

CITY OF STOCKTON
HOME BUYER'S DISCLOSURE STATEMENT

Property Address: _____

Purchase Price: \$ _____

The City of Stockton (the "City") is loaning you money so that you will be able to buy your home. In exchange for providing you with a second mortgage loan, the City will require you to sign a Promissory Note, Deed of Trust, and Regulatory Agreement. **The Deed of Trust and Regulatory Agreement will be recorded against your property.** These documents are enforceable by the City.

In general, the Promissory Note, Deed of Trust, and a Regulatory Agreement set forth conditions that you must meet, including but not limited to the following:

- The Regulatory Agreement requires you to live in your home as your principal place of residence and prohibits you from renting-out your home.
- The Regulatory Agreement places controls on the sale of your home. You must follow certain steps and procedures when you decide to sell your home.
- The second mortgage loan (the "Loan") is due and payable upon any default under the Promissory Note, Deed of Trust, or Regulatory Agreement and upon any transfer of the home.

The purpose of the Regulatory Agreement is to ensure that the goal -- to help lower income households own their own homes -- continues to be met by keeping your home affordable to other low, moderate, and middle income households should you choose to sell or move. The City has helped you to buy a home and wish to help others as well.

This Disclosure Statement explains the major provision of the Regulatory Agreement so that you will understand their requirements. **You should, of course, read the entire Promissory Note, Deed of Trust, and Regulatory Agreement and become completely familiar with them.**

A. REQUIREMENTS IN EFFECT FOR 30-YEAR TERM

The requirements that are in the Regulatory Agreement apply until the earlier of (i) thirty (30) years from the date of the Regulatory Agreement, or (ii) the date you sell or transfer your home in accordance with the Regulatory Agreement and Deed of Trust. If you sell or transfer your home prior to the thirty-year term, the original loan amount plus accrued interest will be immediately due.

B. PRIMARY RESIDENCE AND LEASING YOUR HOME

Your home must be your main place of residence. This means you must live in your home for at least ten (10) months out of each calendar year. You are not allowed to lease or rent your home to anyone. If you violate this provision, the City may sue to prevent you from renting out your home and you will owe the City any rent you have received. You will also be in default under the Regulatory Agreement and Promissory Note and the City may require you to repay the Loan.

C. MAINTAINING YOUR HOME/PROPERTY INSURANCE

By signing the Regulatory Agreement, you agree to keep your home and landscaping in good repair and in neat, clean, and orderly condition and to prevent deterioration of the home. You also agree to keep a standard homeowner's insurance policy, with the City named as additional insureds. The insurance policy shall be in an amount equal to the replacement value of the home. Every five (5) years (or every year, if provided by the policy), the replacement value will be reviewed and adjusted as needed.

D. SELLING YOUR HOME

Under the terms of the Regulatory Agreement, when you sell your home within the thirty (30)-year term a value equal to the original loan value, plus accrued interest must be paid to the City.

E. REPAYMENT OF LOAN

Your loan from the City is a deferred Loan. This means that you do not have to pay it back as long as you own the home, or thirty (30) years, and you do not violate any of the terms of the Promissory Note, Deed of Trust, and Regulatory Agreement. The City may callback your Loan for review to determine if a payment can be made on the Loan. As soon as you sell the home, though, or if you break the terms of the loan documents or Regulatory Agreement, the Loan will be due and you will have to pay it back

1. PREPAYMENT OF LOAN

You have the right to prepay part or the entire amount of Loan. In the case of prepayment, you will be responsible for paying the cost of the appraisal. If you prepay only a part of the Loan, the payment that you make will be applied to the principle portion of the Loan.

F. CAPITAL IMPROVEMENTS YOU MAKE TO THE HOME

Eligible Capital Improvements conform with applicable building codes, and extend the useful life or improve the functionality of your home. In addition, in order for improvements to qualify as Eligible Capital Improvements, you must obtain written approval of the improvements by the City before the improvements are made. Further, the initial cost of such improvements must be at least one percent (1%) of the original purchase price and you must obtain a building permit for the improvements.

G. DEFAULT PROVISIONS

When you accept the Loan, you agree to meet all of the conditions of all of the Loan documents, including the Promissory Note, Deed of Trust, and Regulatory Agreement. If you violate any provisions of the documents, you are considered to be in default under the Loan. Also, if you default under any other loan on the home, such as the first mortgage, you will also be considered to be in default under the Loan. If you do not correct the violation, the City may require you to repay the City Loan. The City could also obtain a court order to enforce the provisions of the City Loan documents, which may result in a foreclosure on your home.

H. REFINANCE OF YOUR FIRST MORTGAGE

The Regulatory Agreement allows you to refinance your first mortgage loan in certain instances. As a requirement of refinancing, first mortgage lenders usually require that the City subordinate the Loan documents to them. The City will only subordinate the Regulatory Agreement and Deed of Trust if the following conditions are met:

1. The refinancing reduces your monthly housing payments or you use the proceeds of the refinance to make Eligible Capital Improvements.
2. The refinance does not cause the amount that you elect to refinance to exceed the then outstanding balance of principal and interest (plus refinancing and closing costs) of the existing first mortgage loan plus the cost of the Eligible Capital Improvements that you plan to make, if any.
3. You do not receive cash proceeds from the refinance, unless such cash is used to pay for Eligible Capital Improvements through escrow.
4. The refinance does not cause your loan to value ratio to exceed the loan to value ratio that existed when you first purchased your home (when calculated by comparing the total debt secured by the purchase price you paid for your home).
5. The City determines that your total housing cost after the refinance will not be unaffordable to you.

If you refinance your first mortgage loan without meeting the above requirements, you will be in default under the Regulatory Agreement and Deed of Trust. If you refinance your home to fund Eligible Capital Improvements, the City will require that you provide it with evidence that you will make and pay for such improvements, usually through an escrow account.

I. JUNIOR LOANS AND EQUITY LINE OF CREDIT

The Regulatory Agreement will allow you to borrow a junior loan (which means a third mortgage on your home) or take out an equity line of credit only if either:

1. The following conditions are met:
 - a. All of the proceeds of the junior loan or equity line of credit are used to make Eligible Capital Improvements.
 - b. The junior loan or equity line of credit does not cause your loan to value ratio to exceed the loan to value ratio that existed when you first purchased your home (when calculated against the purchase price you paid for your home).
 - c. The City determine that your total housing cost after the junior loan or equity line of credit will not be unaffordable to you.

OR

2. The City determines that such a loan is affordable to you and the loan or line of credit is part of another public agency's program that is designed to increase affordable homeownership.

If you borrow a junior loan or equity line of credit without meeting the above requirements, you will be in default under the Regulatory Agreement and Deed of Trust. If you borrow a junior loan or equity line of credit to fund Eligible Capital Improvements, the City will require that you provide them with evidence that you will make and pay for such improvements, usually through an escrow account.

J. INHERITANCE

The person inheriting your home will have to sell or refinance the home to payoff the City Loan.

Please sign this Buyer's Disclosure Statement in the space provided below, and keep a signed copy for your records, and return the original to the City at the following:

City of Stockton
Economic Development Department
425 N. El Dorado Street, 3rd Floor
Stockton, CA 95202
Attn: Deputy Director of Housing

I have read and understand the above Buyer's Disclosure Statement.

By: _____
Signature of Buyer

Dated: _____

Print Name of Buyer

By: _____
Signature of Buyer

Dated: _____

Print Name of Buyer