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**Sacramento
Housing &
Redevelopment
Agency**

January 3, 2001

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: CalHome Program

LOCATION & COUNCIL DISTRICT - Citywide

RECOMMENDATION

Staff recommends adoption of the attached resolution which authorizes the Executive Director or her designee to:

- submit an application to the California State Department of Housing and Community Development (HCD) for funding under the CalHome Program;
- execute a Standard Agreement if selected for such funding and any amendments thereto;
- execute any related documents necessary to participate in the CalHome Program;
- amend Agency Budget to receive and expend \$500,000 CalHome revenue including up to \$15,250 from the program for processing and activity fees; and
- administer the CalHome Program.

CONTACT PERSONS

Carla Christian, Program Manager, 264-1524
Beverly Frez-Brown, Director of Development Services, 440-1347

FOR COUNCIL MEETING OF - January 23, 2001

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SUMMARY

This staff report requests authorization for the Agency to apply to the California Department of Housing and Community Development for funding under the CalHome Program, execute a standard agreement and any documents related to participate in the CalHome Program, amend the Agency budget, and to administer the program.

COMMISSION ACTION

At its meeting January 3, 2001, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Burns, Castello, Graham, Harland, Holloway, Newsome, Simon
NOES: None
NOT PRESENT TO VOTE: Cespedes
ABSENT: Dobbins, Rotz

BACKGROUND

The California Department of Housing and Community Development recently announced a Notice of Funding Availability for funding under the CalHome Program. The CalHome Program was established by SB 1656 (Alarcon) and is designed to make funds available to a city or county to support existing homeownership programs aimed at low- and very low-income households. This report requests authorization to apply for funds for these following eligible activities:

- First-Time Homebuyer Mortgage Assistance, and
- Owner-Occupied Rehabilitation

The CalHome Program adopted program guidelines on November 2, 2000. These are attached for reference as Attachment I. Following are brief descriptions of the programs:

First-Time Homebuyer Mortgage Assistance

The First-time Homebuyer Mortgage Assistance program is designed to increase affordability for low-income first-time homebuyers by reducing the amount of the first mortgage. The assistance is in the form of a deferred payment second mortgage with a term equal to the first mortgage. The average amount of the assistance cannot exceed \$20,000, with the maximum amount of \$30,000 and the minimum amount of \$5,000. The CalHome Program includes a processing fee of up to \$250 per assisted household to the Agency (or up to \$350 per assisted household if the Agency will not receive any other loan fees) for program administration.

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The CalHome Program requires homebuyer education in all cases where home purchase is involved. The program will also provide a grant of \$300 per assisted household to pay for the cost of homebuyer education. The Agency will contract with a qualified homebuyer education organization to provide this education requirement.

Owner-Occupied Rehabilitation

The CalHome Program also offers assistance to low-income owner-occupants to pay for repairs and improvements to their home. This assistance is in the form of a loan, with payments of principal and interest deferred for the term of the loan. The Agency would provide the inspection, work write up, bidding, and construction monitoring services. The CalHome Programs provides a five percent program activity fee to help cover the cost of program administration.

Program Targeting

The applications will be rated and ranked based on various evaluation criteria; maximum points will be awarded in the category of community revitalization if the applicant restricts the program to federally defined Qualified Census Tracts and/or to designated redevelopment areas. Because of the great need for revitalization in these areas and due to the limited number of homeowners that can be assisted with these funds, this staff report recommends that the program be targeted. Please refer to Attachment II for Qualified Census Tract and Redevelopment Area Maps.

FINANCIAL CONSIDERATIONS

Application Amount

The maximum aggregate application amount for all activities is \$500,000. This report requests that the proposed funding be applied as follows:

- First-Time Homebuyer Mortgage Assistance \$300,000 - 15 units @ \$20,000
- Owner-Occupied Rehabilitation \$200,000 - 10 units @ \$20,000

The processing and activity delivery fees mentioned above could generate up to \$15,250 to help cover processing and administrative costs. The attached resolution authorizes the amendment of the Agency budget for this revenue.

POLICY CONSIDERATIONS

The actions requested in this staff report are consistent with Agency policy of increasing affordable homeownership and improving and preserving the existing housing supply within the target and redevelopment areas of the City.

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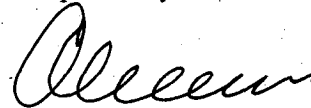
ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378(b)(3), or a federal undertaking under NEPA.

M/WBE CONSIDERATIONS

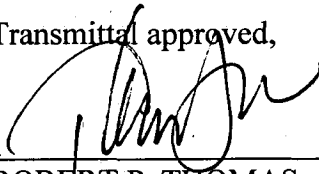
Procurement for homebuyer education services will follow requirements of Agency procurement policy regarding M/WBE considerations.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager



CalHome Program

Program Guidelines

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Article 7: RESERVED FOR FUTURE USE FOR:

Permanent-Only Financing for Development Projects

Article 1. General

Section 100. Purpose and Scope.

- (a) These Guidelines implement and interpret Chapter 6 (commencing with Section 50650) of Part 2 of Division 31, Health and Safety Code, which establishes the CalHome Program.
- (b) These Guidelines establish terms, conditions and procedures for the award and disbursement of funds allocated to the CalHome Program.

Section 101. Definitions.

In addition to the definitions found in Chapter 2 (commencing with 50050) of Part 1 of Division 31 of the Health and Safety Code, the following definitions shall apply to this subchapter. References to code sections refer to the sections of these Guidelines unless otherwise noted.

- (a) "After-rehabilitation value" means the estimated value of the property including completed rehabilitation work.
- (b) "Applicant" is the local public agency or nonprofit corporation, which submits an application to the Department to operate a local program or develop a homeownership project.
- (c) "Assisted units" means units purchased or rehabilitated with a loan funded pursuant to this subchapter. Assisted units shall also include units occupied by a tenant successfully matched to a homeowner household under a shared housing local program or a household provided with self-help technical assistance under a local program funded pursuant to this subchapter.
- (d) "Borrower" means a homebuyer(s) or existing homeowner(s) who receives a deferred payment loan made from a local program funded pursuant to this subchapter.
- (e) "Community revitalization" means that all units to be assisted with Program funds are, or will be, located within a federally defined Qualified Census Tract or a designated redevelopment area under the jurisdiction of a local Redevelopment Agency.
- (f) "Construction skills training program" means an existing program that trains youth 16 to 24 years old in construction skills.
- (g) "Deferred payment loan" means a loan made pursuant to this subchapter to:
 - (1) a homebuyer for mortgage assistance for acquisition;

- (2) a homeowner for rehabilitation of their existing home; or
 - (3) a local public agency or nonprofit developer for a homeownership development project.
- (h) "Department" means the Department of Housing and Community Development.
 - (i) "Developer" means a local public agency or nonprofit corporation that owns the project land and develops the homeownership project.
 - (j) "Developer borrower" means a developer who receives a loan pursuant to this subchapter for the development of a project involving multiple homeownership units.
 - (k) "Downpayment assistance" means the same as mortgage assistance.
 - (l) "Eligible household" means a low- or very low-income household who is a first-time homebuyer, an existing owner-occupant of property in need of rehabilitation or a homeowner participant in a shared housing program. The household shall occupy, or intend to occupy the property as the principal residence of that household, and shall not sell, lease or rent (except in the case of a homeowner provider in a shared housing program) the property.
 - (m) "First-time homebuyer" means a borrower(s) who neither have, nor has had, a present ownership interest in a principal residence at any time during the three-year period prior to the date on which the Program loan will close and who has not previously received a loan from a Department funded program. All borrowers that will take title to the property must meet this requirement.
 - (n) "Fund" means the CalHome Fund established pursuant to Section 50650.
 - (o) "Grant" means an award of funds made from the Program to eligible local public agencies or nonprofit corporations to operate programs providing assistance to individual households
 - (p) "Gross income" means all income as defined in Title 25, Section 6914.
 - (q) "Homebuyer Education" means a specific course of instruction, designed pursuant to Section 115, to educate first-time homebuyers regarding various aspects of purchasing and maintaining a home.
 - (r) "Homeowner provider" means a low-income person(s) currently residing in a home they own and occupy as a principal place of residence, who desires to find a tenant to share their residence.

- (s) "Homeownership" means:
- (1) for real property, fee simple title or a minimum 40-year leasehold interest that enables the lessee to make improvements on and encumber the property;
 - (2) title to a manufactured housing unit in the case of manufactured housing; and fee simple title or a minimum 20-year leasehold interest in real property that enables the lessee to maintain or install a manufactured unit on the property when a manufactured housing unit is located or will be located on property other than a rented mobilehome park space;
 - (3) a share interest in a limited equity housing cooperative; or
 - (4) a vested financial interest in a mutual housing project.
- (t) "Homeownership development project" means new construction on a site, including subdivisions, or scattered sites, that is under common ownership, financing and construction contract and includes a minimum of 5 homeownership units.
- (u) "Household" means one or more persons occupying the same housing unit.
- (v) "Incipient code violation" means a condition exists in the property, which, at the time of the initial property inspection, is deteriorating at such a rate that it will result in a substandard condition within two years of the inspection.
- (w) "Liquidated damages" means an amount agreed to by the contractor and local public agency or nonprofit corporation to be considered full damages if the contractor should fail to fulfill the terms of the construction contract.
- (x) "Limited equity housing cooperative" means a corporation organized pursuant to Section 33007.5 and Section 11003.4 of the Business and Professions Code.
- (y) "Loan-to-value-ratio" means the ratio between the amount of all indebtedness lien-ed, or to be lien-ed against a property and the value of the real estate securing them.
- (z) "Local public agency" means the same as local agency as defined in Section 50077 of the Health and Safety Code, which is authorized to engage in, or assist in the development or operation of housing for persons and households of low- or very low-income.

- (aa) "Local program" means a first-time homebuyer mortgage assistance program or an owner-occupant rehabilitation loan program to provide deferred payment loans for the acquisition, or rehabilitation of property; a shared housing program; or a self-help technical assistance program operated by a local public agency or nonprofit corporation pursuant to the provisions of this subchapter.
- (bb) "Lower-income household" means the same as defined in Section 50079.5 of the Health and Safety Code.
- (cc) "Low-income households" means the same as lower-income households
- (dd) "Manufactured housing" means a mobilehome as defined by Section 18008 of the Health and Safety Code.
- (ee) "Mortgage assistance" means permanent financing used toward homebuyer costs, up to a maximum limit as specified in the Department's NOFA, that will reduce the amount of first mortgage financing required to make the home affordable.
- (ff) "Monthly housing cost" means the average of the estimated costs for the next twelve months for a homebuyer or owner-occupant and shall include all of the following associated with that housing unit:
 - (1) Principal and interest on a mortgage loan including any rehabilitation loans, and any loan insurance fees associated therewith;
 - (2) Property taxes and assessments;
 - (3) Fire and casualty insurance covering replacement value of property improvements;
 - (4) Homeowner association fees, if applicable; and
 - (5) Space rent, if the housing unit is situated on rented land.
- (gg) "Mortgage" means a mortgage, deed of trust, or other instrument, which is a lien on real property.
- (hh) "Mortgage financing" means a long-term, permanent loan, provided by a mortgage lender, which is secured by a deed of trust, or other appropriate security acceptable to the Department.
- (ii) "Mortgage lender" means a bank or trust company, mortgage banker, federal or state chartered savings and loan association, State or Federal governmental agency or credit union that is able to, and has undertaken to, originate, process, close and service loans for the purchase or development (if appropriate) of property.

- (jj) "Mutual housing" means a multi-unit homeownership development that allows each resident a vested financial interest that has a determinable market value, is divisible and gives the owner an exclusive right to occupy a designated unit for an indefinite period.
- (kk) "Nonprofit" means a corporation as defined in Section 50091 of the Health and Safety Code.
- (ll) "Program" means the CalHome Program.
- (mm) "Property" means either:
 - (1) a dwelling unit constructed, purchased, rehabilitated or purchased and rehabilitated pursuant to the requirements of State Housing Law (California Health and Safety Code Division 13, Part 1.5, commencing with Section 17910); OR
 - (2) in the case of manufactured housing, a dwelling unit manufactured pursuant to the requirements of Division 13, Part 2 (commencing at Section 18000) and installed pursuant to Division 13, Part 2.1 (commencing at Section 18550) or a manufactured unit rehabilitated to correct substandard conditions as defined in Title 25, Division 1 at Section 1704; AND
 - (3) occupied by eligible borrowers as their principal place of residence. Only single-family units may be purchased or rehabilitated. Duplex, triplex or 4-plex properties are not eligible unless the borrower is only buying the one unit in which they will reside or, in the case of rehabilitation, only owns the one unit in which they reside.
- (nn) "Project" means the same as homeownership development project.
- (oo) "Recipient" means a local public agency or nonprofit corporation that receives an award of funds from the CalHome Program.
- (pp) "Refinance" means to pay off all or a portion of existing debt secured by the property with the proceeds of a program loan or other financing also secured by the property.
- (qq) "Rehabilitation" means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a manufactured home necessary to correct any condition causing the home to be substandard pursuant to Section 1704 of Title 25, California Code of Regulations. Rehabilitation does not include replacement of a structure.
- (rr) "Reuse account" means an account established pursuant to this subchapter.

- (ss) "Rural area" means the same as defined in Section 50199.21 of the Health and Safety Code.
- (tt) "Seeker" means a person who desires to be placed as a tenant in a home that is owner-occupied.
- (uu) "Self-help construction" means owner building as defined in Section 50692 of the Health and Safety Code and may include mutual self-help housing as defined in Section 50087 of the Health and Safety Code.
- (vv) "Self-help technical assistance" means conducting, administering or coordinating programs of technical or supervisory assistance, which will aid eligible households in carrying out owner-builder or self-help rehabilitation housing efforts.
- (ww) "Shared housing" means a program designed to preserve homeownership by matching a homeowner provider with a seeker.
- (xx) "Shared housing match" means a seeker moves in with a homeowner.
- (yy) "Shared housing technical assistance" means the provision of services required to match a homeowner provider with a seeker.
- (zz) "Site control" means actual ownership of a site, the right to purchase a site under a contract to purchase or option agreement, or a leasehold agreement on real property that enables the lessee to make improvements on and encumber the property.
- (aaa) "Very low-income household" means persons or families as defined in Section 50105 of the Health and Safety Code.
- (bbb) "Volunteer labor" means skilled or unskilled construction labor provided without remuneration.

Article 2. Program Requirements

Section 102. Applicant Eligibility Requirements.

- (a) To be eligible to apply to the Department for an award of program funds, the applicant shall be a local public agency or nonprofit corporation.
 - (1) City applicants can only propose programs or projects within their incorporated area.
 - (2) County applicants can only propose programs or projects within the unincorporated county area.

- (3) Nonprofit corporations can only propose programs or projects within a county in which they have developed a project or operated a housing program within the past 4 years or in counties for which the nonprofit corporation has an existing 523 technical assistance services agreement with USDA (United States Department of Agriculture).
- (b) To be eligible to apply for a homeownership development project, the applicant shall have site control of the proposed project property as evidenced by one of the following:
- (1) fee title;
 - (2) an enforceable option to purchase, which shall extend, or may be extended, for a minimum of 120 days beyond the deadline for application submittal;
 - (3) a disposition and development agreement with a public agency;
 - (4) a land sales contract, or other enforceable agreement for the acquisition of the property; or
 - (5) a leasehold interest or an enforceable option to lease, which shall extend for a minimum of 120 days beyond the deadline for application submittal, with a term of 40 years for homebuyer projects or 55 years for limited equity cooperative or mutual housing projects. The leasehold must have provisions that enable the lessee(s) to make improvements on and encumber the property.
- (c) To be eligible for funding, the local public agency or nonprofit corporation shall demonstrate to the Department's satisfaction that it has sufficient organizational stability and capacity to carry out the activity for which it is requesting funds.
- (1) In order to demonstrate organizational stability, the applicant shall have been operating as a housing developer or housing program administrator for a minimum of four years prior to the date of application. A nonprofit corporation must be a corporation whose exempt purposes for the four years prior to the date of application has included the development or rehabilitation of low-income housing. Nonprofit corporations shall also be required to demonstrate financial stability to the Department's satisfaction.
 - (2) To demonstrate capacity to undertake a first-time homebuyer program, the applicant shall have successfully administered a homebuyer program for a minimum of two years within the four years immediately preceding the application, and shall have the ability to:
 - (A) market the program;

- (B) identify and select eligible participants;
 - (C) conduct a property inspection, or review a Uniform Residential Appraisal Report, including the Valuation Conditions;
 - (D) comply with requirements of other permanent financing lenders;
 - (E) review borrower income documentation and credit histories;
 - (F) compute affordable housing costs and appropriate subsidy amounts;
 - (G) review preliminary title reports;
 - (H) prepare individual borrower loan documents and escrow instructions;
 - (I) close individual borrower loans, including proper recordation of security documents; and
 - (J) manage a portfolio of individual loans over an extended period of time.
- (3) In order to demonstrate capacity to undertake a local owner-occupied rehabilitation program, the applicant shall have successfully administered an owner-occupied rehabilitation program for a minimum of two years within the four years immediately preceding the application, and the applicant shall have the ability to:
- (A) market the program;
 - (B) identify and select eligible participants;
 - (C) arrange for on-site inspections;
 - (D) review work write-ups for eligible costs and propriety of cost estimates;
 - (E) review borrower income documentation and credit histories;
 - (F) review preliminary title reports;
 - (G) review appraisals;
 - (H) prepare individual borrower loan documents and escrow instructions;

- (I) close individual borrower loans including proper recordation of security documents;
 - (J) monitor the process of rehabilitation; and
 - (K) manage a portfolio of individual loans over an extended period of time.
- (4) In order to demonstrate capacity to undertake a self-help technical assistance program, the applicant shall have staff that will be committed to the proposed program that possess the knowledge, skills and ability to provide technical assistance for self-help housing pursuant to the requirements of the California Self-Help Housing Program, Article 3, (commencing at Section 7550) of Title 25, Division 1, Chapter 7, Subchapter 6.5
- (5) In order to demonstrate capacity to undertake a local shared housing program, the applicant shall have successfully administered a shared housing program for a minimum of four years immediately preceding the application, and the applicant shall have the ability to:
- (A) market the program;
 - (B) identify and select eligible participants;
 - (C) review homeowner provider income documentation;
 - (D) provide services necessary to effect a match, e.g., application intake, face-to-face interviews between providers/seekers and shared housing agency, background and credit checks, etc.; and
 - (E) provide match follow-up services to maintain a successful match.
- (6) In order to demonstrate capacity to undertake development of a homeownership project, the applicant shall have successfully developed a minimum of two similar projects within the last four years, and the applicant shall have staff that will be committed to the proposed project that possess the knowledge, skills and ability to:
- (A) choose and negotiate purchase of a site;
 - (B) conduct needs analyses and conceptual project design;
 - (C) select and work with architects and other consultants;

- (D) understand and comply with local planning, zoning and building requirements;
- (E) create a development pro forma and operating budget;
- (F) set appropriate sales prices;
- (G) identify and apply for financing sources;
- (H) comply with other lender requirements;
- (I) deal with community concerns;
- (J) conduct environmental reviews;
- (K) choose and work with construction contractors;
- (L) manage the construction process;
- (M) successfully market a project;
- (N) identify and select individual purchaser/borrowers;
- (O) review purchaser/borrower income documentation and credit histories;
- (P) compute affordable housing costs and appropriate subsidy amounts;
- (Q) review preliminary title reports;
- (R) review appraisals;
- (S) prepare individual purchaser/borrower CalHome loan documents and escrow instructions;
- (T) close individual purchaser/borrower loans, including proper recordation of security documents; and
- (U) oversee a portfolio of individual loans over an extended period of time.

Section 103. Eligible Activities.

- (a) The Department may make grants to local agencies or nonprofit corporations to fund programs undertaking:

- (1) loans to first-time homebuyers for downpayment assistance. A nonprofit corporation shall only make loans in projects it has developed or rehabilitated.
 - (2) loans to owner-occupants for rehabilitation. A nonprofit corporation shall only make such loans where it will be directly providing the services required in Section 109, Owner-Occupied Rehabilitation Requirements and Section 110, Construction Requirements.
 - (3) technical assistance for self-help housing pursuant to the California Self-Help Housing Program, Article 3, (commencing at Section 7550) of Title 25, Division 1, Chapter 7, Subchapter 6.5; or
 - (4) technical assistance for shared housing homeownership only where the applicant organization will be responsible for administrating the program directly.
- (b) The Department may make loans to local public agencies or nonprofit corporations for development of new construction homeownership projects or permanent financing loans for mutual housing and limited equity housing cooperatives. Proposed development projects are ineligible to receive funding if construction work has begun prior to the date that the Department awards a commitment of program funds, including: (1) site improvements intended for public dedication, (2) site preparation, or (3) grading.

Section 104. Eligible Uses of Funds

Funds shall be used only for approved, eligible costs that are incurred in the program or the project as set forth in this Section.

- (a) Eligible costs for first-time homebuyer mortgage assistance programs:
 - (1) mortgage assistance for permanent financing of: 1) a unit ready for occupancy; or 2) a unit acquired by a loan such as a HUD FHA 203(k) acquisition/rehabilitation loan. This includes self-help housing mortgage assistance, except that CalHome permanent financing may be disbursed at time of lot purchase where the self-help housing is being financed under the U. S. Department of Agriculture, Rural Housing Service 502 program;
 - (2) homebuyer education, which will be reimbursed in the form of a grant from the Department to the local public agency or nonprofit corporation; and
 - (3) a CalHome loan processing fee:

- (A) up to a maximum of \$250 per assisted household, when the local public agency or its agent or the nonprofit corporation will receive a loan processing fee or administrative funding from a loan on the same property other than the CalHome loan. This fee will be reimbursed in the form of a grant from the Department to the local public agency or nonprofit corporation; or
 - (B) up to \$350 per assisted household, if the local public agency or its agent or the nonprofit corporation will not receive any other loan fees or administrative funding on the same property for an assisted household. This fee will be reimbursed in the form of a grant from the Department to the local public agency or nonprofit corporation.
- (b) Eligible costs for programs that assist owner-occupant rehabilitation:
- (1) costs of rehabilitation of the property, as defined in Section 101(qq);
 - (2) costs of improvements necessary to ensure accessibility of the property to physically handicapped borrowers or dependents occupying the property, when other rehabilitation work is being performed;
 - (3) costs of improvements required to correct unsafe, unhealthy, or unsanitary conditions, including general property improvements when such improvements are necessary or integral to the rehabilitation work;
 - (4) costs of building permits and other related government fees;
 - (5) costs of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
 - (6) up to 5% activity delivery fee.
- (c) Eligible categories of costs for self-help technical assistance pursuant to the California Self-Help Housing Program, Article 3, (commencing at Section 7550) of Title 25, Division 1, Chapter 7, Subchapter 6.5
- (d) Eligible categories of costs for shared housing technical assistance grants:
- (1) indirect costs of administering a shared housing program, including the costs of providing information and referrals; outreach/marketing costs; program evaluation; and CalHome Program reporting requirements; and
 - (2) costs of direct services, including shared housing matching; documentation of match efforts; and match follow-up services.

- (e) Eligible categories of costs for new construction project development loans are limited to the following:
- (A) purchase of real property;
 - (B) building permits and state and local fees;
 - (C) predevelopment costs directly related to the single family housing development;
 - (D) onsite improvements related to single-family housing development (within the boundaries of the subdivision or individual parcels for scattered site developments);
 - (E) carrying costs during construction, including insurance, construction financing fees and interest, taxes, and any other expenses necessary to hold the property while the single family housing development is under construction;
 - (F) escrow, title insurance, recording and other related costs;
 - (G) costs for items intended to assure the completion of construction, such as contractor bond premiums;
 - (H) environmental hazard reports, surveys, and investigations; and
 - (I) payoff of bridge loan financing, which has a term of 36 months or less.

Section 105. Prohibited Uses of Funds:

- (a) Administrative costs other than the loan processing fees allowed in Section 104 per assisted household.
- (b) Refinancing of existing loans with CalHome funds, excepting site acquisition bridge loans with a term of 36 months or less on homeownership development projects.
- (c) Costs associated with the rehabilitation of buildings or structures accessory to a manufactured home, except when required by the mobilehome park rules or necessary or integral to the rehabilitation work.
- (d) Offsite improvements (improvements outside the boundaries of the subdivision or individual parcels for scattered site development).
- (e) Unit construction costs, except in rehabilitation programs.

- (f) Loan closing costs for first-time homebuyer programs.
- (g) Acquisition with or without rehabilitation of resale manufactured homes.
- (h) Substitution of CalHome fund commitments for other funding commitments. This restriction applies to the local public agency's or nonprofit corporation's overall homeowner activities, as well as on a loan-by-loan basis.

Section 106. Eligible Homeowner/Homebuyer Borrower

To be eligible to receive a loan using program funds, an individual household shall:

- (a) be a lower-income household, when considering the income of all household residents 18 or older and all person's on title, as defined in Section 50079.5 of the Health and Safety Code;
- (b) not previously have received a loan from a Department-funded program; and either
 - (1) be an owner-occupant in the case of a rehabilitation loan; or
 - (2) be a first-time homebuyer in the case of a mortgage assistance loan;
- (c) include all persons who will be on the property title as borrowers.

Section 107. Local Program Administration

- (a) The Recipient shall implement the grant program and be responsible for the following activities:
 - (1) marketing the program in a manner which ensures compliance with the timeframes stated in the Standard Agreement. To discourage frivolous applications, Recipients may charge a nominal application fee of no more than \$50 to persons applying for assistance under a CalHome funded program. This charge shall not be reimbursed with CalHome funds.
 - (2) determination of a household's income-eligibility pursuant to the income requirements of this subchapter;
 - (3) where applicable, based on the nature of the program or project, compliance with the following requirements:
 - (A) Section 108 mortgage assistance;
 - (B) Section 109 owner-occupancy;
 - (C) Section 110 construction;

- (D) Section 111 underwriting;
 - (E) Section 113 self-help technical assistance;
 - (F) Section 114 shared housing technical assistance;
 - (G) Section 115 homebuyer education;
 - (H) Section 116 loan servicing; and
 - (I) Section 117 reuse account.
- (4) disbursing funds on behalf of borrowers at time of property acquisition or during rehabilitation;
 - (5) maintaining complete and accurate records of all deferred payment loan disbursements and repayments to ensure adherence to proper accounting procedures for the deferred payment loans, which may be verified by the Department and may be subject to a fiscal and programmatic audit.
 - (6) complying with reporting requirements pursuant to Section 130; and
 - (7) complying with all other local public agency and/or nonprofit corporation requirements as set forth in these guidelines and all applicable Federal and State regulations.
- (b) Nonprofit corporations are prohibited from employing other entities (agents) to perform any of the requirements in subdivision (a) of this Section, with the exception of loan servicing.

Section 108. Mortgage Assistance Requirements

The Recipient shall be responsible for the following activities:

- (a) provide information and assistance to first-time homebuyers on obtaining maximum amount of first mortgage financing pursuant to underwriting guidelines in Section 111;
- (b) review appraisals for property eligibility under value limits established in Section 111;
- (c) in the case of acquisition of existing housing, the local public agency recipient (nonprofit corporations are not eligible for this activity, unless the nonprofit is selling a home the nonprofit newly constructed or acquired and rehabilitated for resale to a first-time homebuyer) is responsible for inspection of properties to be purchased or a review of Uniform Residential Appraisal Reports, including the

Valuation Conditions, to ensure that they conform to the requirements of State Housing Law (California Health and Safety Code Division 13, Part 1.5, commencing with Section 17910);

- (d) completion of homebuyer education requirements pursuant to Section 115;
- (e) originating, underwriting, packaging and closing deferred payment loans in accordance with program requirements which shall include, but is not limited to:
 - (1) underwriting of first-time homebuyer loans pursuant to guidelines set forth in Section 111;
 - (2) review of term, interest rate and conditions of first mortgage loan or existing financing already liened against the property;
 - (3) review of borrower's estimated closing costs for first mortgage financing, where applicable;
 - (4) preparation of loan documents and escrow instructions;
 - (5) review of all documents received upon completion of loan closing for completeness, accuracy and conformance to escrow instructions;

Section 109. Owner-Occupied Rehabilitation Requirements

The Recipient shall be responsible for the following activities:

- (a) review after rehabilitation appraisals/valuations for property eligibility under value limits established in Section 111;
- (b) originating, underwriting, packaging and closing deferred payment loans in accordance with program requirements which shall include, but is not limited to:
 - (1) review of term, interest rate and conditions of existing financing already liened against the property;
 - (2) preparation of loan documents and escrow instructions;
 - (3) review of all documents received upon completion of loan closing for completeness, accuracy and conformance to escrow instructions.
- (c) completion of rehabilitation construction requirements pursuant to Section 110.

Section 110. Rehabilitation Construction Requirements

- (a) Construction requirements for owner-occupied rehabilitation;

- (1) The Recipient shall determine the rehabilitation work to be performed on the property by conducting an initial property inspection. Upon completion of such inspection, the Recipient shall:
 - (A) prepare a work write-up which accurately describes the existing conditions and the necessary repairs and improvements consistent with the rehabilitation standards adopted by the local government. In the case of manufactured housing the work write up shall describe repairs and improvements consistent with the need to correct substandard conditions as defined in Title 25, Division 1 at Section 1704. The work write-up shall indicate which items are code violations, incipient code violations, handicapped accessibility improvements, and general property improvements; and
 - (B) prepare cost estimate for the rehabilitation work, building permits, government fees and the cost of architectural and engineering services directly related to the rehabilitation work.
- (b) The Recipient shall ensure that the rehabilitation work funded pursuant to these guidelines shall be performed in a competent, professional manner at the lowest reasonable cost consistent with market conditions. The local public agency or nonprofit corporation shall solicit, at a minimum, three written bids based on a bid package distributed to potential contractors, unless the Recipient is acting as the general contractor. Such bid package includes:
 - (1) the work write-up which details the rehabilitation performance specifications;
 - (2) bid instructions which describe the local program requirements for construction;
 - (3) a bid proposal form which incorporates the work write-up; and
 - (4) a sample construction contract.
- (c) The Recipient shall evaluate a submitted bid in relation to its cost estimate. If three written bids are not received, or the bids received are higher than its costs estimates, the Recipient shall include an explanation in the deferred payment loan file documenting the process employed to determine the reasonableness of costs. The Recipient shall review all bids with the borrower, and the borrower shall select a bid which would result in the work being performed in a competent, professional manner, at the lowest reasonable cost consistent with current market conditions and the Recipient's cost estimate.

- (d) The Recipient may include a contingency amount, not to exceed 15 percent of the selected bid amount, to be used for unforeseen costs incurred in order to complete the rehabilitation as defined in these guidelines.
- (e) The Recipient shall ensure that all general contractors and subcontractors selected by the borrower are licensed by the California State Contractor's Licensing Board and that they maintain Worker's Compensation and Employer Liability insurance to the extent required by State Law. The contractor selected shall complete the work in accordance with a construction contract executed between the contractor and the borrower approved by the Recipient. The construction contract shall at a minimum, contain provisions which:
- (1) require that the contractor complete the work in accordance with the contractor's bid, work plans and specifications, and applicable local, State and Federal laws, regulations, and building codes;
 - (2) require the contractor to proceed with and complete the work in accordance with the approved work schedule;
 - (3) specify a total contract price consistent with the approved contractor's bid;
 - (4) require the contractor to carry risk insurance;
 - (5) provide for a method of payment to the contractor consistent with program requirements which may include progress payments and payment retention's;
 - (6) provide conditions and procedures for review and approval of change order requests.
 - (7) provide for contractor contingency amount, if any, and permit the Recipient and the Department and their designated agents and employees the right to inspect the property and all books, records and documents maintained by the contractor in connection with the work;
 - (8) obligate the contractor to warrant the work for a period of not less than one year;
 - (9) require that the contractor provide a lien release and pay all amounts when due for labor, materials, supplies and equipment provided for completing the work; and
 - (10) provide for liquidated damages for delays in project completion.
- (f) The Recipient shall monitor construction for compliance with the construction contract and program requirements, and establish practices to ensure that

payments to the contractor are properly expended by, or on behalf of, the borrower. Such practices shall include:

- (1) conducting on-site inspections of the rehabilitation work; and
- (2) preparing progress inspection reports which authorize the issuance of payments to borrowers and contractors.

Section 111. Mortgage Assistance Underwriting Requirements

- (a) Maximum home values at time of purchase or upon completion of rehabilitation work shall not exceed the Department of Housing and Urban Development's (HUD's) Single Family Mortgage Limits under Section 203(b) of the National Housing Act.
- (b) Deferred loans to eligible first-time homebuyers shall be underwritten as follows:
 - (1) The borrower shall obtain a first lien position mortgage loan, with a term not less than 30 years, from a mortgage lender at the maximum amount consistent with an affordable housing cost as described below.
 - (2) The first mortgage loan interest rate shall not have an interest rate more than the current market rate for the type of property being financed.
 - (3) Fees and charges, for financing other than local program loans, shall be consistent with usual and customary market fees and charges for such financing.
 - (4) Temporary or permanent interest rate reductions (buydowns) and adjustable interest rate first mortgages are prohibited.
 - (5) No financing, junior or senior to the Program loan, may have a balloon payment due before the maturity date of the Program loan.
 - (6) With the exception of financing provided by the first mortgage lender, all other financing provided shall defer principal and interest payments for the term of the Program loan.
 - (7) First mortgage lenders shall be required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance for the term of the first mortgage.
 - (8) Monthly housing costs shall be no less than 28 percent of household gross income and no more than 35 percent of monthly household gross income except that monthly housing costs can exceed 35 percent of gross income, but not more than 40 percent of gross income if one or more of the following compensating factors are present:

- (A) The prospective borrower has successfully demonstrated over a minimum 12 month period the ability to pay housing costs equal to or greater than the proposed monthly housing costs for the property to be purchased. This means successfully handling housing costs plus any other household debt.
 - (B) The prospective borrower has demonstrated a conservative attitude toward the use of credit and an ability to accumulate savings.
 - (C) The prospective borrower has substantial non-taxable income
 - (D) Previous credit history shows that the prospective borrower has the ability to devote a greater portion of income to housing expenses.
 - (E) There will be no more than a 5 percent increase in the prospective borrower's housing expense.
- (9) The ratio of monthly housing costs, plus all other household monthly debt payments, shall not exceed 41 percent.
- (10) the prospective borrower's credit report shall indicate an ability to repay all debts, including:
- (A) no credit accounts past due at the time the prospective borrower's deferred payment loan is recorded;
 - (B) no outstanding unpaid judgments or involuntary liens at the time the CalHome loan is recorded; and
 - (C) no bankruptcies, which have not been dismissed prior to recordation of the deferred payment loan.
- (11) Cash transactions and oral agreements outside of escrow are prohibited.
- (12) 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 downpayment. Excess cash, over that described above, shall be paid to the re-use account established pursuant to Section 117 and credited as a principal reduction to the borrower's loan.
- (c) Prior to close of escrow, an appraisal shall be prepared by an independent, State-licensed appraiser, who has the knowledge and experience necessary to appraise residential property. The appraisal must use the sales of comparable properties approach to determine value.

Section 112. Owner-Occupied Rehabilitation Loan Underwriting Requirements

- (a) Rehabilitation loans to eligible owner-occupants shall be underwritten as follows:
- (1) No financing, junior or senior to the CalHome loan, may have a balloon payment due before the maturity date of the CalHome loan.
 - (2) The prospective borrower's credit report shall indicate an ability to repay all debts, including:
 - (A) no credit accounts past due at the time the prospective borrower's deferred payment loan is recorded;
 - (B) no outstanding unpaid judgments or involuntary liens; and
 - (C) no bankruptcies, which have not been dismissed prior to recordation of the deferred payment loan.
 - (3) The preliminary title report shall show:
 - (A) proper vesting of title with the prospective borrower;
 - (i) If the prospective borrower holds title with another party who is not applying for the loan, the other party shall sign all required loan documents and is required to meet all program requirements including occupying the property as a principal place of residence and income eligibility;
 - (ii) In cases where a joint tenancy or tenants-in-common is dissolved, the title documents must be corrected to reflect the change;
 - (B) the legal description of the property;
 - (C) all encumbrances on the property; and
 - (D) no judgments, mechanics liens, or property tax liens due on the property.
 - (4) Mortgage verifications, dated no more than three months prior to the CalHome loan approval, shall be obtained for each existing lien encumbering the property and shall indicate:
 - (A) that payments are current at time of verification and, in the past, have not been more than 60 days delinquent;
 - (B) that there are no financing terms such as any variable interest rates, balloon payments or negatively amortizing loans which may

jeopardize the CalHome loan security and the prospective borrower's ability to repay the CalHome loan; and

- (C) the current balance of the mortgage, to determine the total loan-to-value ratio, and of any impound accounts for taxes, assessments and hazard insurance to make sure they are in place and current; and
- (5) any cash out of escrow to the borrower is prohibited.
- (b) Prior to commencement of rehabilitation work, a loan-to value ratio shall be determined by using the County Tax Assessor's, or, when appropriate for manufactured housing, the Department of Motor Vehicles current valuation of the property. If this value results in a higher loan-to-value ratio than allowed in Section 120(b), the after-rehabilitation value shall be determined by an appraisal prepared by an independent, State-licensed appraiser, who has the knowledge and experience necessary to appraise residential property. The appraisal must use the sales of comparable properties approach to determine value. The appraisal shall take into consideration the estimated value of the rehabilitation work to be completed on the property and shall include the pre-rehabilitated value and the after rehabilitated value.

Section 113. Self-Help Technical Assistance Requirements

Requirements for new construction, self-help technical assistance grants shall be as required under the California Self-Help Housing Program, Article 3, (commencing at Section 7550) of Title 25, Division 1, Chapter 7, Subchapter 6.5

Section 114. Shared Housing Technical Assistance Requirements

A shared housing technical assistance program shall, at a minimum, include the following features:

- (a) information regarding services available, procedures and program requirements, which shall be provided to all individuals requesting assistance;
- (b) outreach and marketing activities shall be conducted to reach both potential homeowner providers and potential seekers and provide information about the availability, purpose and requirements of shared housing match services;
- (c) program evaluations shall be obtained from clients (homeowner providers and seekers) by the shared housing technical services provider to be used as a basis for assessment and improvement of services provided to clients;

- (d) all services required to effect a shared housing match between a low-income qualified homeowner provider and a seeker e.g., intake forms/applications, face-to-face interviews between providers/seekers and share housing agency, background checks, background and credit checks, income determinations to determine homeowner eligibility, etc.;
- (e) documentation of a minimum 25% reduction in housing costs (mortgage principal and interest payment, taxes and homeowner insurance) for homeowner providers, except in instances where a homeowner provider is age 60 or over or disabled and the seeker (renter) will be providing services to the homeowner provider; and
- (f) match follow-up services to determine match satisfaction and to help clients maintain a successful shared housing match.
- (g) reimbursement for a shared housing match will be limited as follows:
 - (1) up to \$750 of actual costs;
 - (2) one shared housing match reimbursement for any individual homeowner provider in a 12-month period; and
 - (3) the aggregate annual CalHome reimbursement cannot exceed 50% of the local public agency's or nonprofit corporation's annual budget for their shared housing match program.
- (h) reimbursement shall be for each shared housing match as defined in Section 101(xx). However, performance credit for a shared housing match under this grant will be based on a shared housing match that lasts a minimum of 60 consecutive days.

Section 115. Homebuyer Education

Homebuyer education shall be provided in all cases where home purchase is involved. For each home purchase completed by an eligible borrower, the Program shall provide a grant of \$300 per assisted household toward the cost of the homebuyer education, provided the following conditions are met:

- (a) training shall be designed in a structured classroom, interactive style. Instruction should include descriptive handout material and outside expertise for some of the presentations. Typically a minimum of 8 hours of training shall be provided.
- (b) the training program and curriculum shall be approved by the Department.
- (c) this program may be contracted out in cases where the sponsor does not possess the capability to provide this training;

- (d) training shall cover, at minimum, the following topics:
- (1) preparing for homeownership/shopping for a home. The curriculum shall include such things as an overview of the training, the pros and cons of homeownership, analyzing income and expenses, credit record, house size and type needs, location considerations, comparison home shopping, monthly housing costs and the realtor's role;
 - (2) available financing, credit analysis and making an offer. The curriculum shall include such subjects as loan options, budgeting, determining income and expenses, home inspection, credit report, negotiating a purchase, applying for a loan, fees, financing terms and the appraisal process; and
 - (3) loan closing and homeownership responsibilities. The curriculum should include such subjects as title insurance, escrow function, taxes, insurance, closing costs, RESPA, final walk through inspection, promissory note/deed of trust and settlement statement;
 - (4) home maintenance and loan servicing. The curriculum shall include such subjects as tax incentives, household budgeting, credit control, interior and exterior home maintenance and repair, pride of ownership, being a good neighbor, lenders servicing, timely loan payments, periodic inspections, and equity loans or adding additional financial liens to the property after purchase.
- (e) all homeowners shall be provided with a homeowner's maintenance manual.
- (f) a certificate of successful completion of the homeownership educational program shall be issued to each prospective homeowner and a copy submitted to the Department prior to the closing of each homebuyer loan.

Section 116. Loan Servicing Requirements

Recipients shall provide loan servicing/management capabilities that include at minimum, the following:

- (a) an identified source of revenue to fund long term servicing activities;
- (b) guidelines/procedures for the uniform organization and transfer of loan files from underwriting staff to loan servicing staff;
- (c) in the absence of an impound account for such purpose (owner-occupied rehabilitation loans, only), guidelines/procedures for monitoring payment of all taxes and assessments required on the property and to ensure hazard insurance additional loss payee requirements are met;
- (d) recording a Request for Notice of Default or Sale;

- (e) procedures for monitoring of owner-occupancy requirement;
- (f) guidelines/procedures for the handling requests for demand, payoff of loans and reconveyances or lien releases (assumptions are prohibited by statute);
- (g) accounting guidelines/procedures for loan repayments to ensure crediting to the reuse account pursuant to Section 117.

Section 117. Reuse Account

- (a) All repayments of loan principal and any loan interest shall be deposited to a separately maintained reuse account governed by a reuse plan approved by the Department.
- (b) Funds in the reuse account shall only be used by the Recipient for:
 - (1) loans to individual homeowners or homebuyers as allowed pursuant to this subchapter;
 - (2) the cost of the homebuyer education provided pursuant to the requirements of Section 115, for each first-time homebuyer receiving mortgage assistance from the reuse account;
 - (3) a CalHome loan processing fee or activity delivery fee, as applicable, in accordance with Section 104; and
 - (4) up to 5 percent of funds deposited may be used toward the costs of loan servicing by the local public agency or nonprofit corporation or the cost of third-party loan servicing contracted by the Recipient.

Article 3. Homeowner/Homebuyer Borrower Loan Requirements

Section 118. Maximum Homeowner/Homebuyer Loan Amounts.

Loans to individual borrowers shall not exceed the lesser of: 1) the maximum loan amounts set forth in the Notice of Funding Availability or, 2) when considered with other available financing and assistance, the minimum amount necessary:

- (a) in the case of first-time homebuyer mortgage assistance, to ensure affordable monthly mortgage payments in accordance with program underwriting requirements; or
- (b) in the case of owner-occupant rehabilitation, to fund eligible rehabilitation costs in accordance with program requirements.

Section 119. Homeowner/Homebuyer Loan Terms

- (a) A homeowner/homebuyer borrower loan for a stick-built home shall be secured by the real property and improvements. A loan for a manufactured home shall be secured by the home and the underlying real property (if the real property is owned by the borrower). The lien securing repayment of the program loan shall be subject only to liens, encumbrances and other matters of record reviewed and approved by the Recipient responsible for underwriting the loan. With the exception of owner-occupied rehabilitation loans where current liens exist, the lien securing repayment of the program loan shall only be subordinated to the first mortgage lender.
- (b) Homeowner/Homebuyer deferred payment loans shall have the following terms and conditions:
- (1) Principal and interest payments shall be deferred for the term of the loan.
 - (2) Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, upon the loan maturity date or upon repayment or refinancing of the first mortgage.
 - (3) By statute, loans are not assumable.
 - (4) The following transfers of interest shall not require the repayment of the loan:
 - (A) transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
 - (B) a transfer, in which the transferee is a person who occupies or will occupy the property, which is:
 - (i) a transfer to a relative resulting from the death of the borrower;
 - (ii) a transfer where the spouse or child(ren) becomes an owner of the property;
 - (iii) a transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - (iv) a transfer into an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property.
 - (5) The term for first-time homebuyer mortgage assistance loans shall be 30 years with the following exceptions:

- (A) the term shall be for the term of the first mortgage, which shall be 30 years. When United States Department of Agriculture, Rural Housing Service 502 mortgage loans are in first lien position, the term shall be the term of the 502 mortgage (33 or 38 years).
- (B) a minimum term of 15 years for a homebuyer purchasing a mobilehome to be installed on a rented mobilehome space.
- (6) The term for owner-occupied rehabilitation loans shall be 15 years or not less than the longest term of existing senior lien position financing, whichever is longer.
- (7) A borrower may pay the entire deferred payment loan amount at any time without penalty.
- (c) A local public agency or nonprofit corporation may make homeowner borrower loans bearing simple interest up to three percent (3%) per annum, and may allow forgiveness of all or a portion of the interest as part of its program design. Loan principal shall not be forgiven. The CalHome Program shall use repayment of loan funds to further Program goals, rather than shared appreciation, resale restrictions, or other similar restrictions or loan terms.

Section 120. Homeowner/Homebuyer Loan-to-Value Limits

Loan-to-value limits include all liens recorded or to be recorded on individual properties.

- (a) First-time homebuyer mortgage assistance loans must have a loan-to-value ratio not exceeding 100 percent of the sales price plus a maximum of up to 5 percent of the sales price to cover for actual closing costs (closing costs cannot be paid for with CalHome loan funds).
- (b) The loan-to-value ratio for an owner-occupied rehabilitation loan, when combined with all other indebtedness secured by the property, shall not exceed 90 percent of the after-rehabilitation-value estimated pursuant to Section 111(c).

Article 4. Development Loan Requirements

Section 121. Maximum Development Loan Amount

- (a) Maximum development loan amounts shall be stated in the Notice of Funding Availability.

Section 122. Development Loan Terms

- (a) All deferred payment development loans shall be secured by the project real property and improvements, subject only to liens, encumbrances and other matters of record reviewed and approved by the Department.
- (b) The development loan term will be no longer than the term of the Standard Agreement, which is 36 months.
- (c) Principal and interest payments shall be deferred for the term of the development loan.
- (d) Development loans shall be repayable at permanent loan closing or at the loan maturity date, whichever occurs first. The portion of development loan repayments that are used to provide mortgage assistance to qualified first-time homebuyers will be converted to a grant to the Recipient. The balance of the development loan will be repaid to the Department.
- (e) Development loans shall bear interest at the rate of six per cent (6%) simple interest per annum. The Department may forgive accrued interest on a pro rata basis to the extent that the number of lower-income households originally proposed to be served, have been served upon completion of the project.

Section 123. Development Loan-to-Value Limits

Loan-to-value limits include all liens recorded or to be recorded on the project property.

- (a) When development loan funds are used for the purchase of unimproved real property, the loan-to-value ratio shall not exceed 100 percent of the unimproved appraised value.
- (b) When development loan funds are used for the purchase of improved real property, the loan-to-value ratio shall not exceed 100 percent of the improved appraised value.
- (c) When development loan funds are used for predevelopment or site improvement costs, the loan-to-value ratio shall not exceed 100 percent of the appraised land value, plus predevelopment and/or site improvement costs as approved by the Department.

Section 124. Development Requirements

- (a) Prior to disbursement of development loan proceeds:
 - (1) The developer borrower shall be the sole owner of the development site or upon close of purchase escrow when CalHome funds are being used for site acquisition;
 - (2) the developer borrower shall have a firm financing commitment(s) for all development costs;

- (3) the Department shall have approved a final construction budget that ensures that the estimated sales prices of the homes to be constructed:
 - (i) do not exceed the limits established in Section 111(a); and
 - (ii) can reasonably be expected to be affordable to eligible buyers; and
- (4) the developer borrower shall have met all other Department conditions for disbursement as stated in the Standard Agreement required by Section 128.
- (b) Consistent with the capacity requirements of Section 102(c)(6), the developer borrower shall be required to develop the project without any co-developer.
- (c) A home assisted with a development loan shall not be sold at a price that exceeds its appraised value.
- (d) The developer will be required to complete the project and provide mortgage assistance to eligible households within 36 months of the date of award of funding.

Article 5. Application Procedures

Section 125. Application Process.

- (a) The Department shall periodically issue a Notice of Funding Availability (NOFA) that specifies the amount of funds available, the maximum application amount, the maximum activity amount, application requirements, the activities eligible for funding, the number of activities that may be applied for in one application, the allocation of rating points, the deadline for submittal of applications, the schedule for rating and ranking applications and awarding funds, and the general terms and conditions of funding commitments. A NOFA may declare as ineligible applications for programs or projects for which the Department has issued, or concurrently will issue, a separate NOFA pursuant to paragraph (c).
- (b) Only complete applications, as defined in Section 126(b), shall be rated and ranked.
- (c) In order to implement goals and purposes of the program the Department may adopt measures to direct funding awards to designated programs or projects including, but not limited to programs or projects that: 1) are utilizing self-help labor; 2) are utilizing volunteer labor; 3) involve a construction skills training

program; or 4) contribute toward community revitalization; or 5) will ensure, to the extent feasible, a reasonable geographic distribution of funding. Such measures may include, but are not limited to:

- (1) Issuing a separate NOFA for designated program or project types.
- (2) Awarding bonus points to designated program or project types within a particular NOFA; and
- (3) Reserving a portion of funds in the NOFA for designated program or project types.
- (4) Notwithstanding anything in these Guidelines to the contrary, a separate NOFA issued pursuant to this subsection may establish an over-the-counter application process. At a minimum, a separate NOFA shall include a description of the application process and funding conditions, shall require compliance with paragraph (a) of this Section, and shall establish minimum funding threshold criteria based on the rating criteria set forth in subdivision 127.

Section 126. Application Requirements.

- (a) Application shall be made on a form provided by the Department.
- (b) An application shall be deemed complete when the application form is complete and the Department is able to determine from the information provided whether the application is eligible for rating pursuant to the requirements of Section 127(b).

Section 127. Selection Criteria

- (a) Applications shall not be considered for funding unless the application is received by the deadline as stated in the NOFA and demonstrates that all of the following conditions exist:
 - (1) the applicant is eligible pursuant to Section 102;
 - (2) the applicant proposes an eligible activity pursuant to Section 103;
 - (3) the applicant proposes an eligible use of the funds pursuant to Section 104; and
 - (4) the application is complete pursuant to Section 126(b).
- (b) Each application considered for funding shall be rated using the following criteria and maximum possible rating points. The maximum points an application may

receive shall not exceed 1,000 points. Applications must receive a minimum of 550 points to be considered for funding.

- (1) Capability to operate the program or develop the type of project proposed in the application as follows (400 points):
 - (A) Prior experience with administration/implementation of the activity as proposed in the application; or
 - (B) Prior experience in developing the type of homeownership development project as proposed in the application; and
 - (C) Prior experience with loan servicing or a plan to provide loan servicing/management capabilities as described in Section 116.
- (2) Community need in geographic area of the proposed program or project based on overpayment for home purchase programs/projects and poverty level for existing owner programs as reflected in U.S. Census data. (150 points)
- (3) Feasibility of the proposed activity as demonstrated by either of the following (250 points):
 - (A) for applications proposing program activities, the extent to which the proposed program is responding to a community need.
 - (B) for applications proposing a homeownership development project:
 - (i) the readiness of the project development to proceed as evidenced by the status of local government approvals; project financing commitments; resolution to impediments to development; and
 - (ii) evidence of ability to serve low- and very low-income households pursuant to the mortgage assistance underwriting requirements stated in Section 111, as evidenced by the development budget, proposed unit sales prices.
- (4) Contributes to community revitalization as defined in Section 101(e). (100 points)
- (5) Contributed Labor (100 points)

Applications applying for homeownership development projects or a mortgage assistance program for new construction housing or acquisition with rehabilitation when the recipient is acquiring and rehabilitating

properties for sale to first-time homebuyers, will receive up to 100 points to the extent that they are utilizing: volunteer or self-help construction labor or labor provided through a program that trains youth in construction skills. A minimum of 500 hours of on-site construction labor per assisted unit must be provided in order to qualify for consideration in this category (the 500 hours of construction training labor must be provided by the 16 to 24 year old program participants.)

(c) Performance Penalty (50 points)

A deduction to the total score will be applied for failure to meet CalHome Program Goals pursuant to Section 131.

Article 6. Program Operations

Section 128. Legal Documents.

- (a) Upon the award of funds the Department shall enter into a Standard Agreement with the Recipient constituting a conditional commitment of funds. This contract shall require the parties to comply with the requirements and provisions of these guidelines. The Standard Agreement shall encumber State monies in an amount sufficient to fund the approved program or project, subject to limits established in the NOFA and consistent with the application. The Standard Agreement shall contain, but not be limited to, the following as appropriate for the activity:
- (1) a description of the approved program or project and the permitted uses of program funds;
 - (2) provisions governing the amount, terms and conditions of the Department's development loan or grant to the Recipient;
 - (3) for homeownership development projects, provisions governing the construction work and, as applicable, the acquisition of the project site, and the disbursement of loan proceeds;
 - (4) requirements for the execution and, where appropriate, the recordation of the agreements and documents required under the program;
 - (5) individual CalHome household deferred payment loan terms and conditions;
 - (6) requirements regarding the establishment of escrow accounts for the deposit of documents and the disbursement of loan funds and the use of other consultants or agents providing third-party services necessary for local program administration;

- (7) for a program, the Recipient's responsibilities for operation of the program, including, but not limited to, number of units to be assisted, marketing, loan processing and funding, construction monitoring and disbursement, report submissions, file documentation;
 - (8) for a homeownership development project, the Recipient's responsibilities for the development of the project, including, but not limited to, number of units to be assisted, marketing, processing of individual homebuyer loans, expiration date, report submissions, file documentation.
 - (9) manner, timing and conditions for disbursement of program or project funds to Recipients;
 - (10) provisions relating to the placement on or in the vicinity of the homeownership development project site, a sign indicating that the Department has provided financing for the project. The Department may also arrange for publicity of the Department loan in its sole discretion;
 - (11) remedies available to the Department in the event of a violation, breach or default of the standard agreement;
 - (12) requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the project or program and all books, records and documents maintained by the Recipient in connection with the program grant or loan or local program individual household loans;
 - (13) special conditions imposed as part of Department approval of the program or project;
 - (14) terms and conditions required by federal or state law; and
 - (15) other provisions necessary to ensure compliance with the requirements of this program.
- (b) All homeowner/homebuyer loans originated by a Recipient shall be evidenced by the following documents and provisions, models of which may be provided by the Department:
- (1) a promissory note evidencing the loan, payable to the Recipient in the principal amount of the loan and stating the terms and rate of interest of the loan consistent with the requirements of the program. The Recipient is prohibited from assigning their beneficial interest under the note. The note shall be secured by a deed of trust, or other appropriate security acceptable to the Department, on the homeowner property naming the Recipient as beneficiary. This deed of trust shall be recorded in a lien position pursuant to Section 119(a) and shall secure the Recipient's financial interest in the

project and the performance of the developer borrower's program obligations.

- (2) in the case of homeowner rehabilitation loans, a loan agreement between the homeowner and the Recipient governing the rehabilitation and loan terms. The loan agreement shall contain the following terms and conditions:
 - (A) loan amount, term and rate of interest, including specific terms of repayment of interest and principal pursuant to Section 119;
 - (B) a timeframe for completion of the work to be performed;
 - (C) the approved cost of the work to be performed;
 - (D) method and schedule for disbursement of funds to borrowers and/or contractors;
 - (E) compliance with local, State, or Federal laws, ordinances, and regulations applicable to rehabilitation of property, including zoning ordinances, building codes, planning, historical preservation and environmental regulations;
 - (F) requirements regarding contractor performance and construction agreements;
 - (G) provisions allowing the Recipient or Department and their designees, after reasonable notice to the homeowner borrower; to enter upon and inspect the property at any time during or after rehabilitation;
 - (H) provisions regarding the non-assumability of the deferred loan and provisions for refinancing and subordination pursuant to Section 116(g);
 - (I) terms and conditions relating to defaults in repayment or breach of the loan agreement and remedies available to the parties thereto; and
 - (J) any other provisions necessary to ensure compliance with the requirements of the CalHome Program.
- (c) deferred payment development loan legal documents shall include, but not be limited to:
 - (1) a promissory note evidencing the loan, payable to the Department in the principal amount of the loan and stating the terms of the loan consistent

with the requirements of the program. The note shall be secured by a deed of trust on the project property naming the Department as beneficiary. This deed of trust shall be recorded junior only to such liens, encumbrances and other matters of record approved by the Department and shall secure the Department's financial interest in the project and the performance of the developer borrower's program obligations

- (2) a development agreement between the Department and the developer borrower for not less than the term of the development loan. The Loan Agreement shall include the following:
 - (A) terms and conditions for disbursement of funds;
 - (B) insurance requirements;
 - (C) loan security requirements;
 - (D) approved development costs and sources and uses of funds;
 - (E) method and schedule for disbursement of funds;
 - (F) timeframe for completion of work to be performed;
 - (G) requirements regarding contractor performance and construction agreements;
 - (H) conditions and requirements for "rollover" of loan funds to permanent mortgage assistance financing for individual households.
 - (I) provisions allowing the Department and/or their designees, after reasonable notice to the developer borrower; to enter upon and inspect the property at any time during or after construction; or to inspect the books and records of the developer borrower related to the deferred payment loan funds at any time during or after construction of the property which is assisted by the deferred payment loan;
 - (J) terms and conditions relating to defaults in repayment or breach of the loan agreement and remedies available to the parties thereto; and
 - (K) any other provisions necessary to ensure compliance with the requirements of the CalHome Program.

Section 129. Disbursement of Grant and Loan Funds

- (a) All Program funds shall be disbursed on a reimbursement basis. Exceptions may be made for:
 - (1) non-profit recipients, who, subject to Department approval, batch loans once per month for advance funding to escrow accounts; or
 - (2) project development loan disbursements.
- (b) Requests for reimbursement under the Standard Agreement shall be made on a form provided by the Department.
- (c) Upon request for reimbursement by the Recipient and review and approval by the Department, funds shall be disbursed to an account approved by the Department.

Section 130. Reporting Requirements

- (a) During the term of the Standard Agreement and, no later than 30 days after the end of each calendar quarter, the Recipient shall submit to the Department a performance report on a form provided by the Department.
- (b) During the term of the Standard Agreement and, no later than 30 days after June 30th of each year, the Recipient shall submit, upon request of the Department, an annual performance report on a form provided by the Department.
- (c) At any time during the term of the Standard Agreement, the Department may perform or cause to be performed a financial audit of any and all phases of the Recipient's program or homeownership development project. At the Department's request, the Recipient shall provide, at its own expense, a financial audit prepared by a certified public accountant.

Section 131. Performance Goals

- (a) For program activities:
 - (1) 100% of funds must be expended within 28 months of the date of the award of funds by the Department. If this goal is not met:
 - (A) the remaining unused funds shall be disencumbered by the Department; and
 - (B) if less than 95% of the funds are expended at the end of the 28th month, the Recipient's next application for funding under the CalHome Program shall receive a penalty deduction in the total points awarded pursuant to Section 127.
 - (2) The Recipient must expend 50% of program funds within 18 months of the date of the award of funds by the Department. If this goal is not met:

- (A) 50% of the remaining unexpended funds shall be disencumbered; and
 - (B) the Recipient's next application for funding under the CalHome Program shall receive a penalty deduction in the total points awarded pursuant to Section 127.
- (b) For homeownership development projects:
- (1) Unit construction must be completed and CalHome mortgage assistance loans closed with 36 months of the award of funds by the Department. If the projected number of assisted units has not been achieved by the end of the 36th month, the Recipient's next application for funding under the CalHome Program shall receive a penalty deduction in the total points awarded pursuant to Section 127.
 - (2) The Recipient shall draw down CalHome funds or begin onsite construction within 22 months of the award of funds by the Department. If this goal is not met:
 - (A) the Department shall disencumber all funds and cancel the Department commitment to the project; and
 - (B) the Recipient's next application for funding under the CalHome Program shall receive a penalty deduction in the total points awarded pursuant to Section 127.

Section 132. Defaults and Loan Cancellations

- (a) In the event of a breach or violation by the Recipient of any of the provisions of the Standard Agreement, the Development Agreement, the promissory note, or the deed of trust, or any other agreement pertaining to the project, the Department may give written notice to the sponsor to cure the breach or violation within a period of not less than 15 days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document and may seek legal remedies for the default including the following:
 - (1) The Department may accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the Department may proceed with a foreclosure in accordance with the provisions of the deed of trust and state law regarding foreclosures.
 - (2) The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of

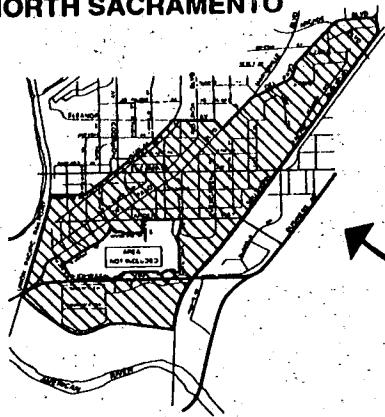
a receiver to complete the project in accordance with program requirements.

- (3) The Department may seek such other remedies as may be available under the relevant agreement or any law.
- (b) Funding commitments may be canceled by the Department under any of the following conditions:
- (1) the objectives and requirements of the CalHome program cannot be met;
 - (2) implementation of the program or project cannot proceed in a timely fashion in accordance with the timeframes established in the Standard Agreement;
 - (3) funding conditions have not been fulfilled within required time periods.
- (c) Upon receipt of a notice of intent to cancel the loan from the Department, the Recipient shall have the right to appeal to the Director.

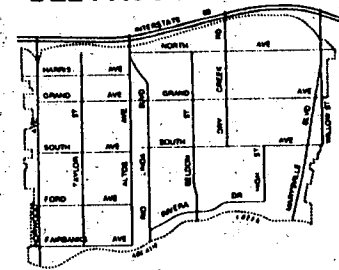
Article 7: RESERVED FOR FUTURE USE FOR:

Permanent-Only Financing for Development Projects

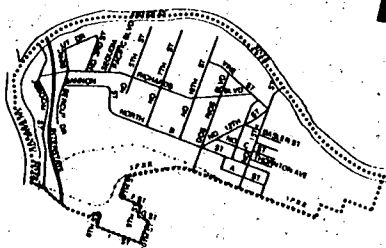
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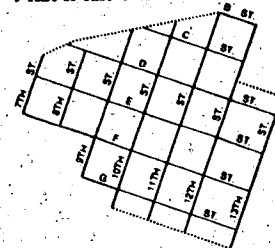
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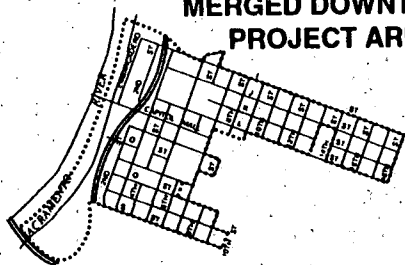
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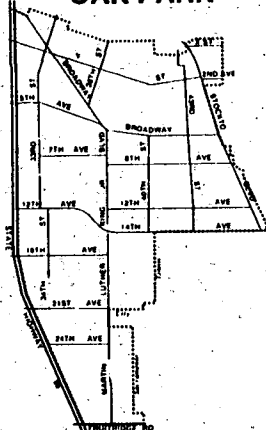
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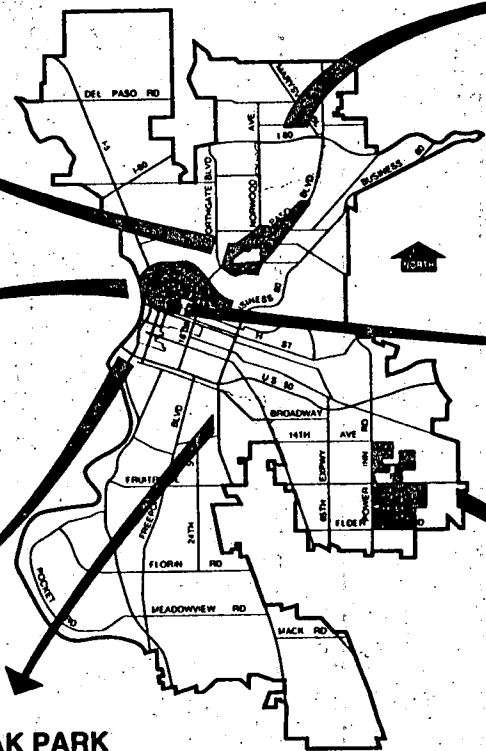
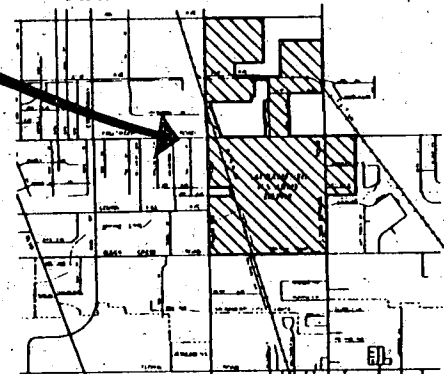
**MERGED DOWNTOWN
PROJECT AREA**



OAK PARK



ARMY DEPOT



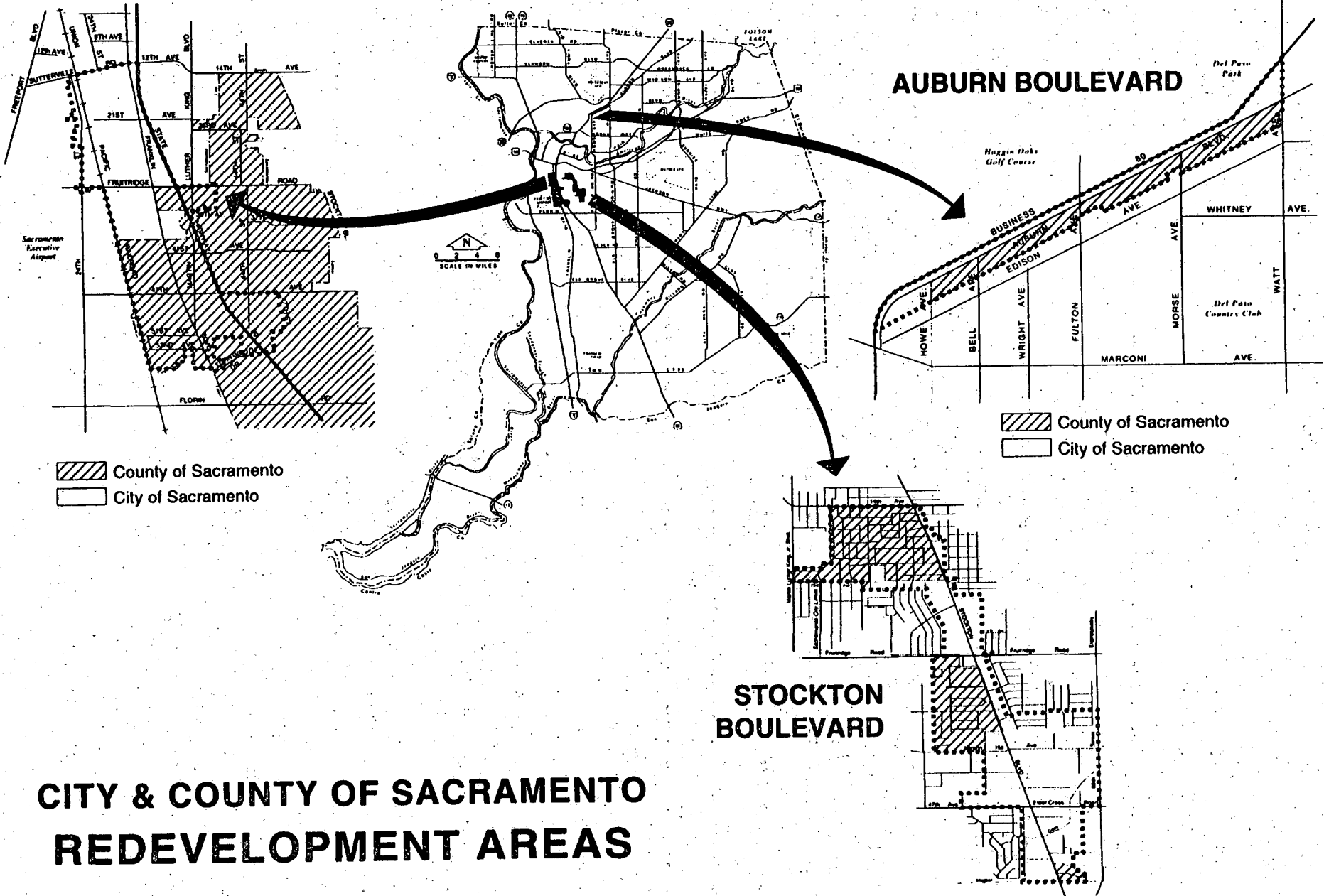
**CITY OF SACRAMENTO
REDEVELOPMENT AREAS**

FRANKLIN BOULEVARD

AUBURN BOULEVARD

STOCKTON BOULEVARD

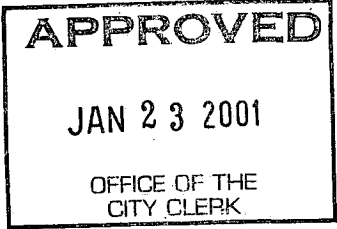
CITY & COUNTY OF SACRAMENTO REDEVELOPMENT AREAS



RESOLUTION NO. 200-055

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____



AUTHORIZATION FOR EXECUTIVE DIRECTOR OF SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY AND ADMINISTER THE CALHOME PROGRAM IN THE NAME OF AND ON BEHALF OF THE CITY OF SACRAMENTO

WHEREAS, the City of Sacramento ("City"), a political subdivision of the State of California, desires to apply for and receive an allocation of funds through the CalHome Program;

WHEREAS, the California Department of Housing and Community Development ("HCD") has issued a Notice of Funding Availability ("NOFA") for the CalHome Program established by Chapter 84, Statutes of 2000 (SB 1656-Alarcon), and codified in Chapter 6 (commencing with section 59650) 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 Guidelines adopted by HCD on November 2, 2000; and

WHEREAS, the City wishes to submit an application to obtain from HCD an allocation of CalHome funds in the amount of five hundred thousand dollars (\$500,000)

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The City delegates authority to the Executive Director of the Sacramento Housing and Redevelopment Agency ("Agency"), or her designee, to submit an application to HCD on behalf of and in the name of the City of Sacramento to the CalHome Program in response to the NOFA which will request a funding allocation to support existing homeownership programs in the City of Sacramento aimed at low- and very low-income households.

Section 2. The City delegates authority to the Executive Director of the Agency, or her designee, to receive funding from HCD on behalf of and in the name of the City to administer CalHome funds which shall be applied to the following eligible activities located in the City of Sacramento:

- First-Time Homebuyer Mortgage Assistance \$300,000
- Owner-Occupied Rehabilitation \$200,000

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

The maximum aggregate application amount for all activities is \$500,000, including up to \$15,250 for processing and administrative costs.

Section 3. If the application for funding is approved, the City hereby agrees to use the CalHome funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program guidelines attached to the Staff Report, and on file with the Agency clerk., including, without limitation, approval and execution of loan documents with qualified applicants.

Section 4. The City authorizes the Executive Director of the Agency, or her designee, to execute a Standard Agreement with HCD, any amendments thereto, as well as any and all other instruments necessary or required by HCD for participation in the CalHome Program.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____