

# The First Home

CLIENT EDITION

FALL 2009

**FIRST  
HOME,  
INC.**

Programs available to open market rate homebuyers include and are not limited to down payment assistance, mortgage credit certificates, below market interest rate loans, and 100% financing.

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## Now is the Time to Become a HomeOwner

If you had any thoughts about buying a home now is the time to do it. Current market conditions are providing an opportunity that has been unmatched for at least the past 15 years.

The primary factors driving the opportunity include:

- Significantly reduced home prices
- Historically low interest rates
- Abundance of advantageous public homebuyers assistance programs
- Affordability

## Reduced Home Prices

Prices in many regions in the Bay Area are the lowest that they have been in the past 15 years. In mid 2007, when prices were at their peak, approximately only 15% of the first time home buyer population could afford to purchase a home. The

decrease in home prices has now enabled almost 50% of the first time home buyer population to purchase a home. There are now approximately 875 homes readily available within Alameda and Contra Costa County that are selling at prices well below the

\$200,000 range. The matrix below represents the number of homes on the market in June of 2009 just in Alameda and Contra Costa County that are selling at price points below \$300,000 – a total of 1,125 homes.

	Up to \$100K	\$100K to \$200K	\$200K to \$300K
Contra Costa County	131	325	195
Alameda County	102	317	288
Total	233	642	483
Cumulative total		875	1,125

In contrast to mid 2007, it now takes an average household income of \$50,000 to purchase a median priced home in Alameda and Contra Costa County, versus \$110,000 earnings that it would've taken to purchase the same home in 2007.

**Low interest rates** - interest rates are currently hovering between 4.75% and 6%. The historically low rates further increase purchase capacity for first-time homebuyers. This is a market condition that first-time homebuyers must make certain to capitalize on. Any increase in interest

rates could have a significant effect on your purchase capacity. For example, a 1% increase in the interest-rate could decrease purchase power for a \$50,000 wage earning household by \$20,000.



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## First Time HomeBuyer Programs

DPA can range from \$15,000 to \$100,000 for eligible first time home buyers.

BMRs offer a great opportunity for a household that has limited resources and would like to secure an affordable alternative for home ownership.

There is currently a rich resource of first-time home buyer programs available. Federal, state, and local governments are focused on revitalizing the economy and community by promoting ownership, especially for first-time homebuyers. Some of the programs currently being offered include:

**Down payment assistance** - there are a multitude of cities offering down payment assistance programs throughout the bay area. DPA programs can range from \$15,000-\$100,000 in assistance for eligible first-time homebuyers. These programs come in the form of loan subsidies that in most cases have payments deferred for at least five years. The logic behind these loans is that the borrower's income will continue to rise over the deferral period providing the borrower a greater capacity to start repaying the loan at the end of the deferral period. These loans can be offered through a multitude of sources and combined to increase the total amount of subsidy provided. For example, a homebuyer purchasing a \$300,000 home in Pinole whose household income is equal to or less than 80% of the areas median can combine up to five homebuyer assistance pro-

grams that will help expand both purchase capacity and affordability:

- \$15,000 subsidy from the Federal Home Loan Bank WISH Program
- \$50,000 in subsidy from the City of Pinole
- \$9,000 from the California housing finance agency
- \$8,000 tax credit from the Federal government – read below
- Additional permanent tax credits through the Contra Costa County MortgageCredit Certificate program – read below

Overall based on the above example, an 80% median income buyer could yield up to \$92,000 in cash through homebuyer assistance programs when purchasing there home.

**Tax credits** - the federal and state government are providing a supplementary level of support for first-time home buyers through tax credits. In addition to the traditional write off homebuyers receive through home ownership, the federal government through its Mortgage Credit Certificate

(MCC) Program also provides eligible first-time homebuyers additional tax savings. The MCC program enables home owners to deduct 15% of the interest they pay directly, dollar for dollar, against their tax liability – known as a tax credit. Eligible first-time home buyers who purchase a home prior to December 1 will also be provided an \$8000 cash rebate from the federal government. This rebate can be realized almost immediately by filing an amendment to your 2008 tax return.

**First-time home buyer financing** - there are still opportunities for eligible first-time home buyers to purchase a home with very little down payment. By combining the various subsidies available with first-time home buyer financing such as financing offered through FHA, homebuyers may still be able to purchase a home with as little as a 3.00% down payment. Keep in mind that you may still need to provide up to an additional 2% of the purchase price in cash for closing costs.

### PARK STATION, SOUTH SAN FRANCISCO

WITH THE SOUTH SAN FRANCISCO BART STATION LOCATED ACROSS THE STREET, PARK STATION IS AN OASIS AT THE GATEWAY TO THE EXCITEMENT OF THE CITY



- ◆ 1 and 2 bedroom units
- ◆ Granite counter-tops
- ◆ Stainless steel kitchen appliances
- ◆ Double paned windows
- ◆ The latest wiring & high speed networking cable throughout the house
- ◆ Fully equipped owners lounge & fitness center in common areas

These are Below Market Rate Units ranging from one bedrooms at \$123,455 to and 2 bedrooms at \$331,900 . The sales price has been structure to assist one and two person households with incomes as low as \$60,000 with up to 100% financing available. Because the units are BMR's there are strict income restrictions that are adhered to.

## Affordability



## Challenges

Low purchase prices, interest rates, and the abundance of homebuyer assistance programs all significantly increase the affordability of a home in today's market. Affordability produces two primary benefits:

Firstly, homebuyers now have a larger inventory of homes that they can choose from. Homes that were out of reach due to geographic location, amenities, or size in the past are now within grasp by many homebuyers.

Secondly, and perhaps the most important opportunity derived through our current market conditions, is the ability for lower income households to purchase a home. A \$50,000 income earning household could purchase a \$250,000 home – of which there are approximately 1,000 homes currently available in Contra Costa and Alameda counties. Given the ability to obtain and layer down payment assistance programs and/or obtain FHA financing, buyers can still have access to these homes with as little as a 3% down payment.



There are definitely more challenges that first-time homebuyers face from a financing perspective. Due to the recent financing credit crunch first lenders are now much more conservative with their underwriting guidelines. Credit scores and credit history along with one's earnings and savings history are much more scrutinized than they have been in the past five years. There is also now a greater reliance on subsidy programs to decrease down payment requirements. It is therefore critical to make certain that the home buyer is working with an organization that understands, has access to, and is able to coordinate and structure financing that can capitalize on subsidies provided.

### Taking Your First Steps Toward Homeownership

***You need to act now*** – increase in prices or interest rates can erase the current opportunity. This is especially true for low to moderate income homebuyers, who have a significantly higher risk in losing a home purchase opportunity (perhaps permanently) by not taking advantage of the market now. One must take into account and understand that incomes need to rise at least at the same rate to keep pace with any upward movement in home prices. If home prices increase by 5% in the next year, your income will need to rise by 5% to keep pace with the increase in price. Normally, once home prices begin to rise, they outpace the levels at which income rise.

The Bay Area Homebuyer Agency and First Home Inc. highly recommend that you take the next neces-

sary steps to become a home owner by taking one or both of the following steps:

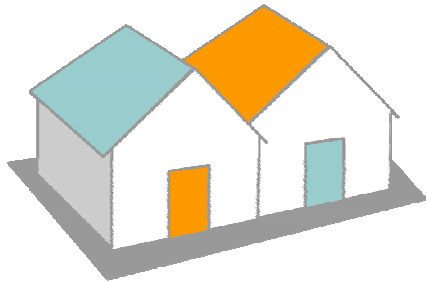
***Home buyer education*** – BAHBA and FHI are continuously offering first-time homebuyers seminars throughout the bay area. Please make certain to check our website at [www.myhomegateway.com](http://www.myhomegateway.com) for upcoming public seminars. By attending a seminar you will develop a stronger understanding of where you are in the home purchase process, challenges and opportunities that you must face, and how to capitalize on resources and services available to you. Upon completing a homebuyer seminar we urge that you participate in receiving home buyer and or credit counseling.

***Homebuyer counseling*** – BAHBA and FHI provide comprehensive homebuyer counseling. Counseling is focused on reviewing your personal financial situation, including credit, savings and earnings. In addition we are able to assess which programs, if any, you will be able to capitalize on in purchasing a home. To start your home buying process please contact Joseph Schneider at (888) 572-1222 X125 or by e-mailing him at [Joe@myhomegateway.com](mailto:Joe@myhomegateway.com)



# Upcoming Seminars

Interested in getting a leg up on becoming a home owner? A number of cities are now offering beneficial homebuyer assistance programs including down payment assistance and Below Market Rate Homes. Register for our free Seminars and find out more.



**The Seminars are free and cover all aspects of becoming a home owner, including:**

- The decision process in becoming a homeowner
- Financial considerations and requirements for homeownership
- The home loan prequalification and approval process
- How to search for a home
- How to work with real estate professionals
- Special public and privately funded homebuyer programs available to the workforce and residents in the San Mateo, Alameda, Contra Costa, Santa Clara and San Francisco regions.

Register at: [www.myhomegateway.com](http://www.myhomegateway.com)  
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