

## **BEGIN NOFA Frequently Asked Questions**

**Amount: \$17 million NOFA**

**NOFA Date: September 23, 2011**

**Application will be accepted effective November 21, 2011**

### **Application**

Question: Would receiving more than the minimum 200 points for Regulatory Relief be weighed if the applications were rated and ranked and there was a tie?

Answer: Those points would be counted in the overall score. The eligible Bonus points are important to assist in breaking a tie.

Question: Would asking for a large amount of funds be looked at unfavorably?

Answer: No.

Question: Does HCD have to sell bonds to have the funds available for these grants?

Answer: It depends on what cash is currently available from previous bond sales and the needs of other HCD programs.

Question: Are there any Proposition 1C funds left and if so, will there be an additional NOFA?

Answer: There may be another NOFA in fiscal year 2013-2014.

Question: Where do disencumbered BEGIN monies go?

Answer: Back into the BEGIN Fund.

Question: The September 23, 2011, NOFA refers to BEGIN Program Guidelines dated May 23, 2011 which are on the HCD website. However, when I go to the HCD website, the only Program Guidelines I find are dated April 21, 2009.

Answer: The May 23, 2011 Guidelines are still in the approval process. There are no significant changes; however, per our Legal Affairs Division, we are asking everyone to use and reference the 2009 Guidelines that are on the HCD website. Once approved, the updated Guidelines will be posted.

Question: Can another department of a city, county or city and county, other than the Housing Department, submit a BEGIN application? The other department in question is the Community Redevelopment Agency (CRA).

Answer: Yes, a redevelopment can request and be awarded BEGIN funds if they are the organization that handles the city or county housing program (applicants provide documentation of that arrangement). An example would be the Sacramento Housing Redevelopment Agency which handles both the City and County of Sacramento's housing programs. If the redevelopment agency comes in and is awarded funds, the city or county to which the redevelopment agency belongs could not receive funds. For example: In Fresno, the City of Fresno, the County of Fresno and the Fresno Redevelopment all apply for funds; we would not fund the Fresno Redevelopment Agency. Cities and counties always have first priority.

Question: Is Universal Standard required?

Answer: No, for Bonus Points it's either Universal Standards or CALGreen.

Question: Does the BEGIN loan have to be in second lien position?

Answer: Yes, per the 2009 BEGIN Program Guidelines, page 17, Section 111 (c) "The lien securing repayment of the BEGIN Program loan shall be recorded in no lower than second position."

Question: Do recipients have to charge interest?

Answer: Yes. One to three percent is required for BEGIN mortgage assistance loans.

Question: Are the BEGIN loans forgivable?

Answer: No.

Question: What is the maximum income allowed for BEGIN households?

Answer: The maximum income of BEGIN households cannot exceed 120% of the AMI.

Question: Is there a scoring "range" for some items in the application?

Answer: In scoring the applications--unless specified--there is no scoring "range" for less than allowable points for any *scored* item.

## **Regulatory Relief**

Question: In a large development with the commercial component stalled could the project still qualify?

Answer: Yes.

Question: What if a builder steps out and another builder steps in, could this project qualify?

Answer: Yes, but applicant must show the required regulatory relief.

Question: What if the project is partially completed and then taken over?

Answer: It could be OK, Housing and Policy Development staff would focus on regulatory relief and BEGIN Program staff will address all else in the application.

Question: What if construction is in progress, can the project be considered?

Answer: Yes, the project could also be complete, but must show the required regulatory relief and the home(s) must not have been occupied.

Question: It appears that the BEGIN program is approved by CalHFA, if so; can BEGIN approve the inclusionary zoning restrictions allowed by the CalHFA?

Answer: The Applicant needs to send CalHFA a copy of the documents that they will be using for the borrowers such as the promissory note and deed of trust for CalHFA to approve the documents. The inclusionary zoning restrictions need to be approved by HCD's Housing Policy Division because it involves the regulatory relief to the project.

Question: In regards to page 12 of the application, Section F., what type of evidence are you looking for to demonstrate that a design team and contractor have been identified?

Answer: The preferred documentation is an AIA A107 document, but for application submittal purposes we have accepted a letter from the Developer stating who the Architect and engineers that comprise the design team. It would be the same for identifying the contractor. If a letter from the Developer is submitted we will ask for the AIA A107 later on in the process.

## **Bonus Points**

Question: How many points is Green Building worth?

Answer: 50 points

Question: How is Green Building verified?

Answer: The applicant must provide a self-certification that Green Building will be implemented. Once construction is complete, the architect or developer must sign/certify that the home(s) is in compliance with the Green Building requirements.

## **Resolutions and Applications**

Question: What if there is not time to get a resolution through the governing body?

Answer: It will depend on if the applications are being considered competitively due to the total of applications exceeding the amount available in the NOFA. If considered over the counter, the application must meet all threshold requirements. If items are missing, the application will be put in the queue, but moved to the bottom until all items are submitted. (See paragraph below).

The lack of an executed resolution in an application at time of submittal **will not** deem the application ineligible. However, since this is an over-the-counter process it **may** jeopardize your place in line of award even if your application is substantially complete. There are other criteria such as readiness and regulatory relief points that must be met by all applications regardless of an executed resolution. If there are other applications received that have all the necessary documentation and the applicant is ready to proceed then those will be first in line for award. We do not anticipate making any awards until the beginning of next year due to the time needed for application review by BEGIN staff and regulatory relief review by our Housing Policy Development Division. There is also the geographic distribution that will be applied. BEGIN will work with you to complete your application.

## **Adjustable Mortgage Rates**

The following is from the BEGIN Program Guidelines for 2009 and addresses first mortgages. There is no other reference in the guidelines (From Page 16):

- (5) Requirements for the first mortgage:

- (A) Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs as defined in each program's Guidelines;
- (B) Mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest;

### **Housing Element Compliance Section**

The HCD Housing and Policy Division will make the determination as to whether the points are awarded to the applicant. There is no partial awarding of points so the full 50 points will be awarded should they determine that a jurisdiction has met the criteria.

Applicant must have an adopted housing element that HCD has determined, pursuant to Section 65585 of the Government Code, to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code. Pending adoption is not acceptable. We encourage affected parties to work with the HCD Housing Policy Division to ensure compliance with Housing Element Law.

### **Property Taxes and Loan Servicing**

In the following paragraph the issue of property taxes is addressed and is found in typical Loan Servicing Plans and local jurisdiction Program Guidelines. You may modify to better fit what your agency intends for Loan Servicing.

*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.*

### **Reuse Accounts**

Question: How much flexibility we have with the reuse plan? All that is provided is a general description that the funds can be reused for down payment assistance, home rehabilitation, homebuyer counseling, home acquisition and rehab, or self help mortgage assistance. Can we reuse the funds for first time homebuyer assistance?

Answer: Yes

Question: Is it subject to the same eligibility parameters as the original loans?

Answer: No, They can use Reuse funds for any CalHome eligible activity; however, they have to have guidelines that are approved by HCD for that activity. If it is not the same activity, e.g., downpayment assistance, but instead the funding is for rehabilitation.

Question: Does the unit have to be in a BEGIN Project?

Answer: No.

Question: Does the unit have to be “newly constructed?”

Answer: No.

Question: Is the maximum loan still 20% of sales price?

Answer: It is whatever your program guidelines state for that activity.

### **Miscellaneous Questions**

Question: Currently our BEGIN loans to our homebuyers have a 2% simple interest component. My understanding is that while the BEGIN loan itself cannot be forgiven in any way, the City can decide whether the accrued interest can be forgiven?

Answer: BEGIN interest cannot be forgiven at anytime. The principal as well as the interest must be paid when due. You can change the amount of interest you are charging borrowers from the 2% any anytime to be from 1 to 3% if you so choose. This would be for new loans and not on loans that have already closed. If the loan closed at 2% then it would remain at 2% until the loan and interest is paid in full.

Question: Usually, when BEGIN funds are drawn (deposited into City's bank account) and before the funds are disbursed as loan assistance to eligible households, nominal interest may be earned or received. Would HCD waive any claim to such nominal interest because BEGIN funds are not interest-bearing?

Answer: The Department's position is that any funds disbursed to Recipients are to be put into an interest bearing escrow account, with the interest being returned to the Department whether it is a nominal amount or not. In the past, some Recipients have requested an advance on all of the funds available, but the funds are not used for a period of time. The State would be earning interest

on these funds if they were not disbursed at a much higher interest rate than the escrow accounts. It has always been the Department's policy to have the interest returned to the Department as the awards made to Recipients are for specific amounts and Recipients should not be receiving any additional monies beside what they were awarded.

Question: We understand that homes purchased with BEGIN funds must always be owner-occupied. Are there any exceptions to this requirement when the homeowner has a hardship that is making it necessary for them to rent their home out?

Answer: Per BEGIN Program Guidelines at no time is it allowed for a homeowner to rent out the home. If the homeowner has occupied the property for more than five years a transfer to another eligible household is allowed. This does not mean that he could not rent a room to help pay the mortgage.

Question: Can BEGIN Program funds be disbursed to escrow accounts via an advance?

Answer: BEGIN Program funds can be advanced to the Recipient who then must place the funds in an interest-bearing account including escrow accounts with a suitable title company. The specific method should be spelled out in the Recipient's Program Guidelines.