County of Humboldt

State of California funded First Time Homebuyer Program Guidelines

CALHOME Program
PLHA Program

Serving the Unincorporated Areas of Humboldt County

County of Humboldt Board Approved- TBD

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COUNTY OF HUMBOLDT
STATE HOMEBUYER PROGRAM GUIDELINES

1.0 GENERAL

The County of Humboldt hereinafter referred to as the "Sponsor" has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer state funded programs, including CalHome and Permanent Local Housing Allocation ("PLHA") funded homebuyer programs. The homebuyer program described herein (the "Program") is designed to aid eligible homebuyers in purchasing eligible housing units located within the Program's eligible area, as described in Section 3.1. The Program provides this assistance in the form of deferred payment "silent" second priority loans as "gap" financing toward the purchase price and closing costs of housing units that will be occupied by the homebuyers. The Program will be administered by the County of Humboldt.

1.1 PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender, sexual orientation, or any other arbitrary factor be excluded, denied benefits or subjected to discrimination under the Program. The County will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program's eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies. The Program may sponsor homebuyer classes to help educate families about the home buying process and future responsibilities. Persons who have participated in local homebuyer seminars will be notified about the Program.

B. The Sponsor will work closely with local real estate agents and lenders to explain the Program requirements for eligible properties and borrowers, and to review Program processes. Local real estate agents and mortgage loan processors will also be encouraged to have their customers participate in the Program.

C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Sponsor should take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

1.2 APPLICATION PROCESS AND SELECTION

A. The Sponsor maintains a waiting list of applicants. Each applicant is asked to complete a pre-application form, which asks for sufficient information concerning income, employment, and demographic data to establish preliminary eligibility for Program participation. Complete pre-applications are date stamped, therefore, assistance is given on a first-come-first-served basis.

B. Once the applicant's name comes to the top of the waiting list their Program eligibility is confirmed and they are invited to complete a complete application which asks for detailed income and employment information. Applications are only deemed complete if all information is completed, and the application is signed and dated. Participant is given 14 days to submit this information. Upon completion of income certification, the Participant is sent a "Preliminary Eligibility Letter" and invited to a briefing regarding participation in the Program, which includes Instructions to Homebuyer as listed in attachment D.

C. Each applicant must participate in individual Homebuyer Counseling provided by a Sponsor approved third party and receive a certificate of completion, prior to entering the program.

D. Sponsor determines Applicant's approval or denial and provides written notification to Applicant of approval or denial with reason and, if denied, a copy of the Program's appeal procedures.

E. The potential homebuyer is given 90 days in order to find a qualified home and begin securing a primary loan for the housing unit. If during the 90-day time frame, the potential homebuyer is unable to purchase a home, an extension may be given if the homebuyer is in negotiations or escrow. However, if it appears the potential homebuyer cannot participate in the Program, the reservation of funds expires and the next person on the waiting list is given an opportunity to participate in the Program.

1.3 THE HOME PURCHASE PROCESS

A. The following is a simplified example of how a primary lender would analyze a homebuyer's finances to determine how much the homebuyer could afford to borrow from the primary lender towards homeownership. The County or their Agent will analyze a homebuyer's finances to determine how much the buyer could afford to borrow from the lender towards homeownership.

DEBT SERVICE
FOR A FAMILY OF FOUR EARNING $3,388 PER MONTH

HOUSING PAYMENTS		**TOTAL OVERALL PAYMENTS**	
Principal & Interest Payment	$ 865	$1,180	Housing
Insurance	82	+200	Other Debt Service
Taxes	233	$1,380	Total Debt Service
Total Housing Expense	$1,180	(Overall debt service per month is 41% of $3,388)	

(PITI is 35% of $3,388)

OTHER HOUSEHOLD DEBT SERVICE

Car Payment	$ 150
Credit Card Payment	50
Total Other Debt	$ 200

A $865 per month loan payment equates to borrowing $143,000 at 5.88% for a 30 year term.

SUBSIDY CALCULATION
FOR A FAMILY OF FOUR EARNING $3,388 PER MONTH

Purchase Price of Property	$280,000
Less Primary loan amount	**143,000**

Less down payment of 1%	2,800
Equals **"GAP"**	**$ 134,200**
Plus estimated allowable settlement charges	8,400
Equals **Total Subsidy**	**$ 142,600**

B. The housing unit selection process will be conducted by the homebuyers. Prior to making an offer to purchase an eligible housing unit (see Section 3.0), buyer shall provide seller with a disclosure containing the following provisions:

1) Homebuyer has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and
2) Homebuyer's offer is an estimate of the fair market value of the property, to be finally determined by a state licensed appraiser;
3) The housing unit will be subject to inspection. The housing unit must meet local codes at the time of construction and local health and safety standards.

C. Applicant submits executed standard form purchase and sale agreement and primary lender prequalification letter to Sponsor. The purchase and sale agreement will be contingent on the household and property meeting Program eligibility requirements and receiving Program loan approval. Sponsor verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.

D. When Primary Lender requirements are met, Program funds are deposited into escrow, with required closing instructions and loan documents. This includes Loan Agreement, Promissory Note, and Deed of Trust.

E. At the time of escrow closing, the Sponsor shall be named as an additional loss payee on fire, flood (if required), and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit. A policy of Title Insurance naming the Sponsor as insured is also required

1.4 BUYER COSTS

Eligible households must document that they have the funds necessary for down payment and closing costs as required by the Primary Lender and the Sponsor. The Program's down payment requirement (below) is in place even if the Primary Lender has a lower down payment requirement. If the Primary Lender has a higher down payment requirement, there is no additional down payment requirement required by the Program.

A. Homebuyer must contribute a minimum down payment of one percent (1%) of the purchase price but may contribute more if desired.

B. Sponsor will not provide more than fifty percent (50%) of the total loan package (purchase price plus all closing costs). The subsidy will write down the cost of the primary lender's loan so that the payments of PITI are within approximately 36 to 44% of the gross household income. The Sponsor will determine the level of subsidy and affordability during underwriting of the Program's loan to make sure that it conforms to the requirements of the HCD funding Program.

1.5 HOMEBUYER EDUCATION

Buying a home can be one of the most confusing and complicated transactions anyone can make. Providing the future homebuyer with informative homebuyer education training, can bring success to the Sponsor and the Program and most importantly, the homebuyer. It has been documented that first-time homebuyers that have had homebuyer education have the ability to handle problems that occur with homeownership. All Program participants are required to attend a Sponsor-approved homebuyer education class. The homebuyer education class will cover such topics as the following: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; impact of refinancing and loan servicing. Methods of homebuyer counseling and education may include but are not limited to: one-on-one counseling between homebuyer, counselor and family/individual and/or group workshops and informational sessions. Tools of instruction may include fliers, brochures, power point presentations, worksheets, etc.

1.6 NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the Sponsor's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with State funds on the basis of his or her religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, national origin, or ancestry, or other arbitrary cause.

2.0 APPLICANT QUALIFICATIONS

2.1 CURRENT INCOME LIMITS FOR THE AREA, BY HOUSEHOLD SIZE

All applicants must certify that they meet the household income eligibility requirements for the applicable State HCD program(s) and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the County's area median income (AMI) for CalHome, and 85% of the County's area median income (AMI) for PLHA, adjusted for household size, as published by HCD. (Attachment B).

Household: means one or more persons who will occupy a housing unit. Unborn children count in family size (a doctors note will be required for verification of pregnancy).

Annual Income: Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

2.2 INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published State HCD income limits. Income qualification criteria, as shown in the most recent HCD program specific guidance, will be followed to independently determine and certify the household's annual gross income. The Sponsor should compare this annual gross income to the income the Primary Lender used when qualifying the household. The Primary Lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Program. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

A. Household Income Definition: Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period and will be used to determine program eligibility. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used; and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

See Attachment A, Title 25 Section 6914 Gross Income and Asset Inclusions and Exclusion

NOTE: Non-occupant co-signers will not be required to submit income and asset documentation. Co-signers income will not be included in the household income determination. Co-signers are acceptable as long as their names do not appear on the Grant Deed or Deed of Trust.

B. Assets: There is no asset limitation for participation in the Program. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. (Note: it is the income earned – e.g. interest on a savings account – not the asset value, which is counted in annual income.) Asset cash value is the market value less reasonable expenses required to convert the asset to cash, including, penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset. In addition, if total assets exceed $5,000 they will be imputed and considered to provide 2% income, regardless of the actual or projected income.

2.3 DEFINITION OF AN ELIGIBLE HOMEBUYER

For State funded programs, an eligible homebuyer means an individual or individuals who meets the income eligibility requirements and is/are not currently on title to real property.

State funded programs are required to use the following definition of an eligible homebuyer, which is a "first-time homebuyer" from 8201(l) Title 25 California Code of Regulations:

"First-time homebuyer" means an individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with subsidy assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

A. A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

B. A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or

C. An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is:

   1) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or

   2) Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

3.0 HOUSING UNIT ELIGIBILITY

3.1 LOCATION AND CHARACTERISTICS

A. Housing units to be purchased must be located within the eligible area. The eligible area is within the unincorporated area of Humboldt County, unless otherwise defined in the grant.

B. Housing unit types eligible for the homebuyer Program are new or previously owned single-family detached houses, half-plexes, condominiums, or manufactured homes in mobile home parks, in a common-interest development or on a single-family lot.

C. All housing units must be in compliance with State and local codes and ordinances.

3.2 CONDITIONS

A. Construction Inspection and Determining Need for Repairs. Once the participating homebuyer has executed a purchase agreement for a housing unit, and prior to a commitment of Program funds, the following steps must be taken for the housing unit to be eligible for purchase under the Program:

   1) A certified housing inspector, or a Sponsor representative, will walk through the housing unit, determine if it is structurally sound, and identify any code related and health and safety deficiencies that need to be corrected. A list of code related repair items will be given to the homebuyers and their Realtor to be negotiated with the seller.

   2) Upon completion of all work required by the Sponsor, appraiser, pest inspector and/or certified housing inspector, a final inspection will be conducted prior to close of escrow. The inspector will sign off on all required construction work assuring that each unit receiving Program assistance is in compliance with local codes and health and safety requirements at the time of purchase and prior to occupancy.

B. The State program funding allows purchase and rehabilitation concurrently, but after a property is purchased using this Program, unless a commitment is made to rehabilitate the property in conjunction with the purchase such property shall not be eligible for the Sponsor's housing rehabilitation program for a minimum of five years from the date of recording the Program's deed of trust.

C. The Sponsor will confirm that the housing unit is within the eligible area and will review each proposed housing unit to ensure that it meets all eligibility criteria before funding.

3.3 PROPER NOTIFICATION AND DISCLOSURES

Upon selection of a housing unit, a qualified seller and homebuyer will be given the necessary **disclosures** for the Program. The homebuyer must have read and signed all Program disclosure forms. Any and all property disclosures must be reviewed and signed by the homebuyer and seller.

4.0 PURCHASE PRICE LIMITS

For the state funded programs the purchase price of owner-occupied and homebuyer properties is limited.

For state funded programs the purchase price cannot exceed 105% of the area median purchase price as established by the last two months of comparable sales as provided by the California Real Estate Association, http://www.car.org/marketdata/data/countysalesactivity/. See Attachment B.

5.0 THE PRIMARY LOAN

Prior to obtaining a loan from the Sponsor, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the "primary loan").

5.1 QUALIFYING RATIOS

The Front-End Ratio shall be between 25% and 33% and is the percentage of a borrower's gross monthly income (before deductions) that would cover the cost of PITI (Loan Principal Payment + Loan Interest Payment + Property Taxes + Homeowners Insurance).

The Back-End Ratio shall be between 28% and 40% and is the percentage of a borrower's gross monthly income that would cover the cost of PITI plus any other monthly debt payments like car or personal loans and credit card debt, as well as child support and alimony payments.

5.2 INTEREST RATE

The loan must be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA. No temporary interest rate buy-downs are permitted.

5.3 LOAN TYPE AND TERM

The primary loan shall be fully amortized and have a term "all due and payable" in no fewer than 30 years. There shall not be a balloon payment due before the maturity date of the Program loan.

In the case of the acquisition of a manufactured home that is not on a permanent foundation, the loan shall be fully amortized and have a term "all due and payable" in no fewer than 15 years.

5.4 IMPOUND ACCOUNT

All households will be required to have impound accounts for the payment of taxes and insurance to ensure they remain current.

6.0 THE PROGRAM LOAN

6.1 MAXIMUM PROGRAM ASSISTANCE

Maximum Loan Assistance may not exceed 49.9% of the entire loan package.

6.2 NON-RECURRING CLOSING COSTS

Non-recurring costs such as credit report, escrow, closing and recording fees, and title report and title insurance, title updates and/or related costs may be included in the Program loan.

6.3 AFFORDABILITY PARAMETERS FOR BUYERS

The actual amount of a buyer's Program subsidy shall be computed according to the housing ratio parameters specified in Section 5.1. Each borrower shall receive only the subsidy needed to allow them to become homeowners ("the Gap") while keeping their housing costs affordable. The Sponsor will use the "front-end ratio" of housing-expense-to-income to determine if the amount of the proposed primary loan is acceptable and, ultimately, the Program subsidy amount required, bridging the gap between the acquisition cost (purchase price plus closing costs) less down payment, and the amount of the first loan.

6.4 RATE AND TERMS FOR PROGRAM LOANS

All Program assistance to individual households shall be made in the form of deferred payment (interest and principal) loan.

The Program loan's term shall be for 30 years, or the length of the Primary lien, whichever is longer. However, if it is determined by the recipient that repayment of the State Program loan at the maturity date causes a hardship to the borrower, the Sponsor has two other options. They are:

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 0% 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 0% additional interest.

The interest rate shall be 3%. The Sponsor may forgive all or a portion of the accrued interest for hardship cases, wherein the homebuyer is elderly or disabled, has lived in the house over 10-years, and due to market conditions when upon sale would lose all equity. This would be determined on a case-by-case basis. Loan principal shall not be forgiven.

All Program loan payments shall be deferred because the borrowers will have their repayment ability fully utilized under the primary loan. Loan principal shall not be forgiven, and the loan period cannot be extended.

6.5 LOAN TO VALUE RATIO

The loan-to-value ratio, 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 5 percent of the sales price to cover actual closing costs.

7.0 PROGRAM LOAN REPAYMENT

7.1 PAYMENTS ARE VOLUNTARY

Borrowers may begin making voluntary payments at any time.

7.2 RECEIVING LOAN PAYMENTS

A. Program loan payments will be made to:

County of Humboldt
Housing Programs
Planning & Building Department
3015 H Street, Eureka, CA 95501

B. The Sponsor will be the receiver of loan payments or recaptured funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the Sponsor's dedicated Program Income Account, as required by HCD programs. The Program lender will accept loan payments from borrowers prepaying deferred loans, and from borrowers making payments in full upon sale or transfer of the property. All loan payments are payable to the Sponsor. The Sponsor may at its discretion, contract with a firm to collect and distribute payments and/or complete all loan servicing aspects of the Program.

C. With partial payments, the Sponsor will post payments first to outstanding interest, and secondarily to principle.

7.3 DUE UPON SALE OR TRANSFER

In the event that an owner sells, transfers title, or discontinues residence in the purchased property for any reason, the principal balance of the is due and payable, including if an owner wants to convert the property to a rental unit, or any commercial or non-residential use, the loan is due and payable. While loans are not assumable the following transfers of interest shall not require the repayment of the State funded program 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 where the spouse becomes an owner of the property; or

(ii) 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

(iii) a transfer into an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property;

The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment C.

7.4 LOAN SERVICING POLICIES AND PROCEDURES

See Attachment C for local loan servicing policies and procedures. While the attached policy outlines a system that can accommodate a crisis that restricts borrower repayment ability, it should in no way be misunderstood: The loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures will be pursued.

7.5 LOAN MONITORING PROCEDURES

Sponsor will monitor Borrowers and Properties to ensure adherence to Program requirements including, but not limited to, the following:

A. Owner-occupancy

B. Property tax payment

C. Hazard insurance coverage

D. Good standing on Primary loans

8.0 PROGRAM LOAN PROCESSING AND APPROVAL

8.1 LOAN PROCESSING

A. Loan Processing

All homebuyers or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. Staff will work with local lenders to ensure qualified participants receive only the benefit from the Sponsor's Program needed to purchase the housing unit and that leveraged funds will be used when possible.

B. Creditworthiness

Qualifying ratios are only a rough guideline in determining a potential borrower's creditworthiness. Many factors such as excellent or poor credit history, amount of down payment, and size of loan will influence the decision to approve or disapprove a particular loan. The borrower's credit history will be reviewed by the Sponsor and documentation of such maintained in the loan file. The Sponsor may elect to obtain a credit report or rely on a current copy obtained by the primary lender.

C. Documents from Primary Lender

After initial review of the qualified homebuyer's application packet, the County as Program Operator will request any additional documents needed from the primary lender in order to establish eligibility. These documents along with other program requirements will be reviewed prior to Program funds being committed to escrow.

D. Disclosure of Program and Loan Information to Homebuyers

The Program's disclosure forms will contain a summary of the loan qualifications of the borrower with and without Program assistance. Housing ratios with and without Program assistance are also outlined in these guidelines. Information on the Program's application will be documented with third party verifications in the file. For example, the sales contact will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The Primary Lender's pre-approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. By reviewing and crosschecking all the Primary Lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

8.2 COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN

Once the loan approval package has been completed the Sponsor will review the request and may approve it with or without conditions. Upon approval, a final closing date for escrow is set and Program funds are accessed for the buyer.

8.3 PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING

The homebuyer(s) sign both promissory notes, deeds of trust, and statutory lending notices (right of rescission, truth in lending, etcetera); the deeds of trust are recorded with the County Clerk/Recorder at the same time, and the request(s) for copy of notice of default are also recorded with the County Clerk/Recorder.

8.4 ESCROW PROCEDURES

The escrow/title company shall review the escrow instruction provided by the Program lender and shall issue a California Land Title Association (CLTA) and the American Land Title Association (ALTA) after closing. The CLTA policy is issued to the homebuyer and protects them against failure of title based on public records and against such unrecorded risks as forgery of a deed. The ALTA is issued to each lender providing additional coverage for the physical aspects of the property as well as the homebuyer's title failure. These aspects include anything which can be determined by only physical inspection, such as correct survey lines; encroachments; mechanics liens; mining claims and water rights. The Program lender instructs the escrow/title company in the escrow instructions as to what may show on the policy; the amount of insurance on the policy (all liens should be covered) and the loss payee (each lender should be listed as a loss payee and receive an original ALTA).

9.0 SUBORDINATE FINANCING

With today's high costs, in order for a low-income household to obtain a home, several funding sources might be required. All subordinance financing shall have reasonable origination fees and subordinance financing shall defer principal and interest payments for the term of the State funded Program.

10.0 EXCEPTIONS AND SPECIAL CIRCUMSTANCES

The Sponsor may make amendments to these Participation Guidelines, with prior approval by the Board of Supervisors. Any exceptions to Participant Guidelines, shall be made in accordance with regulations and approved by the Board of Supervisors.

10.1 DEFINITION OF EXCEPTION

Any case to which a standard policy or procedure, as stated in the guidelines, does not apply or an applicant treated differently from others of the same class would be an exception.

10.2 PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES

A. The Sponsor or its agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Sponsor's recommended course of action and any written or verbal information supplied by the applicant.

B. Once the Sponsor has made a determination of the exception the request can be presented to the Board of Supervisors for a decision.

11.0 DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. Complaints concerning the Program should be made to the Sponsor first. All appeals must be made in writing. The Sponsor’s written response will be made within thirty (30) working days. If the applicant is not satisfied with the Committee's decision, a request for an appeal may be filed with the Board of Supervisors. Final appeal must be filed in writing with HCD within one year after denial.

ATTACHMENT A

Income Inclusions and Exclusions
25 CCR § 6914

Gross Income

“Gross income” shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income. If the circumstances are such that it is not reasonably feasible to anticipate a level of income over a twelve-month period, a shorter period may be used subject to a redetermination at the end of such a period. “Income” shall consist of the following:

(a) Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

(1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;

(2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);

(3) Interest and dividends;

(4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see subdivision (b)(3)).

(6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:

(A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus

(B) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,

(7) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;

(8) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse (but see subdivision (b)(5)).

Where a family has net family assets in excess of $5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household's full-time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

(b) The following items shall not be considered as income:

(1) Casual, sporadic or irregular gifts;

(2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;

(4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income;

(5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;

(6) Relocation payments made pursuant to federal, state, or local relocation law;

(7) Foster child care payments;

(8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;

(9) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:

(A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.

(B) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

ATTACHMENT B

Maximum Purchase Price After-Rehab Value Limits
And Current Income Limits

CalHome & PLHA MEDIAN FAMILY INCOME FOR HUMBOLDT COUNTY*
(Effective 4/4/2021)

Number of Persons in Household								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
CalHome 80% Limit	39,150	44,750	50,350	55,900	60,400	64,850	69,350	73,800
PLHA 85% Limit	41,595	47,545	53,495	59,390	64,175	68,900	73,680	78,410

*Sponsor will insert the limits for the county in which the Program is located, and will update the income limits annually as HCD provides new information. The link to the official, HCD-maintained, income limits is: **http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html**

Maximum Purchase Price
Maximum purchase price will be based on the average costs of last two months as listed at CA Association of Realtors: https://www.car.org/marketdata/data/housingdata

ATTACHMENT C

Loan Servicing Policies and Procedures
COUNTY OF HUMBOLDT

The County of Humboldt, here after called “Lender” has adopted these policies and procedures in order to preserve its financial interest in properties, whose “Borrowers” have been assisted with public funds. The Lender will to the greatest extent possible follow these policies and procedures but each loan will be evaluated and handled on a case-by-case basis. The Lender has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the follow areas: 1) making required monthly payments or voluntary payments on a loan’s principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) process of foreclosure in case of default on the loan.

1. Loan Repayments:

The Lender will collect monthly payments from those borrowers who are obligated to do so under Notes which are amortized promissory notes. Late fees will be charged for payments received after the assigned monthly due date.

For Notes, which are deferred payment loans; the Lender may accept voluntary payments on the loan. Loan payments will be credited to the interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as loss payee in first position or additional insured if the loan is a second mortgage. If borrower fails to maintain the necessary insurance, the Lender may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower’s new insurance.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance with an endorsement naming the County of Humboldt as additional insured will be required at close of escrow. The lender will verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the Lender encourages Borrower to have impound accounts set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.

3. Required Request for Notice of Default:

When the Borrower’s loan is in second position behind an existing first mortgage, it is the Lender's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of Lender’s loan. This document requires any senior lien holder listed in the notice to notify the lender of initiation of a foreclosure action. The Lender will then have time to contact the Borrower and assist them in bringing the first loan current, if possible. The Lender can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the Lender is in a third position and receives notification of foreclosure from only one senior lien holder, it is in their best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications:

On owner-occupant loans the Lender will verify the Borrower is the primary occupant, via utility bills and/or other documentation annually to prove occupancy during the term of the loan. Some loans may have income and housing cost evaluations, which require a household to document that they are not able to make amortized loan payments, typically every five years. These loan terms are incorporated in the original note and deed of trust.

5. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the Lender in writing of any change. Lender and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions such that it remains available as an affordable home for low income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction. In some cases the Borrower may move and turn the property into a rental unit without notifying the Lender. Changes in title or occupancy must be in keeping with the objective of benefit to low-income households (below 80 percent of AMI).

Change from owner-occupant to owner-occupant occurs at a sale. When a new owner-occupant is not low-income, the loan is not assumable and the loan balance is immediately due and payable. If the new owner-occupant qualifies as low-income, and the original legal documents allow it, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant (depends on the HCD program).

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir is income eligible. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable. If the heir intends to act as an owner-investor, the balance of the loan may be converted to an owner/investor interest rate and loan term and a rent limitation agreement is signed and recorded on title.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the assisted property, or if the property is sold to an investor. If the owner converts any assisted unit from owner occupied to rental, the loan is due in full.

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. In some cases, Borrowers may request that the Lender allow for a partial conversion where some of the residence is used for a business but the household still resides in the property. Partial conversions can be allowed if it is reviewed and approved by any and all agencies required by local statute. If the use of the property is converted to a fully non-residential use, the loan balance is due and payable.

6. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must request a subordination request to the Lender. The Lender will only subordinate their loan when there is no “cash out” as part of the refinance.

Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third-party debt pay offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Also, provisions of Section 5.2 and 5.3 of these guidelines still apply, which state that the loan must:

1. be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
2. not have a temporary interest rate buy-down;
3. have a term "all due and payable" in no fewer than 30 years; and;
4. Not have a balloon payment due before the maturity date of the Program loan.

Upon receiving the proper documentation from the refinance lender, the request will be considered for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

7. <u>Process for Loan Foreclosure:</u>

Upon any condition of loan default: 1) non payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; 4) default on senior loans, the Lender will send out a letter to the Borrower notifying them of the default situation. If the default situation continues then the Lender may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. Lender must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case then the Lender may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the Lender determines, based on information on the reinstatement amount and status of borrower, that bringing the loan current will not preserve the loan, then staff must determine if it is cost effective to protect their position by paying off the senior lien holder in total and restructure the debt such that the unit is made affordable to the Borrower. If the Lender does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and foreclose on the property them selves. As long as there is sufficient value in the property, the Lender can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of their investment.

If the Lender decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the Lender fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the Lender determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the Lender's lien may be eliminated due to insufficient sales proceeds.

8. Short Sale Policy

State Recipients may approve short sales without state approval. However, when conducting routine monitoring, the State will review the files for short sale requests to ensure the requirements of this memo have been met.

The State Recipient has three major sets of responsibilities. First, the State Recipient must counsel the borrower as to their best interests. Second, the State Recipient must be a prudent lender. Third, the State Recipient must follow federal regulatory requirements. The State expects the State Recipient to fulfill all three sets of responsibilities.

In their first set of responsibilities, to counsel the borrowers as to their best interests, the State Recipient must take the following actions:

- Assist the borrower to retain their home. This involves a discussion with the borrower of the reasons why the borrower is requesting a short sale, a discussion of alternatives to short sale such as loan modifications, and counseling the borrower about the possible tax consequences of a short sale. This discussion does not replace professional foreclosure counseling.
- Discuss with the borrower the advantages of remaining in the home (such as having, stable, affordable housing payments) versus other options such as renting where the rent may be higher than the mortgage payments and may go up over time.
- Discourage the short sale if borrowers have affordable housing payments and appear to be seeking a short sale simply to escape what may be a temporary "under-water" situation.

In their second set of responsibilities, as prudent lender, a State Recipient asked to approve a short sale must take the following actions:

- If it is not possible for the borrower to retain their home, recover loan proceeds to the extent possible
- Verify that the proposed sales price is approximately fair market value
- Negotiate the best possible "deal" with the first lender, e.g. some communities have reported that first lenders routinely allow $2,000 to $3,000 of the first lender's proceeds to go to the State Recipient in short sale situations
- Ensure the following documentation is in the file for later State review:
  - A description of the State Recipient's discussions with the borrower, addressing all of the issues identified above.
  - An estimate of fair market value
  - A description of the State Recipient's negotiations with the primary lender
  - Documents pertaining to the escrow

In the State's view, this language requires the State Recipient, after exhausting all reasonable efforts to counsel the borrower and recover loan proceeds, to allow a borrower to sell their home without having to repay the State Recipient any more than net proceeds. In a short sale scenario, other lenders, realtors and escrow agents will require the State Recipient's approval for the short sale to proceed. This approval cannot be withheld if the State Recipient has provided the necessary counseling and has worked to recover loan proceeds to the extent possible.

If a mortgage debt is cancelled or forgiven, the canceled amount may be taxable for the borrower. The State Recipient should direct the borrower to seek the assistance of a tax consultant or attorney who can provide qualified advice regarding the potential taxable obligation. The Mortgage Forgiveness

Debt Relief Act of 2007 (currently applies to debt forgiven in 2007 through 2012) may allow the borrower to exclude all or a portion of the canceled debt from taxation. A link to IRS' website that discusses the Act is: http://www.irs.gov/individuals/article/0,,id=179414,00.html. California has a similar forgiveness law that excludes forgiven debt from state tax and conforms to the federal act. The State Recipient must file IRS Form 1099-C for each loan that is canceled or forgiven.

9. Lender as Senior Lien holder

When the Lender is first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the Lender may consider foreclosure. Lender's staff will consider the following factors before initiating foreclosure:

1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?

2) Can the Borrower refinance with a private lender and pay off the Lender?

3) Can the Borrower sell the property and pay off the Lender?

4) Does the balance warrant foreclosure? (If the balance is under $5,000, the expense to foreclose may not be worth pursuing.)

5) Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the Lender should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the Lender of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure proceedings. The service will keep the Lender informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the Lender could sell the home themselves under a homebuyer program or use it for an affordable rental property managed by a local housing authority or use it for transitional housing facility or other eligible use. The Lender could contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

ATTACHMENT D

COUNTY OF HUMBOLDT
STATEMENT OF UNDERSTANDING for the FIRST TIME HOMEBUYER PROGRAM

We(I), the undersigned, are participating in a project sponsored by the County of Humboldt to buy a home. We understand and agree to the following:

ELIGIBILITY REQUIREMENTS
1. Our(My) eligibility is based on our total household income, and all parties on property title.
2. We(My) must not have owned property within the last three years, unless we have a pre-approved exception.
3. We (My) must use the home as my primary residence.

LOAN REQUIREMENTS
1. There will be costs associated with processing the application and loan and these costs are paid out of the approved loan proceeds (title report, credit report, and appraisal).
2. This is a gap loan and not a grant.
3. We must qualify for a primary loan.
4. The loan ratios must be between 28% and 33% for housing debt, and 30% and 42% for total debt.
5. The loan will accrue 3% simple interest, until paid; but there are no required monthly payments for thirty years (unless a term of the loan is violated, then the loan is due and payable).
6. The loan will be recorded as a lien on my property and this must remain my primary residence.
7. Once we sign the loan closing documents we am legally bound by their provisions.
8. If we want to take cash out of my property (i.e. equity line or refinance) we will need to repay the loan in full.
9. This is a government loan and there is paperwork required above and beyond the primary loan.
10. Fire/Hazard Insurance must be maintained on the property for the life of the loan.
11. You must provide the County with a copy of a Homebuyer Education Certificate.

PROPERTY ACQUISITION
1. There is required paperwork that must be given to the seller; before making an offer on a home we will contact the County.
2. We may not make an offer on a renter-occupied home, unless we are buying the house we rent.
3. The County of Humboldt is not a party to the purchase contract; we will sign directly with the seller.
4. The house we purchase must clear all health and safety and code violation items before close of escrow.
5. The County staff will inspect the home on behalf of the program only. All other inspections are my responsibility.
6. The County's role in this program is to make a loan within program guidelines.
7. The County will not to advocate for one side or another if disputes arise.

This statement does not set forth all my rights, duties and obligations under the program. It is not a legally binding contract. The Statement is informational in nature and given so that we may make an informed choice as to whether we should participate in the program.

We will carefully read all documents and papers presented for my signature in connection with the loan. If we have any questions, we will ask for clarification.