted to Sergeant and serving a probationary period is eligible to participate in the program. (Such an eligible loan applicant is referred to herein as "Purchaser.")
2. During the term of the Program, purchase real property as a principal residence within the city limits of the City of El Monte (the "Property"). El Monte Police Officers, who are living in the City of El Monte on the date this Information and Disclosure Statement is approved by the El Monte City Council, also qualify for financial assistance under this Program to be used toward the purchase of a different principal residence within the City of El Monte.
3. Occupy the Property purchased as his/her principal residence throughout the term of the City Loan provided under this Program. The term "Principal Residence" as used herein shall mean the permanent primary home and legal domicile of the Purchaser; provided, however, no Property shall qualify as a principal residence hereunder unless the Purchaser resides therein more frequently, on an annual basis, than within any other dwelling.
4. Obtain City approval of participation eligibility prior to purchase of the Property, on and after January 1, 2003.
5. Purchase Property consisting of a single-family attached or detached dwelling, condominium or townhome (mobile homes, duplexes, boats,

apartments, motorhomes or other recreational vehicles are not eligible for this Program).

6. Execute Loan Application, Escrow Instructions, Loan Agreement, Promissory Note, Deed of Trust, Annual Certifications, and such other documents and instruments as may be required by the City.
- B. To remain eligible for the financial assistance under this Program, the Purchaser must:
1. Maintain status as an active full-time Police Officer (or higher rank) in the employ of the City of El Monte (such as, an Officer promoted to Sergeant and serving a probationary period is eligible to participate in the program).
 2. Continue to own and occupy the Property purchased as the Purchaser's principal residence and/or legal domicile.
 3. Execute an annual certification as of the yearly anniversary of the date of close of escrow (the "Loan Date") that the Property was occupied as the Purchaser's principal residence and legal domicile at all times during the preceding 12-month period.

III. Loan Terms:

- A. The maximum loan amount for each eligible Police Officer (or higher rank) shall be \$10,000 (the "Loan Amount").
- B. The outstanding principal amount due under the Promissory Note shall be reduced by an amount equal to one-tenth (1/10) of initial principal amount of the Promissory Note on each Anniversary Date, provided that at all times during the twelve (12) months immediately preceding the Anniversary Date, Participant **(i)** both owned and occupied the Property as Participant's principal place of residence; **(ii)** remained an active, full-time Police Officer (or higher rank) of the City of El Monte Police Department; and **(iii)** complied with all other terms and conditions of this Agreement and is not currently in default or breach. Such annual reduction in the outstanding principal amount of the Promissory Note shall not be prorated for partial years of ownership, employment or compliance. Upon satisfaction of the Promissory Note, the City shall execute and deliver to participant, a full reconveyance of the Third Deed of Trust.
- C. The amount of any reduction pursuant to Paragraph B above shall be calculated to the immediately preceding anniversary of the Loan Date with no pro-ration for a partial year (e.g., if the Purchaser separates from service or sells the Property 3.9 years following the Loan Date. three years or three-tenths of the total loan amount is forgiven).

IV. Agreement:

- A. Upon approval of the City Loan application, the City agrees to deposit into such escrow as designated by Purchaser a sum, equal to the Loan Amount (not to exceed \$10,000), toward the purchase of the Property. Purchaser agrees to execute and deliver into escrow (i) the loan agreement, (ii) a promissory note in favor of the City for the Loan Amount (iii) a deed of trust to the Property (the "Subordinate Deed of Trust") to secure such note (which Subordinate Deed of Trust shall, at the request of Purchaser, be subordinated to one or more other deeds of trust or encumbrances, but only to the extent provided in Sections V and VI hereof), and (iv) such other documents and instruments as may be reasonably required by the City.
- B. Upon either Purchaser's (i) successful completion of ten years of active full-time employment as a City of El Monte Police Officer (inclusive of all ranks) from the Loan Date, during which period Purchaser has continuously owned and occupied the Property as his/her principal residence, or (ii) payment of the remaining outstanding balance of the City Loan, the Note shall be considered completely satisfied and the City shall execute and deliver to purchaser a full reconveyance of the Deed of Trust.
- C. Purchaser agrees, at his/her sole expense, to secure and maintain throughout the term of the note, fire insurance for the buildings located on the Property, in an amount at least equal to the market value of such buildings. The Purchaser shall secure an endorsement to said fire insurance policy insuring the City's interest as holder of a deed of trust.
- D. In cases where two (or more) El Monte Police Officers (or higher rank) seek to jointly purchase and occupy a qualifying Property, a maximum of two City Loans shall be made by the City toward the purchase of said Property. Both Purchasers must apply separately for the City Loan authorized under this Program. Each Purchaser must execute a separate promissory note to the City for the amount of such loan, and each such loan shall be secured by a separate deed of trust executed by all owners of record. Each deed of trust shall be subject to execution under the power of sale provided therein upon a default by the Purchaser whose obligation is secured by such deed of trust even if no other person or owner of record has also defaulted.
- E. Purchaser's ownership interest shall be not less than a fifty percent (50%) interest in the Property, or, if such Property is held in joint tenancy, there shall not be more than a total of two joint tenants.
- F. No El Monte Police Officer, inclusive of all ranks, shall be eligible for more than one City Loan under this Program during his or her lifetime.

G. Co-signors will not be permitted for the sole purpose of assisting the Purchaser in qualifying for the first mortgage.

V. Maximum Loan to Value of Property:

The maximum loan-to-value of the Property, including any new loan and all other loans and encumbrances to which the City Loan is subordinated (based upon an appraisal provided by the Purchaser at his/her sole expense and approved in writing by the City) shall be 100%.

VI. Subordination for Refinancing:

Any loan refinancing or additional loans on the Property which would require the approval by the City of a subordination of its deed of trust to such refinancing or additional loan shall be approved by the City only if such financing or refinancing complies with all of the provisions of the Program as herein set forth.

VII. Repayment:

A. If, at any time during the ten year period from and after the Loan Date, the Purchaser either (i) voluntarily or involuntarily separates from active full-time employment with the City of El Monte Police Department, or (ii) fails to own the Property, except upon the following: (1) a transfer resulting from the death of a Participant where the transfer is to the Participant's spouse, who is also an obligor, or (2) a transfer by a Participant where the Participant's spouse becomes a co-owner of the Property, or (3) a transfer resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree in which the Participant's spouse becomes the sole owner of the Property, or (4) a transfer by the Participant(s) into an inter vivos trust in which the Participant(s) are beneficiaries, or (5) the Property or any portion thereof is made subject to a junior encumbrance or lien; or if Purchaser fails to occupy the Property as his/her principal residence and/or legal domicile, or (iii) otherwise violates any of the Loan Terms, the entire remaining loan balance (as the same may have been reduced pursuant to the provisions of Section III hereof) shall become immediately due and payable. Notwithstanding the foregoing. Purchaser may be required, upon any sale, transfer, refinancing, change of employment or change of residency and/or legal domicile to execute a substitute interest-bearing, fully amortized Promissory Note for annual installment payments of the remaining balance of the original Note Amount, pursuant to the provisions of the Loan Agreement, executed concurrently herewith.

B. If the outstanding loan balance becomes immediately payable due solely to the Purchaser's voluntary or involuntary separation from active, full-time employment as a City of El Monte Police Officer, the City shall, in lieu of demanding immediate payment of the loan balance, permit the Participant(s) to execute a substitute fully amortized, fixed-interest promissory note, payable

annually for the balance of the loan term. The interest rate shall be set to the prevailing 30-year Fannie Mae loan rate at the time of conversion loan approval. If payment on Conversion Loan is delinquent, penalty and interest will be charged in accordance with the City's collection policy on miscellaneous accounts receivable. In addition, if any of the following occur: (1) a transfer resulting from the death of a Participant where the transfer is to the Participant's spouse, who is also an obligor; or (2) a transfer by a Participant where the Participant's spouse becomes a co-owner of the Property; or (3) a transfer resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree in which the Participant's spouse becomes the sole owner of the Property; or (4) a transfer by the Participant(s) into an inter vivos trust in which the Participant(s) are beneficiaries; or (5) the Property or any portion thereof is made subject to a junior encumbrance or lien, then Purchaser shall be required to, and hereby agrees to, execute a substitute fully amortized, fixed-interest promissory note payable annually for the balance of the loan term. The interest shall be set to the prevailing 30-year Fannie Mae loan rate at the time of conversion loan approval. If payment on Conversion Loan is delinquent, penalty and interest will be charged in accordance with the City's collection policy on miscellaneous accounts receivable.

- C. In the event of Purchaser's death as the direct and proximate result of personal injury sustained in the line of duty as an El Monte Police Officer (or higher rank), any remaining balance on that Purchaser's City Loan shall be forgiven by the City.
- D. In the event the City Manager certifies findings of a hearing officer approving an application for disability retirement of the Purchaser under the Public Employees Retirement System, any remaining balance on that Purchaser's City Loan may be forgiven at the sole discretion of the City Manager.

VIII. Tax Consequences:

The interest-free loan provided by the City of El Monte under this Program, and the periodic reduction and forgiveness of loan principal, may have federal and/or state income tax or other tax consequences to the Purchaser. Each Purchaser should consult his/her own tax advisor or attorney concerning such tax consequences. Neither the City of El Monte nor any elected official, officer, employee or agent thereof makes any representations regarding the taxability or other tax consequences of such loan, the annual forgiveness of loan principal, or any other matters relating to such loan.

IX. Application Procedure:

- A. Prior to making any commitments, a prospective Purchaser should contact the El Monte Community Development Department to submit an application, and ensure their eligibility and funding availability. Eligible El Monte Police Officers, inclusive of all ranks, who wish to participate in this Program must complete all

documents contained in a Program application packet and return such complete application to the El Monte Community Development Department, 11333 Valley Boulevard, El Monte, California 91731.

- B. Upon receipt of City program approval, the prospective Purchaser should then contact a lender to determine his/her capacity to borrow, and secure a lender pre-qualification commitment for the amount they are able to borrow.
- C. The prospective Purchaser should then identify a Property within the City of El Monte for purchase and verify this selection with their Community Development Department loan processor.
- D. A complete application shall consist of the following:
 - 1. Program Loan Application
 - 2. Copy of Police Identification Card
 - 3. Pay Check Stubs for most current month
 - 4. Loan Agreement
 - 5. Promissory Note
 - 6. Deed of Trust
 - 7. Request for Notice
 - 8. Property Legal Description
 - 9. Complete copy of Primary Lender loan file inclusive of Escrow Instructions
 - 10. Property Appraisal (the date of which shall meet the primary lender's criteria)
- E. As a member of the Public Employee Retirement System (PERS), Purchaser may qualify for some, but not necessarily all, lending options with the PERS Home Loan Program. For information regarding PERS home loans, contact 1-800-874-PERS (7377).
- F. Purchasers are also encouraged to seek information concerning other housing assistance programs offered by the City of El Monte Community Development Department. For additional information, please contact the Community Development Department at (626) 580-2070.

"I have read and understand the information contained herein."

Print Name

Signature

Date