



City of Santa Barbara

Affordable Housing Program

Eligibility Requirements

effective 5/15/2023

- Each buyer must live or work within the South Coast area of Santa Barbara County (from Gaviota to the Ventura County line). The work address (remote work not eligible) or home address must be within required area.
- Each buyer must certify his/her/their intent to occupy the affordable unit as his/her/their principal place of residence.
- Buyer cannot have any form of ownership or ownership interest in residential real estate at the time of application or at any time during their ownership of an affordable unit. “Residential real estate” is defined as residential real property including single family dwellings, undeveloped residentially zoned land, mobile homes and manufactured housing.
- If the buyer previously owned residential real estate at any time during the two years prior to the application to purchase an affordable unit, the buyer’s total equity (net proceeds) in that property cannot exceed 50% of the purchase price of the affordable unit. For example, if you sold residential real estate in the past two years and your equity (net proceeds) from that sale were \$100,000 then you could only qualify to purchase an affordable unit that is priced at \$200,000 or higher.
- Buyer’s annual Current Gross Household Income (including all wages, salaries, profits, interest payments, rents, income earned from investment assets, and all other forms of earnings, before any deductions or taxes) cannot exceed the maximum amount allowed for the income category designated for the particular affordable housing unit.
- No income will be counted or inputted from those assets used for the down payment and closing costs on the affordable unit, except to the extent that the down payment exceeds 20% of the purchase price.
- The maximum value of the buyer’s assets, excluding retirement accounts subject to IRS rules, cannot exceed three times the purchase price of the affordable unit.
- Buyer’s Housing Expense Ratio cannot exceed 40%. “Housing Expense Ratio” is defined as the percentage of Gross Household Income that goes toward paying housing expenses, including the mortgage loan payment(s), mortgage insurance premium (if applicable), hazard insurance premium, property taxes, and homeowners' association dues (if applicable). In the case of an adjustable rate mortgage, the mortgage loan payment will be calculated using the fully indexed rate or the start rate, whichever is greater. Housing Expense Ratio is calculated by dividing total monthly housing expenses by monthly Gross Household Income.
- Buyer’s Total Debt-to-income Ratio cannot exceed 50%. “Total Debt-to-income Ratio” is defined as the percentage of Gross Household Income that goes toward paying all recurring debt payments, including housing expenses and other debts such as credit card payments, car loan payments, student loan payments, child support payments, alimony payments, legal judgments and all other

debt payments. Total Debt-to-income Ratio is calculated by dividing total monthly debt payments by monthly Gross Household Income.

- Buyer’s first mortgage loan must be amortized over the loan period and cannot include graduated interest, graduated payments, interest-only payments, balloon payments or negative amortization. If the buyer obtains a second mortgage loan as part of their purchase money financing, the second mortgage loan may have an interest only-payment and/or a balloon payment. Adjustable rate mortgages are allowed as long as the loan terms satisfy the preceding requirements for a first mortgage loan and second mortgage loan.
- Buyer is required to provide a down payment of at least 5% of the purchase price. A buyer’s down payment cannot exceed 40% of the purchase price. The buyer may receive all or a portion of the down payment as a gift as long as the gift amount does not exceed 20% of the purchase price.
- Buyer is allowed to have a co-signer for financing purposes, if needed, to help the buyer qualify for a loan. For purposes of calculating the Housing Expense Ratio and Total Debt-to-income Ratio, the income of the co-signer will not be included.
- A credit (“FICO”) score below 620 disqualifies a buyer from owning an affordable unit.
- Buyers of units with three or more bedrooms must have a Household of three or more persons. “Household” is defined as persons who will live in the property as their primary residence and who are unrelated, related by blood, marriage, law, or are registered domestic partners. Persons (including sons and daughters) aged 18 and older who live away from home for purposes of either work or study and return to the household periodically will not be counted as household members.
- All adults (18 years and older) in the Household are subject to eligibility requirements. All adult residents must be owners of record and included on all loan documentation (including the Promissory Note and Deed of Trust).

This is a brief summary. The City Community Development Director or the Director’s designee may consider modifications to certain requirements. For more detailed information, including a list of waivers that may be considered, please review the example *Affordability Covenant and Option to Purchase* online at: www.SantaBarbaraCA.gov/HousingDocs

Income Limits (effective 5/15/2023)					
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons
Low Income	\$82,950	\$94,800	\$106,650	\$118,500	\$128,000
Moderate Income	\$90,132	\$103,008	\$115,884	\$128,760	\$139,061
Middle Income	\$120,176	\$137,344	\$154,512	\$171,680	\$185,414
Upper-Middle Income	\$150,220	\$171,680	\$193,140	\$214,600	\$231,768