Introduction to the BEGIN Operations Handbook

The BEGIN Program was established and described in Chapter 14.5, Sections 50860 through 50866 of Part 2 of Division 31, Health and Safety Code. The BEGIN Program is a homeownership program designed to make grants to qualifying cities and counties that provide incentives or reduces or removes regulatory barriers for housing developments, as set forth in the BEGIN Program Guidelines. These grants shall be used for down payment assistance in the form of loans to qualifying first-time homebuyers of low-and moderate-incomes purchasing newly constructed homes in a BEGIN Program project. BEGIN Program Guidelines were adopted on December 11, 2003 and revised on April 21, 2009. Some of the terms used in the BEGIN Program have specific meanings defined by the Program Guidelines and definitions have been included in Chapter XIV. Appendix.

The goal of the BEGIN Program Operations Handbook ("Handbook") is to help the Recipient manage their BEGIN Program Standard Agreement with success. The Handbook contains information on BEGIN Program compliance and necessary forms. It also contains information and forms that are not necessarily Program-required, but are provided in the hope that Recipients will find them useful and informative.

The Handbook begins with a description of the Standard Agreement components and is followed by Program Guidelines. Income-eligibility is a crucial determination in the BEGIN Program. Chapter IV. Income Qualifying, is devoted entirely to this subject.

The task of producing quality loans demands, that the balance between the "science" of gathering information, analyzing risk, and the "art" of making a judgment that gives the homebuyer every possible consideration for success. When that balance is maintained, quality loans that meet homebuyers financing needs are achieved.

In the following chapter the required BEGIN Program loan terms are explained. In addition, the Handbook also points out "best practices" in underwriting of downpayment assistance loans and for loan closing procedures. The Handbook also gives some insight into working with a first lien position lender and how the Recipient might structure their BEGIN Program.

Of course, Recipients want to know how to access the funds they have been awarded. Chapter VII. Disbursement Procedures, covers the procedures and requirements in detail. As there are quarterly and annual reporting requirements, the Recipient will find information on those requirements in Chapter X. Performance Reporting.

As the Program will result in long-term responsibilities, there are Chapters on Loan Servicing, the BEGIN Program Reuse Account requirements and monitoring of the

Recipient's activities and accounts by HCD, both during and after the Standard Agreement period.

After the narrative section of the Handbook there are sections for:

Appendices - This includes what is included and excluded from the calculation of income.

Forms – These are forms specifically required in the operation of the Recipient's program, i.e.; draw request forms; homebuyer summary forms; and reporting forms.

Sample Documents - This includes forms that are not Program-required, but may be useful in the operation of the Recipient's program. Other important reference material is included in this section.

Program Guidelines – Included here for reference and to have all program related information available in this one book.

Management Memos – As the need arises, the Department will send out Management Memos regarding changes to the BEGIN Program, procedures and forms, etc. These memos may provide answers to commonly asked questions that arise, or any other information we feel is useful and important to Recipients.

THE STANDARD AGREEMENT

I. Introduction

After the Department of Housing and Community Development (HCD) issues an award under the BEGIN Program, Standard Agreements (contracts) are required. "Standard Agreement" is the term the State of California uses when the State enters into a funding contract with another party. In the Standard Agreement, HCD is referred to as the "State" and the award recipient is referred to as the "Contractor". However, under the Program Guidelines and in this Handbook, entities who receive a BEGIN Program award are referred to as the "Recipient".

Included in all Standard Agreements are the following parts:

A. The main Standard Agreement document contains boilerplate (standard) contract language that applies to every Recipient.

B. Exhibit A - contains information specific to each Recipient's Standard Agreement; i.e., amount of the funds, deadlines, reporting requirements, and language binding the Recipient to the requirements of the BEGIN Program. It also contains any special conditions ("Special Conditions") that apply to one or more of the Recipients, but may not apply to all of the Recipients. If there are no special conditions that apply to a Recipient, this area of the form will state "none".

C. Exhibit B - contains budget details and payment provisions.

D. Exhibit C - contains general terms and conditions applicable to all Recipients.

E. Exhibit D - includes the State overlay requirements applicable to all Recipients.

II. Standard Agreement Boilerplate

The language contained in the boilerplate is the same for every Recipient and contains standard State or BEGIN Program requirements. The only exception is the first page of the boilerplate that contains specific information relating to each Recipient and cites the BEGIN Program legislation.

A. At the top right hand side of the first page is the Recipient's Standard Agreement number. This number is specific to each individual award.

B. The Department's name is near the top left hand side followed by the Recipient's name.

C. The term of the Standard Agreement is located under the Recipient's name.

D. The amount of the Recipient's Award is located under the term of the Standard Agreement.

E. There are signature blocks near the bottom of the first page for both the Department's authorized signator and the Recipient's authorized signator. The Department will sign the Standard Agreement after the Recipient's authorized signator has signed it. After full execution by both parties, the Recipient will receive an original, fully executed copy for their file.

F. Note: The person, who signs the Standard Agreement on behalf of the Recipient, **must be the person or title-bearer named in the Recipient's authorizing resolution contained in their BEGIN Program application.** If the Recipient wishes to change the authorized person at any time, a new resolution will be required.

G. In the lower right-hand corner of the page is a block with the words, "Department of General Services Use Only". There will be a stamp here with a date entered. This date is the effective or start date, of the Recipient's Standard Agreement.

III. Exhibit A

Exhibit A contains information specific to the Recipient's award and is spelled out in detail. Before the Recipient's authorized person signs the Standard Agreement, this section should be carefully reviewed to be sure it is correct.

A. Section 1: This section states the authority and purpose of the Standard Agreement. This section also describes the BEGIN Program.

B. Section 2: This section incorporates the Recipient's original application into the Standard Agreement. This section also cites the type of work to be performed, i.e., administration of a mortgage assistance program. It also discloses that the Recipient must perform the work in accordance with the BEGIN Program Guidelines and the NOFA under which the Recipient applied.

C. Section 3: This section states the amount of the Standard Agreement by the activity for which the Recipient applied.

D. Section 4: This section contains the expenditure and completion deadlines and the Standard Agreement expiration date. These are critical dates and the Recipient should be sure to keep these dates in mind as they plan their work under this Standard Agreement.

E. Section 5: This section describes the coordinator of the Standard Agreement for the State and the address all documents should be mailed to.

F. Section 6: This section gives instructions for any notice, report, or other communication required by the Standard Agreement, where it should be sent and to whom.

G. Section 7: This section is used to spell out any requirements that apply just to a specific Recipient. These requirements are referred to as special conditions. If there are no special conditions, this section will state "None", meaning there are no additional specific requirements for that Recipient's Standard Agreement. It is important that the Recipient read and understand any special conditions with which they are required to comply, prior to signing the Standard Agreement.

IV. Exhibit B

Exhibit B contains the budget detail and payment provisions.

A. This section explains how the disbursements to the Contractor will take place and the amount of funds that will be advanced at one time.

B. This section explains that the Department may request copies of any documentation that is needed to complete the processing of the draw request.

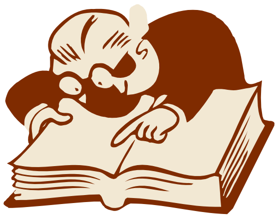
C. This section details what documents are required to be reviewed and approved by the Department prior to the first disbursement of funds.

V. Exhibit C

Exhibit C contains specific language regarding the Department's terms and conditions. i.e., effective date and commencement of work; amount and form of funding; permitted uses of funds; termination and breach; and insurance.

VI. Exhibit D

Exhibit D contains specific language regarding State overlay requirements, i.e., nondiscrimination; drug-free workplace; and union organizing. Basically this section includes citations of the State Requirements that apply to all of HCD's Standard Agreements.



Recipients Program Guidelines

The Health & Safety Code Section governing the BEGIN Program, 50860-50866 states that the BEGIN Program is a homeownership program designed to make grants to qualifying cities and counties that provide incentives or reduce or remove regulatory barriers for affordable housing developments, as set forth in the BEGIN Program Guidelines. These grants shall be used for downpayment assistance in the form of a deferred payment loan to qualifying first-time homebuyers of low- and moderate-income, who are purchasing newly constructed homes in a BEGIN Program project.

Your BEGIN Program contract requires that you prepare Program Guidelines governing your BEGIN Program. It is the Recipient's responsibility to provide to the Department for their review and approval, a copy of the Recipient's Program Guidelines. If the Recipient has existing first-time homebuyer loan program guidelines, the BEGIN Program loan requirements must be incorporated into them. The Program Guidelines should be a comprehensive and clearly written statement of your underwriting policies and procedures for mortgage assistance and should include the following items:

A. **Mortgage Assistance Program**

1. Determining the eligibility of the applicant, including income eligibility.
2. Underwriting requirements including the criteria for front and back ratios and credit criteria must be included.
3. Maximum amount of the BEGIN Program assistance is 20% of the purchase price.
4. A description of how the amount of subsidy will be determined for each qualified borrower up to the maximum assistance limit.
5. Specify the allowable loan-to-value ratio that will be used.
6. A description of the type of housing units allowed, i.e., single-family, duplexes, triplexes, four-plexes, condominiums, or manufactured housing, etc.
7. Specific interest rate, one to three percent (1 to 3%).
8. Source of data of the sales/value limits that will be set for the program.
9. The causes of acceleration.
10. Specify the terms of primary loans.
11. Specify the terms of any subordinating financing.

B. **Reviewed and Approved Documentation Requirements**

Before any funds can be disbursed to the Recipient the following documents must have been reviewed and approved by the Department:

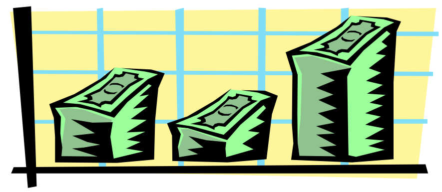
1. Recipient's Program Guidelines for mortgage assistance incorporating BEGIN Program requirements. (In the Chapter XII. Forms - is a Program Guideline Check Sheet that should be used when submitting your program guidelines to HCD for review and approval.);

2. Loan Servicing Plan;

3. Reuse Account Plan;

4. and, a 20 year BEGIN Program Monitoring Agreement will be required once the Loan Servicing and Reuse Plans have been approved by HCD. The Monitoring Agreement will be prepared by HCD and sent out for signature, then returned to HCD for signature and execution.

Income Qualifying



I. What Income to Include

HCD requires the use of the following method for calculating household income. The BEGIN Program requires that the combined income of all members of the household (eighteen or older) who will be living in the unit must be included in the determination of income. Refer to Chapter XIV. Appendix, Gross Income Inclusions and Gross Income Exclusions, for further guidance pertaining to what types of incomes must be included or excluded when calculating gross annual income.

II. Projecting Future Income

The BEGIN Program requires that, for the purpose of determining eligibility for BEGIN Program assistance, the Recipient must project the household's annual income. To do so, a "snapshot" of the household's current circumstances is used to project future income. The Recipient should assume that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. For example, if a head of household is currently working for $7.00 per hour, 40 hours per week, the Recipient should assume that this household member should continue to work at the same pay scale and hours for the next year. The estimated earnings would be $7.00 per hour x 2,080 (40 hours a week x 52 weeks) hours or $14,560 per year.

This method should be used even when it is not clear if the type of income received currently will continue in the coming year. For example, assume a household member has been receiving unemployment benefits of $100 per month for 16 weeks at the time of income certification. It is unlikely that the unemployment will continue for another 52 weeks. However, because it is not known whether or when the household member will find employment, the Recipient should use the current circumstances to anticipate gross income. Income would therefore, be calculated as follows: $100 per week x 52 weeks, or $5,200 per year.

The exception to this rule is when documentation is provided that the current circumstances are about to change. For example, an employer might report that an employee currently makes $7.50 an hour, but a negotiated union contract will increase that amount to $8.25 in the next two months or if an employee is paid minimum wage and minimum wage has increased. In such cases, income should be calculated based on the information provided. In this example, the annual income calculation would be as follows:

$7.50/hour x 40 hours/week x 8 weeks = $2,400
$8.25/hour x 40 hours/week x 44 weeks = $14,520
$2,400 + $14,520 = $16,920

III. Verifying Income

The BEGIN Program requires that Recipients determine income eligibility of BEGIN Program applicants by examining source documents (i.e., wage statements, interest statements) evidencing gross income. Recipients should compare this gross annual income to the income the primary lender used when qualifying the BEGIN Program applicant's income eligibility. The first mortgage lender is usually underwriting to FHA Guidelines and may not calculate the household income or assets as required by the BEGIN Program but may qualify the borrower as a low- or moderate-income applicant. After the Recipient does the required calculation of assets that the BEGIN Program requires, the Recipient may find the household income is over the 80% (for low-income) or 120% (for moderate-income) county median income limit and is not eligible for BEGIN Program funds.

Recipients may develop their own verification procedures or they may use third party verification and review of documents. Under this form of verification, a third party (i.e., employer, Social Security Administration or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file: naming the contact person; information conveyed; date of the call; and the signature of the Recipient. To conduct third-party verifications, a Recipient must obtain a written release from the household that authorizes the third-party to release the required information.

Third-party verifications are helpful because they provide independent verification of information and permit the Recipient to determine if any changes to current circumstances are anticipated. Third-party verifications should state whether or not overtime will continue, which may or may not help the homebuyer. Some third-party providers may be unwilling or unable to provide the needed information. If this should happen, other types of documentation can be used, such as paystubs and tax returns. Some third-party providers (such as banks) may charge a fee to provide the information. In such cases the Recipient should attempt to find suitable documentation without the third-party verification. For example, use the past three month's worth of bank statements or a savings passbook that shows at least three months of savings.

IV. Review of Documents

Documents provided by the applicant (i.e., paystubs, tax returns, etc.) may be the most appropriate for certain types of income and can be used as an alternative to a written third-party verification. Although easier to obtain than written third-party verification, a review of these documents often does not provide much needed information. For instance, the applicant's paystubs may not provide sufficient information about the average number of hours worked, overtime, tips and bonuses, if any. The paystub won't state whether the overtime will continue or not.

V. Assessing Information

At first glance, the income information may seem very basic. Recipients must assess all the facts underlying the income information collected. Below are some of the considerations Recipients should take into account.

It is important to understand the basis on which employees are paid (hourly, weekly, or monthly, and with or without overtime or bonuses or if on commission). An employee who gets paid "twice a month" may actually be paid twice a month (24 times a year) or every two weeks (26 times a year).

It is important to clarify whether overtime is sporadic or a predictable component of an employee's income.

An annual salary is counted as annual income regardless of the payment schedule. For example, if a teacher's annual salary is $30,000, this is the annual income regardless if the teacher is paid over a 9- or 12- month period.

VI. Determining Household Size

The income limits are adjusted by household size. One of the first steps in determining eligibility is to determine the size of the household.

Some households may include persons who are not counted as family members for the purpose of income limits and whose income, if any, is not considered when calculating gross income. Do not count the following household members when determining family size for income limits purposes: foster children, unborn children and children being pursued for legal custody or adoption who are not currently living in the household. Children who live in the house under shared-custody agreements, must reside in the house at least 50% of the year to be counted.

VII. Comparing Gross Income to HCD Income Limits

The Recipient should complete the BEGIN Program Gross Income Worksheet to determine the borrower's BEGIN Program eligibility. Once household size and gross income information has been established and verified, the Recipient must compare the information to the appropriate BEGIN Program Income Limits to determine if the household is eligible to participate in the BEGIN Program. The BEGIN Program uses the State Income Limits provided annually by HCD.

To determine eligibility, the Recipient must first ensure that they have a copy of the most recent State Income Limits, adjusted for household size and by county. The State Income Limits are updated annually and are available on the HCD website at www.hcd.ca.gov./hpd/.

To compare the household's gross income information to the State Income Limits (see Appendix D), follow these steps:

A. Find the county in which the house is located on the State Income Limit chart.

B. Find the column that corresponds to the number of persons in the household (i.e., family size).

C. Compare the verified income of the household with the income limit for the household size. The gross income must be low-income (which is 80% or below county median income) or moderate-income (which is 120% or below county median income).

VIII. Calculating Gross Income

Gross Income means all anticipated eligible income of a person or household for the 12 – month period following the date of determination of income. The following terms are key factors to understanding the requirements for calculating gross income.

A. ***Gross amount**.* The amount earned before any deductions have been taken.

B. ***Projected to be received**.* Projected earnings rather than past earnings are to be used when estimating annual income for income-eligibility purposes.

IX. Treatment of Assets

In the BEGIN Program, when a household has net household assets in excess of $5,000, gross income shall include the greater of:

A. Actual amount of income, if any, derived from all the net household assets

Or

B. 2.5% (Passbook rate) of the value of all such assets.

Net household assets means: Savings accounts, stocks, bonds and other forms of capital investments. The value of necessary items such as furniture and automobiles are excluded. For assistance in deriving the value of the assets a worksheet has been provided (sample on the next page).

Borrower's assets shall only be considered in the transaction for the determination of income eligibility calculation. If assets are less than $5,000, they are not counted in the income eligibility calculation. If assets are $5,000 or above, the income derived from the assets are counted in the income eligibility calculation. Borrowers will not be required to liquidate their assets to qualify for a BEGIN Program loan.

X. Gross Income Calculation Example

On the following page is an example using the BEGIN Program Gross Income Worksheet.

Mr. and Mrs. Scarborough have two children that permanently reside with them. It has been determined by the Recipient that the Scarborough's have a gross household income of $31,217.50.

Based on the State Income Limits, the Scarborough family must have an annual income of less than $32,400 (which is 80% of the median income for their county, for a family of four) in order to participate in the BEGIN Program. Since the Scarborough's income of $31,217.50 is lower than $32,400, they are income eligible for low-income housing financing. The BEGIN Program also permits moderate-income housing financing which is 120% of the county median income.

BEGIN Gross Income Worksheet

ASSETS			
Household Member	Assets Description	Current Cash Value	Actual Income from Assets
Mary Scarborough	Cash	$3,500	
Robert Scarborough	Savings Bonds	$2,200	
1. Net Cash Value of Assets		**1**. $5,700	
2. Total Actual Income from Assets			**2.**
3. If line 1 is greater than $5,000, multiply line by 2.5% and enter results here; if less than $5,000 enter -0-			**3**. $142.50

ANTICIPATED ANNUAL INCOME				
Household Member	**A**. Wages/ Salaries	**B**. Benefits/ Pensions	**C**. Other Income	**D**. Asset Income
Robert Scarborough	$20,667			Enter the greater of lines **2** or **3** from above in **d.**
Mary Scarborough	$10,333			
4. Totals	**a**.$31,000	**b**.	**c**.	**d**. $ 142.50
5. Enter total of items from 4a. Through 4d.				**5**. $31,142.50

FIRST-TIME HOMBUYER MORTGAGE ASSISTANCE LOAN UNDERWRITING

I. Loan Underwriting

The goal of financing is to allow homebuyers to purchase homes that best match their life-style and their financial abilities. The Recipient should not commit funds to homebuyers that might put them into homes they cannot afford, because doing so could result in foreclosure. The Recipient wants to be a successful lender, with a successful program, which will make the homebuyer successful.

II. Loan Application

Usually the first thing the homebuyer will do either with the first mortgage lender or the Recipient is complete a loan application. The Uniform Residential Loan Application (sometimes referred to as the 1003) is the industry standard. The application requires sufficient information concerning a borrower's financial position to enable the Recipient to make an informed judgment about the borrower's ability to repay the mortgage debt. It is usually the first piece of information obtained and early qualifying is determined by the information is provided. The application should be compared to the credit report and the various verifications, as they are received, to back-up what the borrower has stated on the application. If there are discrepancies between the documents, the Recipient must determine what is factual by having the borrower explain the discrepancies.

III. First-Time Homebuyer Eligibility

The most important step is to determine if the homebuyer is eligible. In the previous chapter on Income Qualifying, it is explained how and what the Department requires to be used in calculating income-eligibility. Also, the borrower(s) must be a first-time homebuyer as per the BEGIN Program definition, defined in the BEGIN Program Guidelines, Section 102 (k) prior to the date on which the BEGIN Program loan will close.

IV. Estimated Subsidy Calculation Sheet

The Recipient should develop a subsidy calculation worksheet to determine how much subsidy the homebuyer is eligible to receive from the BEGIN Program for "gap" financing.

V. Debt-to-income ratios

The following information is what the Department considers "**best practices**". We hope that in reading this section you will have a better idea in regards to the debt-to-income ratios and some compensating factors that could be used if ratios are excessive.

Most primary lenders generally use front-end ratios ranging between 28-38% and back-end ratios ranging from 41-46% (these ratios are not imposed by the BEGIN Program but are set by the Recipient for their program). The BEGIN Program realizes that each loan is a separate and unique transaction and that there may be other factors besides just the ratios that demonstrate the borrower's ability and willingness to make timely mortgage payments. The primary lender is responsible for adequately analyzing the probability that the borrower will be able to repay the mortgage obligation in accordance with the terms of the loan. As evidenced by the following list of compensating factors, the underwriter will allow the ratios to exceed the normal range where significant compensating factors exist. The underwriter judges the overall merits of the loan application and will determine what compensating factors apply and the extent to which ratios may be exceeded.

The following compensating factors are some of the more common ones:

A. The prospective homebuyer 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 being purchased. This means successfully handling housing costs plus any other household debt. If the homebuyer has met their housing obligations as well as all other debts, there should be little reason to doubt the homebuyer's ability to continue to do so.

B. The prospective homebuyer is a limited user of credit <u>and</u> they show a history of being able to save money.

C. The prospective borrower has substantial non-taxable income. Special consideration may be given to regular sources of income that are non-taxable such as: child support, disability payments, retirement payments, workers compensation benefits, social security and VA benefits which will continue in the future, and can be "grossed up". Non-taxable income is worth more than taxable income because the borrower does not have to pay taxes on it. To "gross up" means the Recipient needs to determine the amount of tax savings the borrower receives. Most non-taxable income is "grossed up" by 15%. This means that the Recipient takes the amount of income x 15% to equal "the amount of tax savings". Then that amount is added to the income for the new total income amount. This calculation is for loan underwriting purposes only and has no effect on the household's Program income-eligibility.

D. Previous credit history shows that the prospective borrower has the ability to devote a greater portion of income to housing expenses. This means that the borrower is a limited credit user or may not use credit at all, thus having more income to devote towards housing.

E. There will be no more than a 5% increase in the prospective homebuyer's housing expense.

The above ratios are referred to as the "front-end" and the "back-end" qualifying ratios. The front-end ratio is comprised of the homebuyer's total monthly mortgage payment (PITI – principal, interest, taxes and insurances) divided by the total monthly gross income (taken from the BEGIN Program Gross Income Worksheet). This figure represents the percentage of the homebuyer's gross monthly income that will be used for mortgage payments. The back-end ratio is calculated by adding the total monthly mortgage payment to the homebuyer's other on-going debt obligations such as revolving credit, installment accounts (that have more than 10 months worth of payments left to pay), child support and alimony. This figure is divided by the total monthly gross income.

VI. Credit History

The credit report is the borrower's credit history. A homebuyer who has made payments on previous or current obligations in a timely manner represents a reduced risk to a lender and is more likely to be a successful homeowner. The credit report indicates the borrower's creditworthiness with previous mortgages (if any), shows undisclosed debts, revolving accounts, installment accounts and any judgments, garnishments, liens and/or bankruptcies that are public records. The credit report will show information on the current status of accounts. The status is usually coded such as "R-1", which stands for revolving accounts; "I-1", which stands for installment accounts. By reviewing the report, the Recipient may also discover information that the borrower "forgot" to include on the application. There may also be items on the report that do not belong to the borrower and the Recipient or Primary lender will have to work with the borrower and the credit reporting agency to have the items removed. The purpose of reviewing an applicant's credit report is to project the likelihood of repayment of their first lien, in a timely manner. Liens, judgments, collection accounts and slow pays on the credit report could indicate serious problems that should be explained by the borrower. When analyzing the borrower's credit record, it is the overall pattern of credit behavior that must be reviewed rather than isolated occurrences of unsatisfactory or slow payments.

It is also recognized that some prospective borrowers may not have an established a credit history. For these borrowers, a credit history may be developed with the use of utility payment records (at least three months worth of the most recent statements showing no late or missing payments), rental payments (rental rating from the landlord or rental agency, canceled checks or rent receipts covering the most recent 12 month period), automobile insurance payments (showing current and no late or missing payments) or other personal loans (canceled checks and a letter stating that the payments have been made on time).

VII. Determining Housing Expenses

A. Mortgage Insurance: Depending on what type of first lien and the loan-to-value of the first lien, there may be mortgage insurance and this monthly obligation must be included in the total housing expense.

B. Property Insurance: The monthly obligation for property insurance is required on the property in the form of fire and hazard (depending on location, flood and/or earthquake insurance may also be required) and must be included in the total housing expense.

C. Property Taxes and Assessments: The monthly obligation for any property taxes and assessments must be considered. Preliminary Title Reports should be reviewed for indications of improvement districts, bonded indebtedness or special assessment districts.

D. Homeowners Association Dues: If the home is a condominium or located in a planned unit development, the monthly assessment for the Homeowners' Association dues should be included in the total housing expense.

VIII. Review of Primary Lender's Loan Terms and Conditions

The Recipient will first want to review the term, interest rate and conditions of the primary lender's loan to make sure that the BEGIN Program requirements will be met.

A. The term of the first mortgage shall be for 30 years, except when a U. S. Department of Agriculture, Rural Housing Services, 502 loan is in the first lien position. (The minimum term of the first mortgage homebuyer purchasing a manufactured home to be installed on a rented or leased space shall be 20 years.)

B. The interest rate shall be consistent with affordable housing costs as defined in the Recipient's Program guidelines.

C. Mortgage loans shall not include provisions for negative amortizations or principal increases of deferred interest.

IX. BEGIN Program Loan Amount and Term Requirements

A. The maximum amount of the BEGIN Program loan shall not exceed 20% of the purchase price of the BEGIN assisted unit. The amount of the BEGIN Program loan will be determined by the Recipient on a case-by-case basis using the method as described in the Recipient's BEGIN Program Guidelines.

B. BEGIN Program loans shall be secured by the property or leasehold interest as applicable.

C. The lien securing repayment of the BEGIN Program loan shall be subject only to liens, encumbrances and other matters of record that have been reviewed and approved by the Recipient responsible for underwriting the BEGIN Program loan.

D. The combined indebtedness (all loans) secured by the BEGIN Program assisted unit shall not exceed 100% of the sales price plus a maximum of up to five percent (5%) of the sales price to cover actual closing costs.

E. Principal and interest payments shall be deferred for the term of the BEGIN Program loan.

F. BEGIN Program loans shall be repayable when the property ceases to be owner-occupied in the first five years after the date of recordation of the Deed of Trust securing the BEGIN Program loan.

G. The BEGIN Program loans are assumable after the first five years if the home is re-sold to an income qualifying household.

H. BEGIN Program loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied (if during the first five years) or upon the BEGIN Program loan maturity date. However, if it is determined by the Recipient that repayment of the BEGIN Program loan at the maturity date causes a hardship to the homeowner; the Recipient has two other options. They are:

    1. 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

    2. 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.

    3. BEGIN Program loans shall be recorded in the first lien position following all “performing” loans.

I. The following transfers of interest shall not require the repayment of the loan:

    1. transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;

    2. a transfer in which the transferee is a person who occupies or will occupy the property, which is:

        a. a transfer where the spouse becomes an owner of the property;

b. 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

c. a transfer into an inter-vivo trust in which the homebuyer is and will remain the beneficiary and occupant of the property.

J. A borrower may pay a portion of or the entire deferred payment loan amount at any time without penalty.

K. Recipients may make BEGIN Program loans bearing simple interest up to three percent (1-3%) per annum. Loan principal shall not be forgiven, except as allowed by statue.

L. In any loan transaction where the BEGIN Program loan is the only subsidy, the borrower cannot be restricted from selling the home at its fair market value at any time.

IX. Subordinate Financing to BEGIN Program Loan Requirements

A. Homebuyer mortgage assistance loans must have a loan-to-value ratio not exceeding 100% of the sales price plus a maximum of up to five percent (5%) of the sales price to cover actual non-recurring closing costs.

B. No financing, junior or senior to the BEGIN Program loan may have a balloon payment due before the maturity date of the BEGIN Program loan.

C. All subordinating financing shall defer all principal and interest payments for the term of the BEGIN Program loan.

X. Other BEGIN Program Requirements

A. Maximum home values at time of purchase shall not exceed the sales price/value limit as established in the Recipient's Program Guidelines.

B. BEGIN Program funds shall be used only for mortgage assistance for permanent financing of a new homeownership dwelling unit ready for occupancy or a unit constructed using the self-help method. In the case of self-help housing mortgage assistance, the BEGIN Program 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 Services, 502 Program.

C. Prior to the 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. Local Programs with experience operating housing programs often have staff experienced to do appraisal work. If this is the case this staff person would be allowed to perform the appraisal work. The appraisal must use the sales of comparable properties approach to determine value. The comparable properties approach is the approach an appraiser must commonly use to determine the market value of single-family residential properties. This approach is based on the assumption that a homebuyer will not pay more for a property than it would cost to buy a comparable property in the same neighborhood or similar neighborhoods. The property that is being underwritten is compared to similar properties sold within the last six months in the surrounding neighborhood and a value is determined. The appraised value cannot exceed the Sales Price/Value Limits as set forth in the Recipient's Program Guidelines.

D. Cash transactions and oral agreements outside of escrow are prohibited.

E. Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required minimum down payment. Excess cash, over that described above shall be paid to the reuse account or credited as a principal reduction to the homebuyer's loan.

F. BEGIN Program funds can be used to pay non-recurring loan closing costs.

G. BEGIN Program funds cannot be used to payoff all or any portion of a borrower's consumer debt, liens or judgments.

H. Effective November 6, 2002 funds available to eligible manufactured housing buyers can be given in the form of a conditional grant with certain conditions:

1. Funds are given in the form of a conditional grant with the following conditions:

    a. Within the first 10 years after the conditional grant is made, upon sale or transfer or when the property is no longer owner-occupied, the entire principal and interest amount is due and payable to the Recipient.
    b. At the end of the sixteen year, upon sale or transfer, or when the property is no longer owner-occupied, 20% of the principal and accrued interest is forgiven.
    c. At the end of year seventeen, and for each year after, upon sale transfer, or when property is no longer owner-occupied, an additional 20% of the principal and interest is forgiven.
    d. At the end of twenty years, no principal or interest is due.
    e. At the Recipient's option, the forgiveness timetable can be accelerated. A memorandum describing the reasons for the acceleration must be in the file.

First-Time Homebuyer Mortgage Assistance
Loan Closing Procedures

I. Introduction

The Recipient shall be the beneficiary on the BEGIN Program loan and be responsible for drawing up the BEGIN Program deferred payment loan documents, sending the documents and the escrow instructions to escrow and closing the loan. The Department has provided the following "best practices" with regards to closing the BEGIN Program loans.

II. Review of Primary Lender Documents, Escrow Instructions and the Preliminary Title Report

Before the Recipient draws the BEGIN Program closing documents and escrow instructions, the Recipient should contact the Primary lender and request a copy of their escrow instructions and a copy of the preliminary title report. The Recipient may have to request a preliminary title report from the escrow company. These items should be reviewed as follows:

A. Confirm that the borrower has obtained the maximum primary loan with a term and interest rate from a Primary lender that are consistent with affordable housing costs as defined in your Program Guidelines.

B. Confirm that fees and charges for financing are consistent with usual and customary market fees and charges for such financing in your area.

C. The Preliminary Title Report should be reviewed for correct property address and legal description. It should be reviewed for unallowable exceptions, exceptions requiring an endorsement and proposed vesting of the borrower.

D. If possible, review the Primary lender's escrow instructions for their requirements with regard to what exceptions may show on the CLTA and ALTA policies or any endorsements they are requesting. For example, endorsements regarding CC&R's and unlocated easements. The Recipient's requirements regarding unallowable exceptions and endorsements should match the Primary lender's requirements in this regard.

E. Property Taxes and Insurance amounts should be reviewed for accuracy. The Primary lender shall be required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance for the term of the Primary loan.

F. The homebuyers should be vested the same on the Recipient's loan documents as on the Primary lender's.

III. Drawing the BEGIN Program Documents, Escrow Instructions* and Loan Funding

The Recipient has reviewed the Primary lender's escrow instructions and the preliminary title report. The Recipient is now ready to draw the BEGIN Program loan closing documents and the escrow instructions. Documents that the Recipient must prepare and send to title are the following:

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 BEGIN Program. The Recipient is prohibited from assigning its beneficial interest under the note. The note must be secured by a Deed of Trust.

B. The Deed of Trust shall name the Recipient as the beneficiary and shall be recorded in the required lien position.

C. Escrow Instructions with clear instructions to the escrow company. In the Recipient's escrow instructions, the Recipient should request an original ALTA Policy with the Recipient listed as a lien holder and a copy of all hazard insurance(s) showing the Recipient as additional loss payee.

D. Request for Copy of Notice of Default or Sale to be recorded on behalf of the Recipient.

Samples of some of the documents listed above are located in Chapter XIII. Sample Documents.

All the above closing documents are sent to escrow to be reviewed by the escrow officer and for the borrower's signature. Once the borrower has signed, all the above-listed original documents, along with certified copies, except for the original Deed of Trust and Notice of Default (these two items will be sent to the County Recorder's office for recording) are returned to the Recipient to be reviewed for completeness, accuracy and conformance to the escrow instructions. After the closing documents have been reviewed for compliance, and funds have been disbursed from the Recipient to escrow, escrow will be in a position to record the BEGIN Program lien.

IV. After the BEGIN Program Loan Closing

The Recipient should receive a certified Settlement Statement, the ALTA Policy and proof of insurance from the escrow company shortly after the loan documents record. Review these documents to make sure they are correct. Check the Settlement Statement (this form is often referred to as the HUD 1) for unallowable fees the homebuyer might have been charged and make sure the borrower did not receive any unallowable cash back. If the borrower received unallowable cash back, it must be collected from the borrower and credited as a principal reduction to the BEGIN Program loan. Review the ALTA Policy to make sure the BEGIN Program loan shows in the required lien position and that all required endorsements have been provided.

*If you currently do not use an escrow company to handle your loan closings, the BEGIN Program <u>does not</u> require you to start using an escrow company.

DISBURSEMENT PROCEDURES

I. Disbursement of Grant Funds

A. Payments to the Recipient shall be on an advance or reimbursement basis. Upon the effective date of the Standard Agreement and upon submission of the required draw request form(s) and submission of any State required documentation; funds can be disbursed to Recipients.

Recipients may obtain an advance of funds prior to the close of escrow on the sale of the BEGIN Program units. Ninety days prior to the estimated date of the close of escrow on any or all of a Recipient's BEGIN Program units, the Recipient can request an advance of the funds required to fully fund the BEGIN Program loans on these units. After these loans are funded, the Recipient shall forward all required documentation to BEGIN Program staff. This procedure of advances shall continue until the total amount provided under the Standard Agreement is expended.

1. Requests for reimbursement or advance of funds under the BEGIN Program Standard Agreement shall be made on a Draw Request Form (MA-1) provided by the Department and must have a Borrower Summary Form (MA-2) along with all documents which are listed on the Borrower Summary Form attached.

2. Once the request for reimbursement or advance funding from the Recipient has been reviewed and approved by the Department, funds shall be disbursed to an account approved by the Department. (Please note – all funds are disbursed through the State Controller's Office [SCO] and are subject to availability or lack thereof.)

II. Required Documentation

Documentation must be submitted to the Department when requesting disbursement of funds. The Department reserves the right to request copies of other documentation prior to and/or after processing any draw request.

III. Mortgage Assistance Documentation

A. Thirty (30) days prior to the first draw, the Recipient must submit the following documents to the Department for approval:

1. written Program Guidelines for the Recipient's mortgage assistance program;

2. a Loan Servicing Plan provided by either the Recipient or a third party;

3. written procedures for the Recipient's Reuse Account plan;

4. copies of the Recipient's BEGIN Program Note and Deed of Trust. (The BEGIN Program has samples of an interest bearing Note and Deed of Trust which are included in this manual – Chapter XIII. Sample Documents).

B. A 20-year BEGIN Program Monitoring Agreement (will be drawn up by the Department once we are in receipt of and have approved the Recipient's Program Guidelines, Loan Servicing and Reuse Account Plans), to be executed by the Department and the Recipient.

With each draw request, submit the following documents:

C. For a reimbursement funding request:

1. Completed Mortgage Assistance Draw Request (MA-1);

2. Completed Mortgage Assistance Borrower Summaries (MA-2), one for <u>each individual BEGIN Program loan,</u> with the following items attached to each summary;

a. Copy of the executed BEGIN Program Note.

D. For the first advance funding request:

1. Completed Mortgage Assistance Advance Draw Request (MA-1);

2. Completed Mortgage Assistance Borrower Summaries (MA-2) for each of the BEGIN Program units for which funds are requested, one for <u>each individual BEGIN Program loan</u> will be required once the homebuyer(s) has been approved for BEGIN Program funds and actually purchased one of the homes ;

3. After the home purchase transactions are complete, the Recipient must provide the Department with a copy of the executed notes for each BEGIN Program loan.

E. For all subsequent advance funding requests:

1. Copies of notes for all previously funded BEGIN Program loans (those previously not sent to the Department);

2. Completed Mortgage Assistance Advance Draw Request (MA-1);

3. Completed Mortgage Assistance Borrower Summaries (MA-2) for each of the BEGIN Program units for which funds are requested, one for <u>each individual BEGIN Program loan;</u>

4. After the BEGIN Program transactions are complete, the Recipient must provide the Department with a copy of the executed notes for each BEGIN Program loan.

VII. <u>Other Draw Request Procedures</u>

A. Recipients must use the Department's <u>Draw Request (MA-1)</u> form. Copies of forms are included in Chapter XII. Forms. You may request that a BEGIN Program staff person e-mail the forms to your agency for easier usage.

B. The person signing the forms must be specifically authorized to sign those types of documents on behalf of the Recipient. Proof of such authorization must be submitted to the Department prior to or concurrently with the Recipient's initial Draw Request.

C. State warrants will be made payable to the Recipient when requesting reimbursement.

VIII. <u>Important Notes</u>

A. More than one designated payee authorization may be on file with the Department at the same time for the same Standard Agreement, so be sure to specify to which designated payee each warrant should be made payable.

B. When the above forms and documents have been received, reviewed and approved by the BEGIN Program staff, Draw Requests will be forwarded to the Department's Accounting Office, which will begin the process of requesting the issuance of a State warrant from SCO.

Now THAT was easy!!

Loan Servicing

I. Introduction:

Recipients shall develop a Loan Servicing Plan to be included in their Program Guidelines, which shows that either the Recipient or a third party under contract with the Recipient, has the ability to perform loan servicing duties. Prior to the first draw, the Department must review and approve the Recipient's Loan Servicing Plan. The Loan Servicing Plan must contain the following Begin Program Requirements:

A. Must be noted whether loan servicing will be completed by the Recipient or if the Recipient will contract with a third party to provide loan servicing. If a third party is used, the organization's name must be provided.

B. Must be noted that the dwelling unit must remain owner-occupied for the first five years.

C. The plan must address the annual renewal of hazard and flood insurance.

D. If a loan is not impounded, does the plan address the timely payment of future property taxes?

E. The plan must demonstrate the ability to account for the repayment of BEGIN Program loans by the individual homeowners.

F. The plan should address how to properly calculate payoffs.

G. The plan needs to show how demands will be processed and how deeds of trust will be reconveyed.

H. Include the process for the collection of the BEGIN Program note if a default and/or a foreclosure should occur.

Located in Chapter XII. Forms is a Loan Servicing Plan Check Sheet that is to be used when submitting your plan to the Department for review and approval.

Reuse Account

I. Introduction

All repayments of loan principal and any loan interest accrued shall be deposited to a separately maintained BEGIN Program Reuse Account governed by a Reuse Account Plan reviewed and approved by the Department. The Reuse Account Plan must be approved prior to the Recipient submitting their first draw request. Listed below are the items that are required to be addressed in a BEGIN Program Reuse Account Plan.

II. BEGIN Program Requirements

A. An account established for BEGIN Program funds which is separate from any other funding sources and provides:

1. A tracking system to ensure reuse of funds are used for appropriate activities as described below;

2. Appropriate reporting ability;

3. Provides for timely processing; and

4. Any accrued interest earned on BEGIN Program funds is to accrue to the BEGIN Reuse Account.

B. Funds in the reuse account shall only be used by the Recipient for:

1. To assist low- or moderate-income persons and families with:

   a. Loans to individual homebuyers as downpayment assistance as allowed by BEGIN Program requirements;

   b. Loans for home rehabilitation;

   c. Loans for acquisition and rehabilitation for first-time homebuyers;

   d. Loans for self-help mortgage assistance.

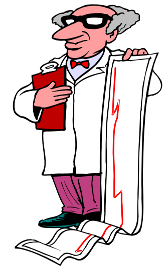
2. To pay the cost of homebuyer counseling for BEGIN Program loan recipients.

3. A BEGIN Program loan processing activity delivery fee, as applicable, in accordance with BEGIN Program requirements; and

4. Up to five percent (5%) of funds deposited may be used towards the costs of loan servicing by the Recipient or the cost of a third-party completing the loan servicing under contract with the Recipient.

C. The Department will monitor the reuse account according to the most current BEGIN Program requirements.

PERFORMANCE REPORTING



I. Reporting Requirements

A. During the term of the BEGIN Program Standard Agreement, and no later than 30 days after June 30th of each year and within 30 days of the expiration date of the Standard Agreement; the Recipient shall submit, an Annual Status Report on the BEGIN Program form (AR) provided by the Department. In addition, Recipient's are required to submit Quarterly Reports on the BEGIN Program form (QR) provided by the Department, within 30 days after each of the following dates: March 31st, June 30th, September 30th and December 31st.

II. Annual Reporting

A. The annual reporting period will be:

July 1st to June 30th.

B. The Annual Status Report will be due no later than 30 days after June 30th. The reporting period will begin immediately following the execution of the Standard Agreement and be due each June 30th during the term of the Standard Agreement. Also, an Annual Status Report will be due within 30 days of the expiration date of the Recipient's BEGIN Program Standard Agreement.

1. An Annual Status Report, describing all activity in the Recipient's Reuse Account, will be due from the Recipient each year during the 20-year period included in the executed Monitoring Agreement.

2. The Annual Status Report is to be made using the BEGIN Annual Status Report (AR) form. This form must be returned to the Department by July 31st of each year or within 30 days of the expiration date of the Standard Agreement**.** The following information is required for the reporting period:

   a. From the Recipient's BEGIN Program Standard Agreement:
      (1) the number of units assisted; and
      (2) amount of funds spent;

3. A Financial Summary of the Recipient's BEGIN Program Standard Agreement amount asking for the original Standard Agreement amount, <u>total</u> funds drawn, percentage of funds drawn, the remaining balance, and;

4. Signature, Title and Date: The person submitting the Annual Status Report must be specifically authorized to sign this type of document and should provide his/her title, then sign and date the form.

III. Quarterly Reporting

A. The quarterly reporting periods will be:

March 31st
June 30th
September 30th
December 31st

B. The Quarterly Report will be due no later than 30 days after each of the above-listed dates for all active contracts. The reporting period will begin immediately following the execution of the Standard Agreement and will be due after each quarterly period has ended.

1. Describe current status of activity (include number of units assisted.)
2. Describe activities to be undertaken (or planned for) in the next reporting period (funds committed; number of applicants or specific sites; and time frames.)
3. Describe problems/delays encountered and course of action taken.
4. Describe what actions have been taken to achieve programs expenditure deadlines.
5. Comments – This section is for you (the Recipient) to comment on anything not previously covered on the form.

C. Standard Agreement Financial Summary for this Reporting Period

1. Standard Agreement Amount – The total amount your contract was originally funded for.
2. Funds Drawn – This item includes a place to put the percentage of funds drawn/spent and the total dollar amount drawn down.
3. Remaining Balance – How much is left to be expended by the Recipient.

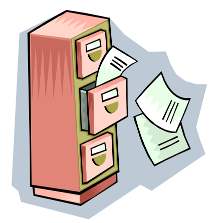
D. Signature, Title and Date: The person submitting the Quarterly Report must be specifically authorized to sign this type of document and should provide his/her title, then sign and date the form.

MONITORING

I. Introduction

Monitoring is an activity performed by the BEGIN Program staff to ensure that the BEGIN Program funding is being used in a manner that complies with the Program Guidelines, requirements, statutes and the terms of the Standard Agreement.

Monitoring is done in many ways, starting as soon as the Recipient receives the Standard Agreement. The Recipient will be submitting documentation for review by the BEGIN Program staff prior to and when requesting reimbursement of funds. There will be phone calls, correspondence, reports and possible office visits that keep BEGIN Program staff aware of the progress and issues regarding the Recipient's Standard Agreement.



BEGIN Program staff may visit the Recipient's office for the specific purpose of "monitoring" its activity. Primarily this will involve questions regarding the Recipient's program operation and procedures and reviewing documentation in the Recipient's files. In the case of individual loans, this will involve reviewing a sampling of individual borrower files. What will we be looking for? We will be looking for the back-up documentation that verifies compliance with the BEGIN Program. The following will give the Recipient a general idea of the <u>minimum</u> documentation we will expect the Recipient to maintain in their files. It is not an exhaustive list and the Recipient may use forms or documents of their own in addition to the required BEGIN Program forms or documents.

Prior to the Recipient's first request for funds, the Department and the Recipient will enter into a twenty (20) year monitoring agreement on a form to be provided by the Department. The beginning date of this monitoring agreement will be the same as the Standard Agreement and will expire 20 years after that date. The monitoring agreement is necessary because the Recipient's obligations for loan servicing and administration of its local reuse account extend beyond the term of the Standard Agreement.

II. All Activities

A. Copies or originals as appropriate:

1. Copy of the Recipient's Program Guidelines.

2. Plans and procedures for providing loan servicing.

3. BEGIN Program Reuse Account plans and procedures.

4. BEGIN Program Quarterly and Annual Reports.

5. Monitoring Agreement for loan servicing and reuse account plans.

6. Correspondence (including relevant e-mail) between the Recipient and HCD, along with notes of meetings or phone calls.

III. First-Time Homebuyer Mortgage Assistance Files

A. For each individual loan (copies or originals as appropriate) and only if the Recipient requires the item for their program (this list is "best practice"):

1. Application for BEGIN Program assistance.

2. Confirmation of first-time homebuyer status and household size.

3. Income and asset verification documentation.

4. Credit Report or other documentation required to show a good credit history.

5. Property sales contract, appraisal, preliminary title report.

6. For a newly constructed unit: the final inspection report and certificate of occupancy.

7. From the primary lender: The primary loan application; the conditional approval (MCAW or equivalent); and loan documents.

8. BEGIN Program disbursement forms including Borrower Summary Sheets.

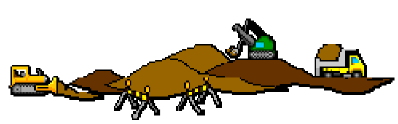
9. BEGIN Program loan escrow instructions.

10. From the escrow/title company: executed Promissory Note; recorded Deed of Trust; Title Insurance Policy for the BEGIN Program loan naming the Recipient as the insured; Hazard Insurance, including flood insurance when applicable, naming the Recipient as Additional Loss Payee; recorded Notice(s) of Default or Sale; certified copy of the Settlement Statement.

11. Correspondence (including relevant e-mails) or notes of meetings or phone calls between the Recipient and the homebuyer, other lenders, title or escrow companies or other parties contacted in relation to the homebuyer's loan.

IV. Loan Servicing

A. Documentation of continued owner-occupancy during the first 5 years.



B. Documentation of annual renewals of hazard insurance and, when applicable, flood insurance.

C. If the primary lender does not collect for an impound account, documentation that property taxes and assessments are current and paid.

D. Documentation of repayment of BEGIN Program loans by individual homeowners including: requests for demand, demand letters, reconveyances of deeds of trust.

E. In the event of default and/or foreclosure, documentation of actions taken and attempts to recover all or a portion of the BEGIN Program loan and/or loan amounts not recovered.

V. Reuse Account Plan

Copies or originals as appropriate:

A. BEGIN Program Annual Reports.

B. Accounting records indicating that a separate accounting is being maintained of deposit and disbursement of repaid BEGIN Program funds.

C. Documentation that the amount of disbursements for loan processing or activity fees, homebuyer education or program administration do not exceed the amounts allowed per BEGIN Program Guidelines in effect at time of such disbursements.

D. For new loans to individual homebuyers, the individual file documentation should be the same as what are listed above under First-Time Homebuyer Mortgage Assistance Files, except there will be no draw requests forms submitted to HCD. The above-required documentation is subject to revision and files should be documented in accordance with BEGIN Program requirements in effect at time of funding of the loans.

VI. Conclusion

As stated at the beginning of this chapter, this should not be considered all exclusive and/or complete list. Any documentation the Recipient thinks will evidence the proper use of BEGIN Program loan funds for the purposes for which funds were awarded and confirms the eligibility of individual households should be kept in the Recipient's files for the term of the Standard Agreement.

BEGIN Program staff expects these monitoring visits to be a team effort. As well as conducting the necessary review for Program compliance, BEGIN Program staff sees monitoring as an opportunity to learn more about the Recipient's projects, programs, operations, housing market and housing needs. It is also our opportunity to find out what seems to be working well for our recipients and what possibly needs improvement or modification. It also lets us discover where our technical assistance has helped Recipients to comply and where we need to provide more training or clearer instructions. We can learn a lot from our clients that can lead to a better Program for all concerned.

Congratulations on your BEGIN Program award. Hopefully, this manual will help you be successful in administering your award. GOOD LUCK!