



City Council Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2019-01806

January 14, 2020

Consent Item 18

Title: CalHome Application for First-Time Homebuyer Mortgage Assistance

Location: Citywide

Recommendation: Adopt a City Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (Agency) through its Executive Director to: 1) submit an application to the California Department of Housing and Community Development in the amount of \$5,000,000 for First-Time Homeowner Mortgage Assistance funding under the CalHome program; 2) execute a Standard Agreement for such funding and execute any related documents necessary to participate in the CalHome Program, and any amendments thereto; 3) adopt local CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines; and 4) amend the Agency Budget to receive and expend the \$5,000,000 in CalHome funding for the First-Time Homebuyer Mortgage Assistance Program.

Contact: Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Presenter: None

Attachments:

1-Description/Analysis

2-Resolution

3-Exhibit A CalHome First-Time Homebuyer Program Guidelines

4-CalHome Target Area Map

Description/Analysis

Issue Detail: The California Department of Housing and Community Development (HCD) announced a Notice of Funding Availability (NOFA) for the CalHome Program on November 27, 2019 which was amended on December 23, 2019. HCD awards CalHome grants to eligible organizations for activities that support homeownership programs aimed at low and very-low income households. Applications under the NOFA are due to HCD no later than January 27, 2020. The funding for this NOFA is provided by the Veterans and Affordable Housing Bond Act of 2018.

In the recently released NOFA, the maximum application amount is \$5,000,000. The eligible activities for the CalHome funding under the current NOFA are:

- First-Time Homebuyer Mortgage Assistance
- Owner-Occupied Rehabilitation Assistance
- Technical Assistance for Self-Help Housing
- Technical Assistance for Share Housing Programs
- Accessory Dwelling Unit (ADU)/Junior Accessory Dwelling Unit (JADU) Assistance
- Homeownership Project Development Loans

In order to apply for an activity listed in the NOFA, the applicant must meet the experience requirement for that activity. In general, the experience requirement is a minimum of two years of program administration for the type of activity within the four years immediately preceding the application. The Agency has administered a First-Time Homebuyer Program since 1996 but has not administered an Owner Occupied Rehabilitation Program since 2012. The Agency has not administered Technical Assistance programs for Self-Help Housing or Share Housing, ADU/JADU Assistance Programs, or Homeownership Project Development Loans. As a result, in order to submit an application that meets the experience required in the NOFA, this report requests authorization to apply for CalHome Program funds in the amount of \$5,000,000 to use for the First-Time Homebuyer Mortgage Assistance program. Funding from this program will assist 90-100 low-income homebuyers to purchase their first home in targeted areas of the City.

The Agency has administered the CalHome Program on behalf of the City since 2001. With this program the Agency has assisted over 300 low-income homebuyers in the City to purchase their first home. The CalHome First-Time Homebuyer Mortgage Assistance Program provides down payment and mortgage assistance to low-income first-time homebuyers in the form of deferred payment loans. The assistance will be calculated at up to 20 percent of the purchase price, and can range from a minimum amount of \$10,000 to a maximum amount of \$50,000. The program imposes housing ratio guidelines to ensure the home being purchased

is affordable to the homebuyer. Exhibit A includes proposed program guidelines for the CalHome First-Time Homebuyer Mortgage Assistance Program.

Program Targeting

The Agency's application to HCD for CalHome funding will be rated and ranked based upon various evaluation criteria. Extra points will be awarded in the category of Community Revitalization if the application restricts the program to properties located within a federal Promise Zone, a Choice Neighborhood Initiative Area, or an Opportunity Zone. Due to the need to increase homeownership in these areas, the limited number of homebuyers that can be assisted with CalHome funds, and to make the application more competitive, staff recommends that the program be targeted to the eligible Community Revitalization areas. Please see Attachment 3, CalHome Target Area Map.

Policy Considerations: The actions requested in this report will allow the Agency to apply for CalHome Program funds to use in a First-Time Homebuyer Mortgage Assistance program and is consistent with Agency policies to increase homeownership opportunities. The CalHome First-Time Homebuyer Mortgage Assistance program will result in 90-100 additional homeowners in the City, contributing to goals in the City's 2014-2021 Housing Element.

Economic Impacts: Not applicable

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action consists of an application to create or use a government funding mechanism, which is a financing mechanism, to provide purchasing assistance to low-income homebuyers for purchase of existing single family homes. The action does not commit to any specific project which may result in potentially significant impacts on the environment. As such, the proposed action does not constitute a project under CEQA per Guidelines Section 15378(b)(4).

Sustainability Considerations: Not applicable

Other: The National Environmental Policy Act (NEPA) does not apply.

Rationale for Recommendation: A successful CalHome application will provide funding for homebuyer assistance for 90-100 low-income homebuyers in targeted areas of the City, increasing the level of homeownership in community revitalization areas.

Financial Considerations: The CalHome application will request \$5,000,000 in funding. The program includes funding to cover Activity Delivery Fees of up to ten (10) percent of the total grant amount, which is an offset to Agency staffing costs incurred in administering the CalHome Program. Loan repayments revolve into a CalHome reuse account which is used to fund future Agency loan programs for CalHome eligible activities.

LBE - M/WBE and Section 3 requirements: The items discussed in the staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements.

RESOLUTION NO. 2020 -

Adopted by the Sacramento City Council

on date of

AUTHORIZATION FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY FOR, ACCEPT, AND ADMINISTER THE CALHOME PROGRAM IN THE NAME OF AND ON BEHALF OF THE CITY OF SACRAMENTO; ADOPTION OF CALHOME GUIDELINES; RELATED BUDGET AMENDMENT; ENVIRONMENTAL FINDINGS

BACKGROUND

- A. The City of Sacramento, a California Municipal Corporation, wishes to apply for and receive an allocation of funds through the CalHome Program.
- B. The California Department of Housing and Community Development (HCD) has issued a Notice of Funding Availability (NOFA) on November 27, 2019, amended on December 23, 2019, and as may be further amended from time to time, for the CalHome Program established by Chapter 84, Statutes of 2000 (SB1656 Alarcon), and codified in Chapter 6 (commencing with Section 50650) of Part 2 of Division 31 of the Health and Safety Code (the "statute"). Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature to the CalHome Program, subject to the terms and conditions of the statute and the CalHome Program Regulations adopted by HCD in April 2004; and
- C. The City of Sacramento, through its related entity, the Sacramento Housing and Redevelopment Agency, (Agency) wishes to submit an application to HCD in the amount of \$5,000,000 for an allocation of CalHome funds to provide assistance to low-income homebuyers for purchase of single family homes.
- D. The proposed action does not constitute a project under CEQA pursuant to Guidelines Section 15378(b)(4). The National Environmental Policy Act (NEPA) does not apply.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.
- Section 2. The City of Sacramento delegates authority to the Agency to submit an application to HCD on behalf of and in the name of the City of Sacramento to participate in the CalHome Program in response to the NOFA for a funding allocation of \$5,000,000 for First-Time Homebuyer Mortgage

Assistance in targeted areas in the City of Sacramento as described in the Guidelines.

- Section 3. If the application for funding is approved, the City delegates authority to the Agency to receive funding from HCD on behalf of and in the name of the City and to administer the CalHome funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program regulations cited above and the Guidelines.
- Section 4. The City authorizes the Agency to execute, on behalf of itself and the City, the application, HCD's Standard Agreement which governs the CalHome Program requirements and use of funding, and any and all other documents necessary or required by HCD for participation in the CalHome Program, as currently established in the applicable law and regulations, and any amendments thereto.
- Section 5. The City adopts the CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, as described in Exhibit A (the "Guidelines"). The Agency may make technical changes to the guidelines as necessary for program implementation and in compliance with the CalHome Program.
- Section 6. If the application for funding is approved, the Agency's Budget is hereby amended to incorporate the CalHome funding of up to \$5,000,000 for the First-Time Homebuyer Mortgage Assistance Program.

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Exhibit A: CalHome First-Time Homebuyer Program Guidelines



Fact Sheet

801 12TH STREET • SACRAMENTO, CA 95814 (916) 440-1393

CalHome First-Time Homebuyer Mortgage Assistance Program 2020 CONTRACT PROGRAM GUIDELINES

CalHome Program

Sacramento Housing and Redevelopment Agency (Agency) has an allocation of State CalHome funds available for mortgage assistance to qualified borrowers. This funding is administered in accordance with guidelines adopted by the State Department of Housing and Community Development (HCD). Funds are provided to qualified households in the form of 30-year, deferred-payment second mortgages. The CalHome First-Time Homebuyer Mortgage Assistance loan helps buyers purchase homes by providing down payment assistance.

Maximum Loan Amount

The maximum loan shall not exceed the required amount of assistance needed to make the unit affordable to the homebuyer. The assistance will be calculated as follows:

Calculation of Assistance

The amount of assistance will be calculated at 20 percent of the purchase price up to a maximum loan amount of \$50,000.

Minimum loan amount will be \$10,000.

Interest Rate

One percent fixed rate, simple. Principal and interest shall be deferred for the term of the loan.

Term

30 years

Max CLTV

The loan-to-value ratio for the CalHome Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual closing costs.

Use of Funds

Funds may be used for down payment and mortgage assistance. The property must be owner occupied for the term of the CalHome loan.

Applicant Eligibility First-Time Home Buyer

The applicant must be a first-time homebuyer which means a borrower(s) who has not owned a home during the three-year period prior to the purchase of a home with CalHome assistance. Applicant's Federal income tax returns will be used to verify compliance.

The CalHome Regulation Section 7716(s) contains a provision for individuals who meet the definition of a displaced homemaker or single parent, or individuals who have owned a mobile home not permanently affixed to a permanent foundation to be considered eligible for the program.

Applicant Eligibility Household Income

The qualifying income of CalHome applicant household must not exceed 80 percent of County median income for the size of the household. As published by HCD on May 6, 2019, the eligible income

limits are:

Household Size	80 percent of County median
1-person	\$46,850
2-person	\$53,550
3-person	\$60,250
4-person	\$66,900
5-person	\$72,300
6-person	\$77,650

Household size is determined by applicant declaration as to household size, with supporting documentation such as tax returns.

Qualifying Income
(per 24 CFR Part 5)

Qualifying income is calculated by totaling gross income for all persons 18 years of age or older who will occupy the residence. The income is annualized forward over a twelve-month period. Income includes all salaries, wages, overtime and bonuses before payroll deductions. It also includes earnings from interest on savings and checking accounts, dividends, the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, public assistance, alimony, child support or regular gifts. Interest income, actual or imputed, from assets over \$5,000 will be included in qualifying income.

Eligibility vs. Lender Income

For program eligibility, the total annual income includes income of all adult members of the household.

For underwriting purposes, the lender shall use standard industry methods for determining the borrower's annual gross income. Note that the gross income figure calculated for income-eligibility purposes may vary substantially from the annual income a lender will use to underwrite the first mortgage.

Housing Debt Ratio

With the CalHome assistance, the homebuyer's monthly housing costs are to be affordable as evidenced by a monthly housing cost ratio (front end ratio) of no less than 28 percent of the borrower's gross monthly income and no more than 38 percent of the borrower's gross monthly income. The total debt ratio (back end ratio) may be determined by the lender's underwriting guidelines.

For FHA insured loans, the maximum homebuyer ratios are 29/41. These cannot be exceeded unless there are significant compensating factors.

Underwriting

The first mortgage lender will perform the underwriting using established credit guidelines for the particular mortgage program as determined by industry standards. The Agency will review the first mortgage underwriting as part of its eligibility analysis for the CalHome assistance and may require credit explanations or payoff of collection accounts if deemed necessary and prudent. Prior bankruptcies or foreclosures may be permitted with evidence of reestablished credit if allowed by lender's credit guidelines.

There may be no outstanding unpaid judgments or involuntary liens at the time the CalHome loan is recorded.

First Mortgage Restrictions

Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs outlined above.

The term of the loan shall be a minimum of 30 years.

Mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest. Adjustable Rate Loans (ARM's) and Graduated Payment Loans (GPM's) are not

allowed. Interest rate buy downs are not allowed.

The first mortgage may be an FHA loan, conventional loan, or CalHFA financing.

Fees and charges to the borrower for the first mortgage loan shall be reasonable and must be approved by the CalHome lender.

The first mortgage lender is required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance according to the lender's requirements.

Subordinate Financing to the
CalHome Loan

Homebuyer mortgage assistance loans subordinate to the CalHome Program Loan are allowed provided the combined loan-to-value ratio does not exceed 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual non-recurring closing costs.

Subordinate financing loans shall defer all principal and interest payments for the term of the CalHome Program loan. No balloon payments are allowed prior to the maturity date of the CalHome loan.

Escrow Prohibitions

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 payment. Borrower costs "Paid Outside Closing" are not reimbursable with cash out of escrow.

Eligible Properties
Maximum Sales Price

Single family residences (including condominiums and half-plexes) in eligible areas of the City and unincorporated County of Sacramento. The property must meet minimum housing quality standards. An Agency inspection will be required.

The maximum allowable sales price of the assisted unit cannot exceed the current median sales price of a single family home in Sacramento County as posted at the California Association of Realtors website at <https://www.car.org/en/marketdata/data/countysalesactivity>. As of October 2019, the current median sales price for Sacramento County is \$385,000.

Eligible Areas
(CalHome Contract Funds only)

In the City of Sacramento, the CalHome Program is limited to properties located within a federal Promise Zone or a Choice Neighborhood Initiative Area or an Opportunity Zone.

In the County of Sacramento, the CalHome Program is available only within the unincorporated areas. The program is not available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.

Repayment of CalHome Loan

Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date. The CalHome loan is not assumable.

Hardship

However, if it is determined by the recipient that repayment of the CalHome Program loan at the maturity date causes a hardship to the borrower, the borrower has two options:

- (A) Amending the note and deed of 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 zero percent additional interest), this may be offered one time, or
- (B) 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 zero percent additional interest.

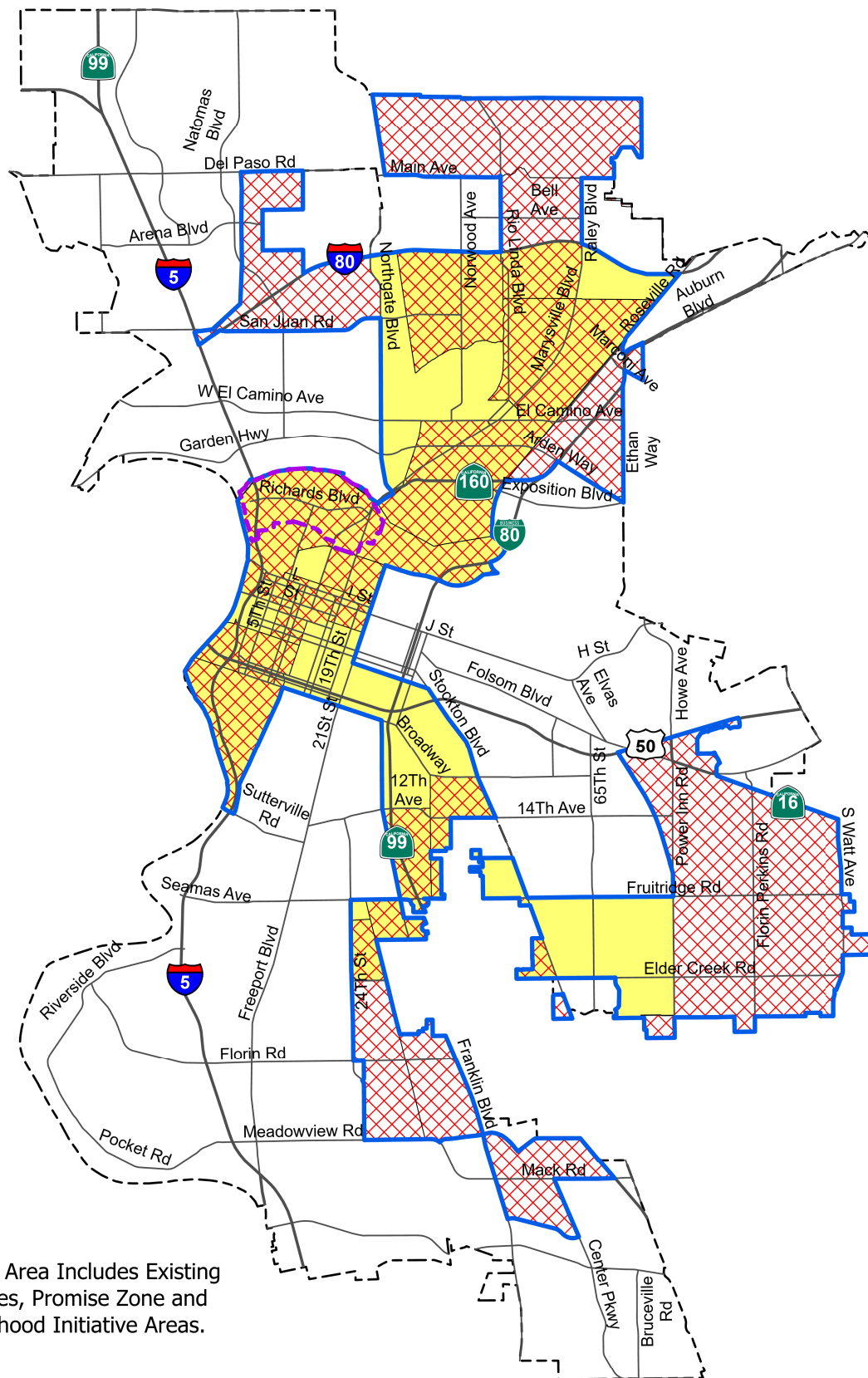
Refinancing	Refinancing may be allowed subject to the provisions of the Agency loan servicing /subordination policy. In general, “cash out” refinancing is prohibited by Agency policy.
Reuse Account	When CalHome loans are repaid, the funds are deposited into a “CalHome Reuse Account”. Loans funded from this reuse account must be for CalHome program eligible activities, are not restricted to properties within a federal Promise Zone or a Choice Neighborhood Initiative Area or an Opportunity Zone. Funding priority will be given to eligible homebuyers in the Welcome Home Program and the Del Paso Nuevo V and VI developments.
Homebuyer Education	<p>All CalHome homebuyers must attend an in-person 8 hour HUD approved course of homebuyer education classes. The curriculum shall include, at a minimum, the following topics: 1). Preparing for Homeownership, 2). Available financing and credit analysis, 3). Loan closing and homebuyer responsibilities, 4). Home maintenance and loan servicing.</p> <p>The homebuyer education requirement may be met by taking the following classes:</p> <p>NeighborWorks Homeownership Center – Sacramento Region</p> <ul style="list-style-type: none"> • Preparing for Homeownership – 8 hour course
Application Procedures	To apply for the program, please contact any of the lenders on the Agency Approved Lender List. For additional information or questions call (916) 440-1393, or visit our web site at www.shra.org .



Equal Housing Opportunity



CalHome Target Area - City



CalHOME Target Area Includes Existing Opportunity Zones, Promise Zone and Choice Neighborhood Initiative Areas.

