

State of California

Department of Housing and Community Development Division of Federal Financial Assistance



Community Development Block Grant - Disaster Recovery (CDBG-DR) ReCoverCA Homebuyer Assistance Program Policies and Procedures 2017, 2018 and 2020

Overview

Purpose:	To establish the policies and procedures for the administration of the ReCoverCA Homebuyer Assistance Program (DR-HBA)
Applies to:	All HCD employees, individuals and organizations representing HCD while administering the DR-HBA program
Version:	Version .0
Cancels	None

Version Policy

Version history is tracked in the table below (Version History Section), with notes regarding version changes. The dates of each publication are also tracked in the table.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

Version History

Version Number	Date Revised	Key Revisions
v1	6-10-2024	Final
V2	4-17-2025	Final
V3	10-01-2025	Final
V4	03/16/2026	Final Section 4.2.1 deleted “Household members who were minors at the time of disaster are not eligible” Section 4.2.2, Section 5.4 and Section 7.4 Gift funds from family are included in personal asset cap

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1. Definitions

Access and Functional Needs - A population of individuals who may have additional needs before, during, and after an incident in functional areas, including but not limited to, maintaining independence and communication.

Affirmatively Furthering Fair Housing (AFFH) - AFFH is a legal requirement that federal agencies and federal grantees further the purposes of the Fair Housing Act. HUD's AFFH rule provides an effective planning approach to aid Program participants in taking meaningful actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination. Additionally, the Program follows California AFFH rules as applicable per California Government Code 65583 and 65583.2; and Division 1 of Title 2, Chapter 15 commencing section 8899.50.

Applicant – A person whose primary residence was in the High or Very High Fire Severity Zone which was in a MID county impacted by eligible 2017, 2018 or 2020 federally declared disasters.

Area Median Income (AMI) - Calculated annual limits based on HUD-estimated median Household income with adjustments based on Household size used for demonstrating low-to-moderate income beneficiaries in the Programs.

Borrower - An applicant who is approved for a loan.

California Department of Forestry and Fire Protection (CAL FIRE) – the department responsible for fire protection throughout California as well as various other emergency services in 36 of the State's 58 counties.

California Environmental Quality Act (CEQA) – Requires state and local government agencies to inform decision makers and the public about the potential environmental impacts of proposed projects, and to reduce those environmental impacts to the extent feasible.

California State Office of Historic Preservation (OHP) - responsible for administering federally and state mandated historic preservation programs to further the identification, evaluation, registration, and protection of California's irreplaceable archaeological and historical resources under the direction of the State Historic Preservation Officer (SHPO), a gubernatorial appointee, and the State Historical Resources Commission.

Closing Costs - Ordinary and reasonable expenses over and above the price of the property incurred by buyers and sellers when transferring ownership of a property and completing the closing of a mortgage loan.

Code of Federal Regulations (CFR) - The codification of the general and permanent rules published in the Federal Register by the departments and agencies of the Federal Government.

Debt-to-Income Ratio - The total percentage-of-debt to income after all debt and housing costs are included

Disability - For the purposes of the Program, consistent with federal law under the Social Security Act, as amended, 42 U.S.C. § 423(d), The Americans with Disabilities Act of 1990, as amended, 42 U.S.C. § 12102(1)-(3), and in accordance with HUD regulations at 24 C.F.R. §§5.403, 891.505.

Disaster Recovery Grant Reporting System (DRGR) - The Disaster Recovery Grant Reporting system was developed by HUD's Office of Community Planning and Development for the CDBG Disaster Recovery Program and other special appropriations. Data from the system is used by HUD staff to review activities funded under these Programs and for required quarterly reports to Congress.

Down Payment - The difference between the lesser of sale price or the appraised value of the property and the first mortgage amount.

DR-4382 – Carr and Mendocino Complex Fires (California Wildfires and High Winds). Incident Period July 23, 2018 – September 19, 2018, Major Disaster declared on August 4, 2018. Designated Counties: Shasta and Lake.

DR-4407 - Camp, Hill, and Woolsey Fires (California Wildfires). Incident Period November 8, 2018 - November 25, 2018. Major Disaster declared on November 12, 2018. Designated Counties: Butte, Los Angeles, and Ventura.

DR-4558 – California Wildfires. Incident Period August 14, 2020 - September 26, 2020. Major Disaster declared on August 22, 2020. Designated Counties: Butte, Lake, Lassen, Mendocino, Monterey, Napa, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Stanislaus, Trinity, Tulare, and Yolo Counties.

DR-4569 - California Wildfires. Incident Period September 4, 2020 - November 17, 2020. Major Disaster declared on October 16, 2020. Designated Counties: Fresno, Los Angeles, Madera, Mendocino, Napa, San Bernadino, San Diego, Shasta, Siskiyou, and Sonoma Counties.

DR-4344- California Wildfires. Disaster declared October 2017. Federally declared disaster areas: Butte, Lake, Mendocino, Napa, Nevada, Orange, Sonoma, Yuba Counties.

DR-4353 – California Wildfires and mudslides. Disaster declared in December 2017. Federally declared disaster areas: Los Angeles, San Diego, Santa Barbara, Ventura Counties.

Duplication of Benefits (DOB) - The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster as to which he has already received financial assistance under any other Program or from insurance or any other source. A duplication of benefits occurs when an Applicant receives financial assistance from multiple sources, and the total amount of the assistance

exceeds the remaining eligible need for a specific recovery purpose.

Eligible Counties / Impacted Counties- The 2018 MID areas as defined in the Federal Register Notices governing the appropriations funding this Program from the DR-4382 and DR-4407 disasters are Shasta, Lake, Butte, and Los Angeles counties.

The 2020 MID areas as defined in the Federal Register Notices governing the appropriations funding this Program from the DR-4558 and DR-4569 disasters are Butte, Fresno, Napa, Santa Cruz, Los Angeles, Shasta, Siskiyou, Solano, and Sonoma counties.

The 2017 MID areas as defined in the Federal Notices governing the appropriations funding this Program from DR-4344 and DR-4353 disasters are Sonoma County, Ventura County and the following zip codes: 95470, 95901, 94558, 95422 and 93108.

Environmental Protection Agency (EPA) - The United States Environmental Protection Agency protects people and the environment from significant health risks, sponsors and conducts research, and develops and enforces environmental regulations.

Environmental Review - All qualified projects must undergo an Environmental Review process. This process ensures that the activities comply with National Environmental Policy Act (NEPA) and other applicable state and federal environmental laws.

Escrow - Account held by a third-party where Program, Applicant, and Mortgage Lender funds are deposited, held, and then transferred to the Seller at closing.

Exclusions – Assistance received by an Applicant which will not constitute a duplication of benefits, referred to as non-duplicative or offsets.

Fair Housing Act - The Fair Housing Act of 1968, 42 U.S.C. § 3601-3619, prohibits discrimination against protected classes of people in the sale or rental of housing, in the provision of housing assistance, or other housing-related activities. The Act obligates HUD grantees and their Subrecipients to take reasonable steps to ensure meaningful access to their programs and activities for protected classes. The Act also requires HUD and its program participants to affirmatively further the purposes of the FHA.

Federal Register - The official journal of the Federal government of the United States that contains government agency rules, proposed rules, and public notices. A Federal Register Notice (FRN) is issued for each CDBG-DR funded disaster. The FRN outlines the rules that apply to each appropriation of disaster funding.

Fire Hazard Severity Zones (FHSZ) – Geographical areas designated pursuant to State Codes. FHSZ are assigned a fire hazard level based on the factors that influence fire likelihood and fire behavior. Factors considered to determine FHSZ are climate, fire history, existing and potential fuel (natural vegetation), predicted flame length, blowing embers, terrain, topography, and typical fire weather for the area.

See also **Wildland- Urban Interface (WUI) Area and Wildland-Urban Interface**

Area Building Codes defined below.

Fire Hazard Severity Zone Maps - CAL FIRE mapping of fire zone designations which can be viewed here - [Fire Hazard Severity Zone Viewer \(arcgis.com\)](https://arcgis.com)

Floodplain - FEMA designates Floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

- 3 “100-year Floodplain” — the geographical area defined by FEMA as having a one percent chance of being inundated by a flooding event in any given year.
- 4 “500-year Floodplain” — the geographical area defined by FEMA as having a 0.2 percent chance of being inundated by a flooding event in any given year.

Front-end Ratio - The total percentage of debt-to-income after housing costs, including mortgage payment (principal and interest), mortgage insurance payment, homeowners’ association’s dues, property taxes, and hazard and flood insurance premiums.

Green Building Standards – guidelines for creating structures and using processes that are environmentally responsible and resource-efficient throughout a building’s lifecycle from siting to design, the purchase, operation, maintenance, renovation, and demolition. The goal of green building standards is to make efficient use of land, materials, energy, and water while generating minimal waste and providing a healthy indoor environment for occupants.

GSFA – Golden State Finance Authority, the Subrecipient who is responsible for implementation of the HBA Program on behalf of HCD.

HBA - Homebuyer Assistance program offered by the California Department of Housing and Community Development using CDBG-DR funding from HUD.

HCD - California Department of Housing and Community Development

High and Very High Fire-Severity Risk Area - Areas defined by CAL FIRE’s most recently published [Fire Hazard Severity Zone Viewer \(arcgis.com\)](https://arcgis.com) See also Fire Hazard Severity Zones (FHSZ).

HUD - (U.S. Department of Housing and Urban Development) - A Federal agency providing a variety of resources that can help state and local governments and other HUD-funded departments, agencies, or organizations prepare for and recover from disasters. For some Presidentially declared disasters, Congress may make an appropriation via the CDBG-DR Program, which provides funding to State, Tribal, and local entities for housing, economic development, infrastructure, public services, planning, resilience, and mitigation Programs and projects.

Household - A Household is defined as all people occupying the same housing unit, regardless of their relationship to each other.

Housing Incentive - An amount determined by Program at its sole discretion, after completing an affordability underwriting process, that can be used to increase the HBA grant amount up to the grant cap, as needed to assist the Applicant in acquiring a Decent Safe and Sanitary DSS replacement home and still meet the affordability

standards per Program policies. Total Downpayment amount plus 5% of total loan to value amount to cover the Closing Cost and prepaids not exceeding the grant cap of \$350,000.

Incapacity – When someone is “without understanding”, “of unsound mind”, or “suffers from mental deficits so substantial that they lack the legal capacity” to take care of themselves and make appropriate decisions.

Limited English Proficiency (LEP) - A designation for persons that are unable to communicate effectively in English because their primary language is not English, and they have not developed fluency in the English language. An LEP person may have difficulty speaking or reading English and benefits from an interpreter who translates to and from the person’s primary language. A LEP person may also need documents written in English translated into his or her primary language so that person can understand important documents related to health and human services.

Low to Moderate Income (LMI) Household - A Household is low or moderate if the Household income (including income derived from assets) is at or below 80 percent of an area’s median income. All income is based on the Area Median Income limits set annually by HUD for each county or metropolitan statistical area.

Low to Moderate Income National Objective - Activities that benefit Households with income that does not exceed 80 percent of the Area Median Income:

Very low: Household’s annual income is up to 30% of the Area Median Income, as determined by HUD, adjusted for Household size

Low: Household’s annual income is between 31% and 50% of the Area Median Income, as determined by HUD, adjusted for Household size

Moderate: Household’s annual income is between 51% and 80% of the Area Median Income, as determined by HUD, adjusted for Household size

Manufactured Housing Unit (MHU) - Also known as a Manufactured Home as defined by 24 C.F.R. part 3280. A Manufactured Home is a structure that is transportable in one or more sections which, in the traveling mode is eight body-feet or more in width, or forty body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis and is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein. The structure must be designed for occupancy as a principal residence by a single family. All Manufactured Homes must have a HUD Certification Label affixed and must meet the requirements of HUD-Code for Manufactured Homes as set by the National Manufactured Housing Construction and Safety Standards Act of 1974, and 24 C.F.R. part 3280 & 3282. The MHU must be built to meet local and regional building codes.

Modular Housing - A home built-in section in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently affixed to one site.

Most Impacted and Distressed (MID)- HUD-defined areas of greatest impact from a

disaster where 80 percent of CDBG-DR funding must be spent.

The 2018 MID areas as defined in the Federal Register Notices governing the appropriations funding this Program from the DR-4382 and DR-4407 disasters are Shasta, Lake, Butte, and Los Angeles counties.

The 2020 MID areas as defined in the Federal Register Notices governing the appropriations funding this Program from the DR-4558 and DR-4569 disasters are Butte, Fresno, Napa, Santa Cruz, Los Angeles, Shasta, Siskiyou, Solano, and Sonoma counties.

The 2017 MID areas, as defined in the Federal Notices governing the appropriations funding this Program from DR-4344 and DR-4353 disasters are Sonoma County, Ventura County and the following zip codes: 95470, 95901, 94558, 95422 and 93108.

National Environmental Policy Act (NEPA) - Establishes a broad national framework for protecting the environment. NEPA's basic policy is to assure that all branches of government give proper consideration to the environment prior to undertaking any major federal action that could significantly affect the environment.

National Objective - the authorizing statute of the HUD CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three National Objectives. The three National Objectives are:

- Benefit to low- and moderate-income people.
- Aid in the prevention or elimination of slum or blight; and
- Meet a need having a particular urgency (referred to as Urgent Need).

Occupational Safety and Health Administration (OSHA) - Ensures safe and healthful working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education, and assistance.

Owner-Occupant – person meeting criteria of having an ownership interest in a property while also occupying that same property as their primary residence.

Owner-Occupied Unit – housing unit meeting the criteria of having someone with an ownership interest in the property also occupying that same property as their primary residence.

Personally Identifiable Information (PII) - Information that can be used to distinguish or trace an individual's identity, such as name, and social security number, alone, or when combined with other personal and identifying information which is linked or linkable to a specific individual, such as date, place of birth, mother's maiden name, etc.

PITI - Principal, Interest, Taxes, and Insurance used in the mortgage debt-to-income ratio analysis.

Primary Residence – A property that is occupied the majority of the calendar year and considered the Borrower's permanent place of living. It is not a secondary or vacation home. A person may have only one Primary Residence at any time.

Primary Residence Homeowners' Property Tax Exemption - property tax exemption granted by subdivision (k) of Section 3 of Article XIII of the California Constitution providing for an exemption in assessed value on any property owned and occupied as the owner's principal place of residence.

Promissory Note – A binding document between the Borrower and a lender outlining the terms of the loan such as loan amount, interest rate and payment plan with a written promise to pay at a future time.

Senior or Senior Citizen - an individual who is at least 62 years of age as of Program application date.

State Historic Preservation Officer (SHPO) - responsible for the operation and management of the Office of Historic Preservation, as well as long range preservation planning.

Subject Property – The proposed property that the Applicant is under contract to purchase with HBA funds.

System of Record (SoR): The HCD web-based digital system that transacts, stores and/or reports all program activity.

Tier I Environmental Review - A broad evaluation encompassing geographical areas or neighborhoods often with similar environmental characteristics.

Tier II Environmental Review - An evaluation conducted of site-specific conditions to determine if the proposed purchase action has a significant impact on the environment based on Review Topics from 24 C.F.R. part 58.

Urgent Need National Objective - Represents an Urgent Need that exists because existing conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent (typically within 18 months), and the Subrecipient cannot finance the activities on its own because other funding sources are not available.

Wildland-Urban Interface (WUI) Area - Geographical area identified by the state as a "Fire Hazard Severity Zone" or designated to be at a significant risk from wildfires where structures and other human development meets or intermingles with wildland or vegetative fuels.

2. Program Background and Summary

As part of the State's Disaster Recovery Action Plan for the 2017, 2018 and 2020 disasters, HCD has allocated approximately \$55 million to administer the ReCoverCA Homebuyer Assistance Program ("the Program" or "DR-HBA"). The impacts of the disasters may have required homeowners to temporarily relocate to other areas of the state for housing, work or other needs. Additionally, many Households may not be able to afford long term homeownership in their current location due to high costs associated with rebuilding, maintenance, and insurance. Therefore, in collaboration with its Subrecipient, Golden State Finance Authority (GSFA), the DR-HBA Program will provide down payment and other assistance in the form of forgivable loans up to \$350,000 to low- and moderate-income disaster impacted homeowners and renters whose primary residence at the time of the qualifying disasters in 2017, 2018 or 2020 was in a High or Very High Fire Hazard Severity Zone in a Most Impacted and Distressed (MID) County to cover the funding gap between the amount of the Applicant's first mortgage and the purchase price of a new home, enabling them to relocate outside of high fire risk areas (High-or Very High-Fire Hazard Severity Zones).

The primary objectives of DR-HBA are to assist communities recovering from the impacts of disaster by providing decent housing and suitable living environments and to expand economic opportunities, principally for LMI persons. Additionally, the Program aims to increase the level of homeownership among impacted disaster survivors and contribute to the affordability and sustainability of communities across the State.

Applicants must work with an approved lender for pre-qualification and reservation of funds in the Subrecipient's portal. The lender will determine eligibility and submit an initial compliance package to the Subrecipient for review and issue a commitment letter. To determine the award amount, the Subrecipient completes an affordability review after subtracting the amount of duplicative assistance received by the homeowner.

As a condition of funding, the homeowner is required to meet program requirements, including maintaining ownership and occupancy of the home as their primary residence for a period of five (5) years after the close of escrow.

The purpose of this document is to outline the governing policies and procedures of the Program. As periodic updates are required to these policies and procedures, new versions will be posted on the HCD disaster recovery website ([Disaster Recovery & Mitigation | California Department of Housing and Community Development](#)) with a description of the changes made.

All updated policies and procedures will be in effect for all Applicants once published on the Department's website.

2.1 National Objective

In accordance with 24 CFR 570.208 and Section 104(b)(3) of the Housing and Community Development Act (HCDA), all CDBG-DR funded activities must satisfy a National Objective. All DR-HBA activities will meet the Low to Moderate Income

(LMI) housing National Objective by serving LMI beneficiary Households and persons whose income is at or below 80 percent of the HUD Area Median Income (AMI) based on the county where the Subject Property will be located.

3. Program Description

3.1 Roles and Responsibilities

3.1.1 HUD

HUD maintains all federal rules, regulations, and documents related to the CDBG-DR appropriation to the State of California. Categories of activities are determined by HUD (Section 105(a) of the Housing and Community Development Act of 1974 (HCDA)) and are set forth in the rules and regulations specific to the CDBG-DR funds allocated to the State of California for the eligible disasters listed in Section 4.2 below. HUD is also responsible for monitoring and oversight of all CDBG-DR Programs executed by HCD.

3.1.2 HCD

HCD's Single Family Housing Section of the Disaster Recovery Branch in the Division of Federal Financial Assistance is responsible for DR-HBA Program development and oversees its delivery at the state level.

The state will directly carry out the DR-HBA Program through a Subrecipient agreement with Golden State Finance Authority (GSFA), a California Joint Powers Authority duly constituted public entity and agency. As HCD's Subrecipient, GSFA will provide end-to-end program management and implementation.

3.1.3. Subrecipient

The Subrecipient, GSFA is responsible for implementation of the Program, including application review, eligibility determination, affordability determination, first loan qualification, coordinating closing, monitoring, and reporting. Additionally, Subrecipients will provide case management services for Applicants throughout the process, implement internal quality control processes to ensure compliance and prevent fraud, waste, and abuse, and serve as a liaison between HBA Applicants and all parties included in the purchase process (lender, real estate professionals, escrow, title, insurance agents...etc.), as needed.

Applicants will have assigned loan consultants and processors from Subrecipient's lender partners, to support them through the purchase process from application through closeout. Also, Subrecipient will track program Applicant progress in Subrecipient's System of Record. The Subrecipient will also support Program marketing and outreach efforts, ensuring vital information on the Program is made available to impacted residents and encouraging participation in the Program.

3.2 Eligible Counties

Program eligibility is limited to residents of the HCD identified Most Impacted and Distressed (MID) California counties eligible to receive housing assistance through the Federal Emergency Management Agency (FEMA) Individual Assistance

pursuant to the **2018** Federal Major Disaster Declarations DR-4382 and DR-4407. The following counties eligible for 2018 funds include: **Butte, Lake, Los Angeles and Shasta. Counties.**

Program eligibility is limited to residents of the HCD identified Most Impacted and Distressed (MID) California counties that are also eligible to receive housing assistance through the Federal Emergency Management Agency (FEMA) Individual Assistance pursuant to the **2020** Federal Major Disaster Declarations DR-4558 and DR-4569. The following counties eligible for 2020 funds include: **Butte, Fresno, Los Angeles, Napa, Santa Cruz, Shasta, Siskiyou, Solano, and Sonoma Counties.**

Program eligibility is limited to residents of the HCD identified Most Impacted and Distressed (MID) California counties or areas that are also eligible to receive housing assistance through the Federal Emergency Management Agency (FEMA) Individual Assistance pursuant to the **2017** Federal Major Disaster Declarations DR-4344 and DR-4353. The following areas are eligible for 2017 funds include: Sonoma County, Ventura County and the following zip codes: 95470, 95901, 94558, 95422 and 93108.

3.3 Summary of Assistance

The Program will provide assistance in the form of a second loan, forgivable after the 5-year monitoring period. HBA program assistance is intended to cover the Applicant's down payment, Closing Costs and prepaids associated with the purchase, rate buy-down as needed to achieve program affordability, and in some case the program will offer an additional Housing Incentive to enhance the affordability or housing suitability of the proposed acquisition.

The assistance (second loan) amount will be approved for qualified Applicants after GSFA has completed the initial application and compliance process per program requirements set forth in Section 5.

The intent of the HBA program is to fill the gap of affordability between what the Applicant could afford as first mortgage and the purchase price of the property making the home's Principal, Interest, Taxes and Insurance (PITI) payment plus all other monthly debt payments being no more than 45% of the Household's verified gross income. The first lender must ensure the Applicant is approved for the maximum loan amount possible under the first loan underwriting guidelines as this will directly impact on the HBA grant amount.

The homebuyer assistance award amount will be based on the purchase price or the appraised value, whichever is less, then subtract the first mortgage loan amount, then add the Closing Cost and prepaids. The maximum amount of assistance is capped at \$350,000 per eligible Applicant. The Applicant must contribute the excess funds from own source or other sources acceptable to the first lender if the funds required for closing is more than the combined amount of first mortgage and the capped grant amount (Refer to Scenario 1 in table below). Any additional funds required for closing will be based on first lender underwriting guidelines.

As noted above, for any purchase to be approved, all program requirements

including maximum Debt-to-Income Ratio and first loan approval must be met.

Sample Award Calculations

	Scenario 1	Scenario 2	Scenario 3
A. Purchase Price or Appraised Value (whichever is less)	\$600,000	\$600,000	\$600,000
B. (-) Maximum First Mortgage Loan Amount	\$250,000	\$400,000	\$150,000
C. Required Down Payment (a-b)	\$350,000	\$200,000	\$450,000
D. (+) Closing Cost and prepaids	\$15,000	\$15,000	\$9,000
E. Cash required for closing (c+d)	\$365,000	\$215,000	\$459,000
F. (-) Greater of DOB or required liquid asset contribution	\$35,000	\$0	\$40,000
G. Amount required for closing (e-f)	\$330,000	\$215,000	\$419,000
H. Maximum Grant Amount Allowed (Lesser of line G or \$350K)	\$330,000	\$215,000	\$350,000
I. Required Borrower Contribution (e-h)	\$35,000	\$0	\$109,000

3.3.1 Grant Cap Exception

HCD recognizes that limitations may arise regarding the award cap amount in certain circumstances. Therefore, exceptions may be granted on a case-by-case basis to accommodate costs associated with modifications necessary to comply with federal accessibility standards or to provide reasonable accommodation for individuals with disabilities. The grant cap of \$350,000 may be exceeded by the amount of accommodation approved by HCD. Subrecipient to collect the following documents and submit a recommendation to HCD for approval.

Documentation Requirements:

The applicant must submit acceptable documentation to establish the need for an exception. Documentation must include, but is not limited to:

- A detailed cost estimate for the proposed modifications from a licensed contractor.
- Any additional supporting documents that justify the necessity of the modifications for accessibility purposes.

Review Process:

- The review will assess the justification provided, the scope of the requested modifications, and alignment with federal accessibility standards.

Notification:

- Subrecipient will be notified of HCD's decision within 10 business days of the submission of their request.

3.4 Program Marketing

The Subrecipient will ensure that the public in the eligible areas is aware of the program and the program participation requirements. The program is subject to fair housing laws, and the general requirement to Affirmatively Further Fair Housing as defined above.

The Subrecipient administering the CDBG-DR Program is committed to affirmatively furthering fair housing through established affirmative marketing policies. Affirmative marketing efforts for the disaster funding will include the following:

- A. An Affirmative Marketing Plan, based on the U.S. Department of Housing and Urban Development (HUD) regulations, will be submitted to the HCD for approval. The plan must outline the policies and procedures for housing activities. The procedures cover dissemination of information, technical assistance to Applicants, vendor partners, reporting requirements, and program review.

The goal is to ensure that, eligible persons from all racial, ethnic, national origin, religious, familial status, the disabled, "special needs," gender groups, and/or other populations least likely to apply, are:

- Fully informed of the program and property requirements
- Encouraged to apply to the HBA Program funds to purchase a home
- Given the opportunity to buy home of their choice subject to terms of the HBA program.

These elements will be included as the Program is marketed. In addition, in dealing with realtors, lenders, and other housing professionals, the Program will require the Subrecipient to report any actions taken by these professionals that are discriminatory in intent or effect.

- B. Program participants will be informed about available opportunities and supporting requirements via GSFA, counselors, printed and electronic materials, publications, direct contact, workshops/seminars, and through the placement of flyers/posters in public facilities. Emphasis should be focused on successful outreach to LMI areas and those communities that were affected by the disaster.
- C. In addition to marketing through widely available media outlets, efforts will be made to affirmatively market the CDBG-DR Program as follows:
 - Advertise with local media outlets, including newspapers and broadcast media, which provide unique access for persons who are considered

- members of a protected class under the Fair Housing Act. Include flyers in utility and tax bills, and County resource offices advertising the Program, where feasible. Reach out to public or non-profit organizations and local realtor associations and hold/attend community meetings, where feasible. Other forms of outreach tailored to reaching the eligible population, if necessary.
- Applications and forms made available through Subrecipient contractors will be offered in English and other languages prevailing in the region, in accordance with Title VI of the Civil Rights Act of 1964. In addition, every effort will be made to assist such Applicants in the application process. Program marketing literature made available via the Subrecipient website will be available in English and Spanish and every effort will be made to refer Applicants to Subrecipient contractors supporting other languages prevailing in the region.
 - Measures will be taken to make the Program accessible to persons who are considered members of a protected class under the Fair Housing Act when holding informational meetings in-person, by holding said meetings in buildings that are compliant with the Americans with Disabilities Act (ADA), providing sign language assistance when requested, and providing special assistance for those who are visually impaired when requested. Information meetings held virtually will be recorded and made available with closed captioning for those who are hearing impaired.
 - Documentation of all marketing measures used, including copies of all advertisements and announcements, will be retained, and made available to the public upon request.
- D. The Subrecipient will be required to use the Fair Housing logo in Program advertising, and, in general, inform the public of its rights under Fair Housing regulations law. The Subrecipient will require Subrecipient contractors taking program applications to use the Fair Housing logo in Program advertising, post Fair Housing posters and related information, and, in general, inform the public of its rights under Fair Housing regulations law.
- E. Evaluation of outreach activities and applications received will be necessary to determine if outreach is successful and applications that are being received accurately reflect the socioeconomic and other forms of demographic diversity identified in the Needs Assessment. Evaluation should be an ongoing process and begin no later than one month after the Subrecipient begins accepting applications. The Subrecipient should review these reports before the Subrecipient contractors begin qualifying Applicants, and periodically thereafter.
- F. The availability of the Program funds shall be advertised at a minimum through the following venues: local newspapers, local broadcast media, public or non-profit organizations, community meetings, other public groups. Other outreach may include use of flyer in utility bills, church bulletins, county resource offices local realtor associations.

The Subrecipient will evaluate outreach activities and applications received to ensure the Program is available to a diverse population.

3.5 Program Accessibility

In addition to its nondiscrimination and physical accessibility requirements, Section 504 requires that a HUD recipient's Program, when viewed in its entirety, is usable and accessible to persons with disabilities. This obligation applies to HCD, its Subrecipients, and its partners. It includes, but is broader than, the obligation to provide accessible units in accordance with 24 CFR 8.22 and 8.23. This obligation would include the following:

- All program activities, including public hearings, homebuyer briefings, counseling sessions and meetings should be held in locations that are accessible to persons with disabilities.
- Information about all programs and activities should be disseminated in a manner that is accessible to persons with disabilities. Auxiliary aids and special communication systems should be used for program outreach, public hearings related to housing programs, and other program activities.
- Any Program documents to be posted on HCD's website must meet [Web Content Accessibility Guidelines 2.0 \(WCAG 2.0\)](#).

Reasonable steps should be taken to provide information about available accessible units to eligible persons with disabilities. Homebuyer programs are not required to produce accessible units except to work with homebuyers with accessibility needs under the reasonable accommodations and reasonable modifications policy described below. Program advertising should acknowledge that the program will work with Households with accessibility needs.

3.6 Applicant Information Confidentiality

HCD, its Subrecipients, and its partners, will observe all Privacy Act requirements. The Subrecipient to ensure adequate procedures are in place to collect and process Applicant information, while providing assurances that any Personally Identifiable Information (PII) is handled properly and sufficiently protected. The Subrecipient and its contractors to ensure that each system user has restricted rights to features and modules approved only for their level of access in the System of Record. Subrecipient and its contractors will be required to execute Data Sharing Agreement in the form provided and approved by HCD. Multi-Factor authentication is a feature that requires more than one form of authentication to verify user identity for a login or other transactions to protect user data.

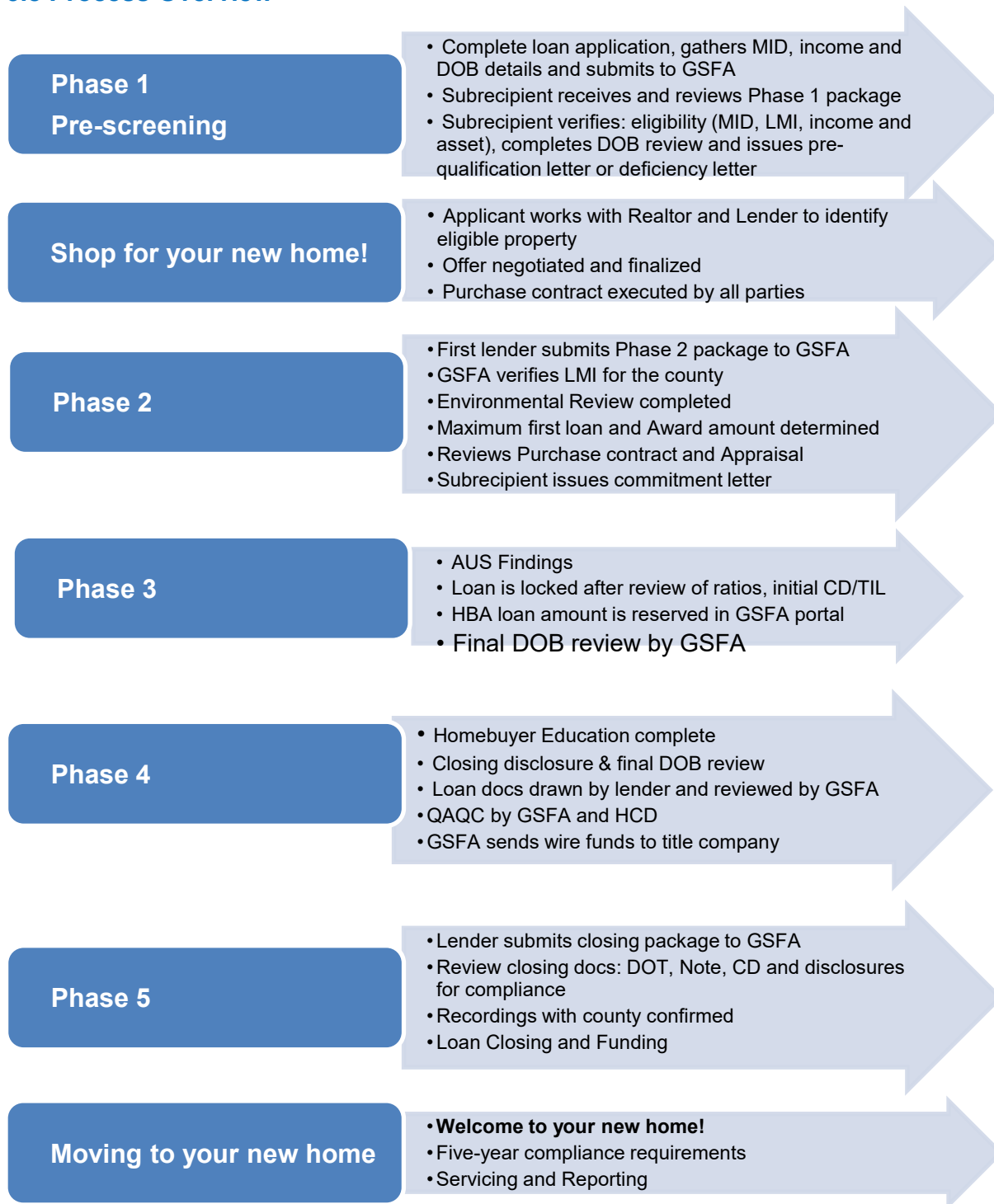
3.7 Waiting List Maintenance

Should the demand for the Program funding exceed the amount of funding available, a waiting list is maintained until all CDBG-DR funds have been disbursed and the Program closed. The waiting list will be maintained in chronological order of application, and Applicants drawn in chronological order for processing as funds become available.

Placement on the waiting list does not require that incomes be certified, or other program guidelines be met in advance, as income qualifications need to be current for delivery of assistance. Qualification for the program will be evaluated at time the Applicant is selected from the waiting list for processing.

Letters, emails, or phone calls to Applicants on a regular basis will be used to determine continued interest in remaining on the waiting list.

3.8 Process Overview



3.9 Proposed Timeline

The Program is anticipated to be fully launched in June 2024 and remain operational through the end of the grant term as determined by HUD (generally six years from the approval of the grant agreement between HUD and HCD), until all HBA funds are expended, or until all LMI homeowners eligible for assistance have been assisted, whichever comes first..

3.10 Program Contact Information

California Department of Housing and Community Development
Division of Federal Financial Assistance
Disaster Recovery Single Family Housing Branch
Homebuyer Assistance Program
651 Bannon Street
Sacramento, Ca 95811
DisasterRecovery@hcd.ca.gov

Golden State Finance Authority
1215 K Street, Suite 1650,
Sacramento, CA 95814
916-384-1619
info@gsfahome.org

4. Program Eligibility Requirements

4.1 General Eligibility

4.1.1 Tie back to the disaster.

As the state recovers from the devastating fires in 2017, 2018 and 2020, the state is including HBA as a part of its housing portfolio of programs to meet the needs of Disaster Impacted homeowners and renters. The HBA program is available to Households who lived in a High or very High Fire Hazard Severity Zone in the Most Impacted and Distressed (MID) Counties and are looking to relocate outside of these high fire areas.

4.1.2 Threshold Eligibility Criteria

To be eligible to apply to the HBA Program, Applicants must meet the following threshold criteria:

- Be a U.S. citizen or a qualified alien as defined in Title IV of the Personal Responsibility and Work Opportunity Act of 1996 (PRWOA), to receive CDBG-DR benefits pursuant to Executive Order 14218 (90 FE 10581), signed on February 19, 2025. The PRWOA provides that, with certain exceptions, only United States citizens, United States noncitizen nationals and "qualified aliens" (and sometimes only particular categories of qualified aliens) are eligible for federal, state and local public benefits
- Meet the Household Income restrictions that are at or below 80% of HUD's Area Median Income for the county in which the Subject Property will be located, adjusted for family size.
- They have occupied as their primary residence, a legal dwelling (conventional build, mobile home, manufactured home or Recreational Vehicle) that was located in one of the Eligible Counties under the HBA program. The primary residence at the time of the disaster had to have been in the adopted High or very High Fire Hazard Severity Zone in the State Responsibility Area or the recommended High or very High Fire Hazard Severity Zone in the Local Responsibility Area as provided in [CalFIRE's Fire Hazard Severity Zone Maps](#).
- Have not had any ownership interest in any other real estate dwelling at the time of application to closing. However, real estate held in real estate investment trusts, trust to benefit a disabled family member where the Applicant does not reside, and timeshares are excluded and acceptable.
- Have legal authority to enter into a mortgage lien on the subject property.

4.1.3 Required Identification Documentation

All Applicants qualifying for the Program based on the threshold criteria are required to submit one of the following documentations to verify identity:

- Photo ID - Driver's license, Government issued ID, or Passport for all Applicants and co-Applicants.

- Qualified alien should also provide an unexpired copy of permanent resident card (front and back copy)

4.2 Applicant Eligibility Requirements

4.2.1 Primary Residency and Ownership

- Applicants' primary residence at the time of the disaster must have been located in a High or very High Fire Hazard Severity Zone in a MID County. The following documents may be deemed acceptable to verify Primary Residency and location at the time of the disaster:
 - Filed IRS 1040 tax returns for the disaster year.
 - W2 for year of disaster or IRS transcript.
 - Property tax exemption
 - FEMA Individual Assistance (IA) or SBA Disaster loan approval letters
 - Voter registration card dated prior to the fire.
 - Utility bills, insurance documents which verify primary residence.
 - Other legal documents may be acceptable on a case-by-case basis.
- Renters: Any of the above documents or copy of lease/rental agreement, a letter from landlord management company verifying the applicant/s, address of primary residence and dates of rental history, copies of utility bills for the month immediately following the disaster in the Applicant's name for the address listed in the lease/rental agreement
- In addition to the above documentation, the Program will verify the Applicant's Primary Residence at the time of the disaster was located in an adopted High or very High Fire Hazard Severity Zone in the State Responsibility Area or the recommended High or very High Fire Hazard Severity Zone in the Local Responsibility Area by using [CalFIRE's Fire Hazard Severity Zone Maps](#).
- Applicants who were previously homeowners must provide a copy of a certified final closing disclosure verifying the disaster impacted property was sold in order to be eligible for the HBA program.
- Co-owners are only permitted if they will occupy the home as their Primary Residence. The income and assets of all co-owners will be included in determining if the Household qualifies based on the income and asset requirements of the HBA program.
- Co-Applicants are acceptable based on marriage and/or the addition of new adult Household members provided the income and assets of all adult Household members shall be included in determining eligibility. However, Applicant or any co-Applicant may not have any homeownership interest in

any real property at the application to closing of escrow.

- Non-occupant co-signors and non-occupant co-Borrowers are not allowed.
- Only one award will be available per Household. Household members cannot submit separate Applications to purchase more than one property if that member resided in the same Household.
-
- Purchase of a second home is not eligible under HBA Program
- The Program reserves the right, in its sole discretion, to require the Applicant to provide additional documentation at any point during the Application process.

4.2.2 Income Eligibility

The Household's annual gross income cannot exceed 80% of [HUD](#) Area Median Income (AMI), adjusted for family size in the county where the Subject Property will be located. The income of all Household Members over the age of 18 will be included in determining if the Household qualifies based on the income requirements of the HBA Program.

4.2.3 Asset Requirement for Downpayment

All liquid assets of more than \$100,000 must be contributed towards the purchase of the new home including any gift funds received from family members. The following asset types are excluded:

- Retirement funds, 401K, ROTH, individual IRA, 457 employer sponsored retirement and pension
- 529 College funds
- Healthcare Savings Account (HSA)
- Surrender value on life policies.
- Assets that are generating income and are used to qualify first mortgage.

4.3 Property Eligibility Requirements

4.3.1 Geographic Location

The eligible properties for purchase with HBA funds must be located within the state of California and shall not be in High or Very High Fire Hazard Severity Zones or in floodways as defined in [24CFR Part 55](#) . However, properties located in flood zones with adequate flood insurance coverage acceptable to first lender are allowed and subject to 42 U.S.C. 4012a. Flood insurance purchase and compliance requirements and escrow accounts. (a) Amount and term of coverage. (b) Requirements for mortgage loans.

Eligible properties must be located outside of High or Very High Fire Hazard Severity Zones. Verification that a property is not located in a local, state or federal High Fire

Hazard Severity Zone, is available through CalFire's Fire Hazard Severity Zone Viewer [Fire Hazard Severity Zone Viewer - LRA](#)

4.3.2 Eligible Property Types

The following property types are eligible for purchase with HBA Program funds:

- Single-family residences
- Single-family residence with accessory dwelling unit. An accessory dwelling unit is defined as an attached or detached residential dwelling unit that provides complete independent living facilities for one or more people and is located on the same lot as Primary Residence
- Properties located in Planned Unit Development. A planned unit development (PUD) is a group of single-family homes, condos, or townhouses where all the homeowners belong to a homeowner association (HOA).
 - HUD or FHLMC approved condominiums.
 - Manufactured homes (double wide, single wide) affixed on permanent foundation (refer to first lender guidelines CLTV restrictions may apply)
 - Newly constructed homes with certificates of occupancy are issued by the local authorities prior to the contract date.

4.3.3 Ineligible Property Types

- Properties located in High or Very High Fire Hazard Severity Zone areas
- Properties where fire insurance coverage is only available from CA Fair Plan (neither as a carrier or as a companion policy joint with traditional insurance provider)

Multifamily housing units (2+ units)

- Second homes or investment properties
- Properties under construction
- Leasehold, Condotels, or Cooperatives
- Mobile homes and manufactured homes not on permanent foundation
- Timeshares
- Vacant Lots

4.3.4 Household Size

The Program will apply the following occupancy standards, which sets the minimum and maximum number of bedrooms the Subject Property may have based on the number of people in a Household:

Number of Persons	Minimum # of Bedrooms	*Maximum # of Bedrooms
1	1	2
2	2	3
3	2	3
4	3	4
5	4	5

6 or more	4	5 or more
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*Bedroom in an accessory dwelling unit is not counted towards the maximum # of bedrooms

- One (1) Bedroom for a multi-generational member or other adults. A multigenerational Household is one that contains three or more parent-child generations; for example, the homeowner, child of the homeowner (either biological, stepchild, or adopted child), and parent or parent-in-law of the homeowner and a grand-child of the homeowner may also be a multigenerational Household.
- One (1) Bedroom for approved live-in aides or care provider

Generally, no more than two people are required to occupy a bedroom. In addition, the following situations will be considered:

- Live-in attendants, foster children, and children who are temporarily absent due to placement in a foster home are also counted when determining unit size count.
- Adult children on active military duty and permanently institutionalized family members are **not** included in the bedroom count.

Occupancy Standard Exceptions

In determining appropriate home size, the HBA Program may grant an exception to its established standards if determined that the exception is justified by the age, sex, health, disability, or relationship of Household members or other personal circumstances. Reasons may include the need for an additional bedroom due to disability or health conditions (e.g., for medical equipment) or one-member households seeking to purchase a 3-bedroom home due to unavailability of 2-bedroom homes in the applicant search area and larger family households unable to afford a home with more bedroom count. Occupancy standard exceptions are at the sole discretion of HCD.

Occupancy Verification Documents

Applicants must provide documentation for the Program to verify their current Household size. Acceptable documentation includes, but is not limited to:

Most recent year's IRS 1040 Tax Return for all Borrowers

- Household members who are not listed as dependents on Borrower/s most recent year's IRS 1040 tax returns and who are not required to file tax return may provide the following documents to verify they reside with the Borrowers in their current residence. The documents must contain the household member's name and property address of the Borrower:
- Copies of utility bills, insurance bills, income award letters, most recent 1099, paystubs or W2's for most recent year.
- Copies of birth certificates, adaptation papers for the new members

- A detailed letter of explanation from the applicant and copies of active home listings from real estate professional verifying limited availability of 2-bedroom homes in the search area.
- Other acceptable documents on case-by-case basis

The above requirement is for household members who will not be on the loan application.

4.3.5 Minimum Property Standards (MPS)

The Subject Property shall comply with all applicable requirements in the Appraiser and property Requirements for Title II Forward and Reverse mortgage section published in the FHA Single Family Housing Policy Handbook (HUD 4000.1).

Appraisals must be reported in accordance with “Acceptable Appraisal Reporting Forms and Protocols.” HUD’s required property Acceptability Criteria includes FHA’s Minimum Property Requirements (MPR) and MPS and provides the requirements for Appraisers to establish credible appraised value for a Subject Property.

These criteria apply to both existing and newly constructed homes with certificate of occupancy issued prior to the date of the purchase contract. GSFA will review the appraisal for accuracy and completeness and will also:

- Determine if the Subject Property meets HUD’s property Acceptability Criteria including HUD’s MPR/MPS, and may require inspections, certifications, or repairs by appropriate qualified professionals to demonstrate compliance with these criteria.
- Evaluate if the appraisal complies with the requirements in HUD’s Valuation and Reporting Protocols, and any additional appraisal requirements specific to the Subject Property, and complies with all applicable federal, state, and local laws, including the Fair Housing Act and other federal, state, or local antidiscrimination laws.
- Determine if the appraisal provides a credible analysis of the subject’s marketability and value. Determine if the property’s market value is sufficiently supported and the property will serve as adequate collateral for the grant and first loan.

Tenant-occupied properties must be vacant on the date of the contract. The subrecipient will verify on the appraisal that the occupant is either the owner of record or the Subject Property is vacant.

Homes purchased with HBA funds must pass occupancy and other required inspections for the applicable jurisdiction. There must be an inspection to confirm that the home is in decent, safe, sanitary, and code-compliant condition should the appraiser identify any health and safety concerns. The inspector must be an authorized person or entity approved to carry out such inspections by the local governing authority and satisfactory to the first lender’s underwriting guidelines. The Homebuyer must occupy the property within 60 days of closing.

Properties financed with HBA funds must meet the requirements listed below:

1. The property must be a single assessor's parcel number.
2. The property must be free of hazards and conditions that pose a risk to the health and safety of the occupants or adversely affect the structural soundness and use of the home.
3. The septic system (if present) must be functional.
4. Property must be free of soil contaminants.
5. No underground storage tanks.
6. The site must adequately drain water away from the perimeter of the walls.
7. Must have an acceptable and sufficient water supply.
8. Must have safe and sanitary sewage disposal.
9. Clearance of termite report from a licensed termite company if inspections disclose infestation.
10. Property must have safe and adequate access to cars and pedestrians from a public or private street.
11. Presence of any defective conditions, including but not limited to, poor construction, leaks, decay (A property with any defected conditions is considered unacceptable until the defects are corrected.)
12. Natural and adequate ventilation of attics and crawl spaces
13. Foundations must be in good condition.
14. Property must have sufficient access to the crawl space.
15. Roofs must be in good condition and prevent moisture from entering the home.
16. Mechanical systems must be safe, protected from destructive elements, functional, durable and of decent quality.
17. Heating sources must be safe, functional, and meet any local requirements.
18. Electricity must be available for lighting and any equipment used.
19. Additional health and safety hazards, including but not limited to, broken windows, blocked doors, steps without a handrail.
20. No presence of lead-based paint

4.3.6 Lead Based Paint

In Compliance with 24 CFR Part 35, prior to closing on any home built before 1978, the following measures must be taken regarding Lead Based Paint:

- If the appraiser determines lead-based paint risk, then the buyer or seller will need to perform stabilization measures of deteriorated paint prior to occupancy (Stabilization Measures are outlined in CFR 35.1330)
- Any stabilization or mitigation measures taken must be performed by a certified contractor and the work completed must comply with Lead-Safe Work Practices (24 CFR Part 1330)
- A qualified clearance examiner to examine the mitigation measures taken. Clearance will need to be provided by the qualified clearance examiner when paint stabilization is complete before proceeding with funding.
- Buyers to receive a copy of lead-based paint pamphlet disclosure for properties

built in 1978 or prior.

4.4 Owner of Record

To be eligible for HBA assistance, a property must be purchased from the Owner of Record vested on title. The transaction may not involve any sale or assignment of the Sales Contract. All transactions require a 12-month chain of title search from the title company. Documentation verifying that the seller is the owner of record must be obtained. Such documentation may include, but is not limited to:

- A property sales history report
- A copy of the recorded mortgage Deed from the Seller
- Other documentation, such as Title Commitment, or binder, demonstrating the Seller's ownership of the property and the date it was acquired.

Under no circumstances may an individual who is not the owner of record act as the seller of the Subject Property unless that individual is a duly authorized agent of the owner of record.

4.5 Environmental Review

For a property to be eligible for acquisition with HBA funds, the Program must document that each property has a completed satisfactory Environmental Review.

Activities under the HBA program are to assist homebuyers in the purchase of an existing dwelling unit, including Closing Costs, prepaids and down payment assistance, interest buydowns, and similar activities which result in transfer of title. HCD completed a review that evaluated and analyzed the potential environmental impacts of the proposed activity that will occur on a typical site and made the determination that the HBA program activity is Categorically Excluded Not Subject to Section 58.5 Pursuant to 24CFR Part 58.34(a) and 58.35(b).

In addition to making a written determination of Categorically Excluded Not Subject to Section 58.5 Pursuant to 24CFR Part 58.34(a) and 58.35(b), HCD, together with their Subrecipient and participating lenders, will also complete and record on a property-by-property basis, a review of compliance with laws and authorities listed at 24 CFR 58.6.

4.6 Eligible Activities

Eligible uses of the CDBG-DR funds are set in accordance with Section 105(a) (24) of the Housing Community Development Act of 1974, as amended, 42 U.S.C. § 5305, and Federal Register 83 FR 5844, 83 FR 40314, and 83 FR 5851. The Program utilizes CDBG-DR funds to provide direct assistance to homebuyers to facilitate and expand homeownership by using such assistance to:

- Pay up to 100 percent (100%) of the down payment required after the first mortgage amount is determined by the first lender.
- Buydown of interest rates on the first mortgage.
- Pay reasonable Closing Costs and prepaids associated with the home purchase on behalf of the eligible homebuyers.

- Surplus award funds up to \$1000 may be used towards principal reduction on first mortgage at closing.

Assistance will be awarded in the form of a second mortgage recorded on the property's title in second position (the lien is forgiven after the five-year compliance period) to eligible Applicants in order to cover their unmet need requirement to complete the purchase of a Primary Residence.

Any funds received from FEMA and any other sources for the purpose of buying a replacement Primary Residence must be included in the duplication of benefit analysis and accounted for when calculating the final HBA assistance amount.

4.7 Ineligible Activities

The following activities are *ineligible* and HBA funds *cannot* be used for any portion thereof:

- Acquisition of a second home or an investment property
- Moving and storage expenses
- Temporary relocation housing expenses
- Costs associated with the sale of Disaster Impacted property.
- Pay-off or pay-down of any Applicant debt.
- Seller-side fees, charges, or Closing Costs.
- Delinquent property taxes

4.8 Fraud, Waste, and Abuse

This section outlines the responsibilities and procedures to safeguard CDBG-DR funds, ensure compliance with applicable laws, and prevent fraudulent or abusive practices within the program. Subrecipient and its lenders shall ensure integrity and proper use of CDBG-DR funds for the benefit of LMI Applicants towards the purchase of their Primary Residence only. All personnel, partners, and participating lenders must adhere to the highest standards of honesty and accountability to prevent, detect, and address Fraud, Waste, and Abuse related to this program.

Subrecipient and its lenders and partners shall develop and implement controls with built-in fraud awareness, including verification steps and annual monitoring for 5-year compliance. Recognize indicators of Fraud or Abuse such as Applicants providing false income or asset documentation, inflation of property values, or conflicts of interest between program staff or lenders and Applicants, enforce segregation of duties among staff and partners, require proper authorization for transaction approvals, and conduct regular quality control audits of closed files to assure policy and procedures and required documentation are being followed including review for potential vulnerabilities, including, but not limited to

- Misrepresentation of Applicant income or assets

- Collusion between lenders and Applicants
- Fake or altered documentation
- Kickbacks or illegal incentives
- Non-compliance with program requirements

All staff, lenders, and partners must remain vigilant for red flags such as living beyond means, financial difficulties, reluctance to share information, or unusual relationships with vendors or lenders. The subrecipient will provide ongoing training on recognizing fraud indicators specific to homeownership assistance and Grant management. Any suspicion or evidence of Fraud, Waste, or Abuse must be reported immediately to HCD and must be investigated thoroughly and confidentially, with appropriate corrective actions taken to protect program integrity.

4.8.1 Borrower Acknowledgement

To uphold the integrity of the program and deter fraudulent activity, both borrowers and lenders share responsibility for ensuring the accuracy of the information submitted during the loan process. Specifically:

- Borrowers must acknowledge, in writing and at different phases of the loan process, that all information submitted is true, complete, and accurate to the best of their knowledge.
- Borrowers are reminded at application submission, eligibility verification, and final disbursement—that knowingly providing false, misleading, or incomplete information may result in serious consequences, including but not limited to:
 - Immediate disqualification from the program.
 - Repayment of funds disbursed.
 - Referral to law enforcement or other appropriate authorities for investigation and potential prosecution under applicable state and federal laws.

By requiring repeated acknowledgment, the program reinforces the borrower's responsibility to provide truthful information and emphasizes the legal and administrative consequences of fraud.

4.8.2 Lender Certification

Lenders involved in processing loan applications and collecting borrower information are also required to certify that, to the best of their knowledge and based on reasonable due diligence:

- All information submitted on behalf of the borrower is accurate, complete, and supported by appropriate documentation.
- Any discrepancies, inconsistencies, or red flags identified during the review process have been investigated and resolved prior to submission.
- The lender understands that knowingly submitting or facilitating the submission of false or misleading information may result in administrative penalties, loss of program participation privileges, and potential legal action.

This dual-certification process ensures accountability at all levels and strengthens the program's safeguards. Any violations, including fraudulent submissions or misuse of funds, may result in disciplinary action, repayment obligations, legal penalties, and disqualification from future participation in the program.

4.8.3 Conflict of Interest Acknowledgment and Disclosure

The Program's conflict of interest policy prohibits individuals involved in the Program from using their position to gain personal advantage. The Program requires all employees, contractors, and subcontractors to disclose situations where personal, family, or financial interests could influence their Program related duties. Such conflicts can arise from having a role in an application, having a relationship with an applicant, or potentially benefiting from the program's activities. All Program personnel will receive training on reporting conflict of interest and will acknowledge any potential conflicts prior to award approval.

All Applicants will be required to complete a Conflict-of-Interest Disclosure Form and acknowledge any potential conflict of interest during the application process. Applicants who report a conflict of interest or who are related to or have a close working relationship with any HCD staff or subrecipients, will have their applications placed on hold to review the circumstances. Applications with conflict of interest will require prior approval from HUD. Unreported conflict of interests that are uncovered by the program may result in application ineligibility.

5. Program Administration

5.1 Outreach and Marketing

The program is subject to the Federal Equal Credit Opportunity Act that prohibits creditors from discriminating against credit Applicants on the basis of race, color, religion, national origin, sex, marital status, handicap, or age (provided that the Applicant has the capacity to enter into a binding contract); and because all or parts of the Applicant's income is derived from any public assistance program; or because the Applicant has, in good faith, exercised any rights under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law

concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, DC 20580. HCD and its Subrecipients shall ensure that no person shall, on the ground of race, color, national origin, religion, sex, sexual orientation, age, familial status, or disability be excluded from participation in, be denied the benefits of, or be subjected to discrimination by the CDBG-DR Program. GSFA holds the main responsibility for outreach including the following activities:

- 1) Employ affirmative marketing strategies to encourage program participation from historically underserved groups.
- 2) Timely formulation and dissemination of communications.
- 3) Identification and addressing of key communication issues that may arise.
- 4) Ensure that the target audience receives adequate information.
- 5) Modify as needed to reflect changing environments based on the Program's needs.
- 6) Provide a plan for all outreach and marketing to HCD for approval prior to implementing such activity as well as retaining documentation of all marketing measures used, including copies of all advertisements and announcements that will be available for public viewing upon request.

5.2 Pre-screening

Applicants will complete an application and provide information to determine if they are eligible for HBA assistance based on the Threshold Criteria described above. All eligible Applicants will work with approved lenders and complete the necessary steps for application processing and providing the verification documentation to meet the program eligibility requirements.

5.3 Application Processing

GSFA or their contracted lenders shall assist Applicants with completing an application, collecting required documents and submitting into the lender's secure system of record. Applicants will provide all verification documents as required by the lender to qualify for the first loan amount based on the lender's published underwriting guidelines. GSFA or their contracted lenders will also complete the compliance process by obtaining and verifying all information as required by the HBA program. The verification will include but not be limited to: verification of identity, residency at time of disaster, income, number of persons in the Household and any other documents that may be required by Program. In addition to this the Subrecipient or their contracted lenders will complete a duplication of benefits review, property size which includes number of bedroom count and the initial award amount. The information obtained in the application along with direct verifications will be used to determine an Applicant's eligibility to purchase a home and to receive HBA assistance. Reasonable accommodations during the application process are required for any Applicants with accessibility needs.

5.4 Duplication of Benefits Review

A Duplication of Benefits (DOB) review is conducted for every participating Applicant. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended, 42 U.S.C. § 5121 et. seq., prohibits any person, business concern, or other entity from receiving federal funds for any part of such loss as to which they have received financial assistance under any other program for the same loss, which will be deemed as a duplication of benefit.

As such, GSFA must consider disaster recovery aid received by Program Applicants from any other federal, state, local or other source and determine if any assistance is duplicative. Any assistance determined to be duplicative must be deducted from the Program's calculation of the Applicant's total need prior to awarding assistance. Assistance received from other sources may not be considered a DOB so long as those funds are not for replacement housing or were used for other permitted uses. (See Exclusions). If the Borrower received assistance which is considered a DOB, that assistance must be included in the calculation of the final loan amount both at the initial and final compliance reviews. All Borrowers are required to sign an assignment agreement to ensure that if any additional duplication of funds is disbursed to the Applicant, after the award amount calculation and prior to closing of escrow, the Applicant may be required to pay these funds back to HCD.

The first lender will complete the addendum to loan application in which Borrowers will be required to disclose all financial assistance received from Insurance, FEMA, SBA or other subsidized loans including other assistance. Based on the information received on this addendum, the first lender will determine if the Borrower's application needs to be escalated to GSFA for DOB review prior to issuing a lender pre-qualification or credit approval letter. Subrecipient will complete an initial DOB review by completing the [DOB Worksheet](#) and follow the [DOB standard operating procedures to determine the DOB amount](#). Once the DOB amount is determined, the application will go through the first lender's underwriting process before a credit approval letter is issued by the lender.

Subrecipient will conduct a final DOB check and update the [DOB Worksheet](#) prior to drawing loan documents. The following documents will need to be reviewed but not limited to:

- Fully executed sales and purchase contracts include counteroffers and addendums
- Appraisal,
- Income documentation
- Assets disclosed on the loan application, including any gift funds from family members and
- Estimated closing disclosure to calculate the final award amount.

The [DOB Worksheet](#) will be part of the HCD Quality Assurance Quality Control (QAQC)

checklist that the subrecipient will complete and sign and submit to HCD for review prior to Borrower signing the loan documents.

5.5 Income

5.5.1 Income Documentation for AMI

To be recognized as Low-to-Moderate Income (LMI), a household's Modified AGI cannot exceed 80% of Area Median Income (AMI), adjusted for family size for the county in which their primary residence will be located. HUD's Income limits are published on their website: <https://www.huduser.gov/portal/datasets/il.html>.

Income will be calculated as follows for the purpose of determining AMI eligibility:

- Average income from the most recent paystub documenting minimum of 90days of year-to-date earnings.
- Nontaxable income such as social security income does not need to be grossed up for the purpose of household income (LMI) qualification.
- In cases where paystubs document less than 90days of year-to-date income then the average of prior year W2 income plus the year-to-date income from current paystubs will be used. This will include paystubs documenting year-to-date earnings from Jan 1st through March 30th. In some cases, applicants may have started a new job with higher pay rate within the last 90days, in that scenario the proposed monthly earnings will be used based on a written verification of income from the employer. This does not apply to applicants who voluntarily stepped down from a higher paying income to lower pay rate job with the same employer in the prior 90day period. However, changes in employer with lower earnings or applicants retiring from workforce will be reviewed on case-by-case basis with acceptable verification documents and a letter of explanation from the applicant

Examples of scenarios

Pay Period ending	YTD Amount	W-2 -2024	Qualifying income for AMI
2/28/2025	\$8000	\$48000	\$4000 (\$8K + \$48K=\$56K/14mos)
03/31/2025	\$21000	\$48000	\$7000 (\$21000/3 mos.)
04/15/2025	\$14700	\$84000	\$4200 (\$14700/3.5 mos.)
09/30/2025	\$72000	\$80000	\$8000 (\$72000/9mos)

- For self-employed income: Obtain most recent personal and business tax returns, forms IRS 1040's, partnership and corporate tax returns including all schedules and signed year-to-date Profit and Loss statement for each business. Program determines LMI status by using a modified HUD definition of Adjusted Gross Income (AGI) ("Modified AGI") established in 24 CFR

570.3(1)(iii) at the time assistance is provided for the individual, family, and household. The Modified AGI definition, as reviewed by HUD on October 12, 2022, allows the Program to not count negative income reported on Part 1 of Schedule 1 on the Internal Revenue Service (IRS) Form 1040 ("tax return") towards the Applicant's annual household income. Subrecipient will re-calculate the AGI using zero for Schedule 1, Part 1 income. Program collects income information for all Applicants and household members who are 18 years of age or older. All household members over the age of 18 must provide a copy of their previous year's filed tax return or tax return transcript, for the Modified AGI of the household to be calculated. If the signed year-to-date Profit and Loss statement shows higher income compared to the Modified AGI, then the higher income will be used in qualifying for AMI eligibility. In some cases, the year-to-date Profit and Loss statement will show a significant decline in income which will then need to be supported with additional documents at the discretion of the subrecipient and HCD. If a household member has not filed a tax return after April 15th, then a copy of filed extension must be provided. In that case, the household member will be required to submit acceptable documentation that reflects their current income.

All household members over the age of 18 must provide income documents as specified above. The Applicant's Household income must meet the LMI requirements at the time of submission through close of escrow. Providing false or misleading statements regarding income to the HBA program may result in the applicant's disqualification from participation. In accordance with federal requirements, the Program and Subrecipient must actively prevent and address fraud, waste and abuse in all program activities. The Program reserves the right, at its sole discretion, to request additional documentation from applicants or other relevant parties to verify and substantiate LMI determinations.

5.5.2 Income Documentation for Debt-to-income

Third party verification of income documentation is a critical step in the eligibility determination process. This involves sending the appropriate forms to employers and agencies listed as a source of income on the CDBG-DR program application or as indicated by Household members during the application process. The following documents for verification of income are acceptable, but not limited to:

- Obtain a signed release form from each Household income earner who is 18 years or older and complete a standard verification of employment to verify income directly with the employer or via third party agency. All follow up efforts must be documented in the Applicant's file if the employer or the agency is unresponsive.
- Most recent 1 month of paystubs verifying year-to-date income and prior year W-2.

- Most recent 2 months of benefit statements or most recent 2 months of bank statements showing direct deposit for social security, disability, retirements, pension, annuity income and prior year 1099s or most recent award letter.
- Other variable income such as commission, tip, overtime, bonus, unemployment, and seasonal farm income may be averaged for most recent 2 years. If the income is on a declining trend the underwriter must obtain additional documents such as letter of explanation from the Applicant, confirmation from employer and use discretion to deem that the income is stable and likely to continue. In addition to this the use of lower income or exclusion of this income in qualification will be acceptable with underwriter logic.
- Court ordered alimony/spousal support documents
- Trust income: Most recent form 1041 schedule K-1
- Documentation for other less common types of income that may be taxable at the federal level and will be assessed by the Program based on the type of income reported.
- Program and/or the first lender may require updated income documentation for reverification purposes if the Applicant's income has changed or if documentation has expired.
- For self-employed income: Obtain most recent personal and business tax returns, forms IRS 1040's, partnership and corporate tax returns including all schedules and signed year-to-date Profit and Loss statement for each business. Depreciation, depletion and amortization and/or casualty losses are to be added back to the business cashflow while analyzing a self-employed Applicant. Lender will complete the cashflow analysis form 1084 based on first lender's underwriting guidelines and GSFA will review the form 1084 for accuracy including the first lender's underwriter's logic for the income used for qualifying. All income sources must be analyzed for the purpose of first loan qualification.

Expiration of income documents: If the paystubs, benefit statements or the bank statements used for qualification are over 6 months or 180 days old on the date of closing, updated documents will be required for re-verification.

IMPORTANT NOTE: It is considered standard practice in a homebuyer assistance program to compare income used by the first lender for calculation of the first mortgage amount. The Subrecipient shall review and verify the income documents together with lender's income calculation worksheet and address any discrepancy that may impact on the AMI eligibility or calculation of maximum first mortgage amount.

5.6 Housing Counseling Requirements

Applicants to the HBA program are required to receive housing counseling through

the services provided by the HUD approved counseling agencies. As a condition for receiving an award, Applicants must complete a minimum 8-hour Homeownership counseling course that meets HUD's requirements.

Housing Counseling is independent, expert advice customized to the needs of a homebuyer to help achieve their housing goals. Subrecipient to provide a list of HUD approved counseling agencies to the Applicant and monitor progress on a monthly basis. The 8-hour class must include the following elements:

- The decision to purchase a home includes selection and intake process.
- Client budget, housing affordability and home maintenance
- Issues arising during or affecting the period of ownership of a home (including financing, refinancing, default and foreclosure, and other financial decisions)
- The sale or other disposition of a home
- A client action plan
- A reasonable effort to follow-up with client

Upon completion of the course the Applicant will receive a certificate of completion from the housing counseling agency. Only one Applicant per Household is required to complete the housing counseling program. The certificate is a requirement for using the CDBG-DR funds and must be satisfied prior to the Borrower signing the HBA loan documents. The cost of the housing counseling certification can be included in the award funds.

5.7 Commitment Letter

Once the initial compliance package is complete, supporting documents have been received and verified and duplication of benefit has been included in the award calculation, GSFA will issue a Commitment Letter reserving the funds for the contemplated transaction for sixty (60) days. The Applicant has the right to file an administrative review of the determination if the Applicant believes an error has occurred with the determination of the total award amount.

5.8 Lender Credit Approval

The first mortgage lender will issue a credit loan approval letter stating the Borrower and co-Borrower name/s, loan amount, interest rate, term, expiry date and list of stipulations that need to be satisfied prior to loan closing. If the contracted lender is unable to issue an approval on the first loan amount or if Applicant does not meet the HBA program eligibility, the lender will issue a notice of adverse action stating the reason for denial.

6. Property Search

6.1 Submitting Offers

Participating lending institutions must agree to abide by anti-predatory lending practices. While GSFA will not make referrals to or offer recommendations on any realtor or real estate firms, Applicants are encouraged to use a licensed real estate agent in their search for an existing single-family dwelling. Realtors are typically procured by the buyer, thereby not subject to CDBG-DR procurement requirements.

7. Mortgage Lender Process

HBA funds are intended to fund a portion of the home purchase, which is the difference between the lesser of purchase price or the appraised value of the property and what the buyer can afford as maximum first loan amount (determined by the lender) plus any Closing Costs and prepaids not to exceed the maximum award cap amount of \$350,000. Duplication of benefit may further reduce the award amount if applicable.

The first mortgage loan amount is therefore critical to determining the HBA award amount.

7.1 First Loan Requirements

The first mortgage must be fully amortized, fixed rate, thirty-year term. The Borrower must accept the highest first mortgage amount (principal amount at going interest rate) for which they can qualify. Lenders should provide buyers with the best possible interest rate available at the time their loan rate is locked. In general, the participating lender shall be responsible for determining the buyer's creditworthiness and qualifications for obtaining the first mortgage. However, the following minimum criteria must be satisfied:

- A. The first loan amount shall be the maximum amount for which the Borrower can qualify, based on their income, debts, and current interest rates. The total monthly payment (PITI: Principal, Interest, Taxes, Insurance PMI, and HOA, if applicable) with maximum debt-to-income ratio shall be no more than 45 percent of the Borrower's gross Household monthly income. Deferred, secured, revolving debts shall be evaluated and follow the first lender's underwriting guidelines. The Subrecipient must review the debt-to-income ratio, which should not be less than 42% nor more than 45% of the Borrowers' gross Household income. However, first mortgage underwriter may provide logic for a lower debt to income ratios in cases where the automated system only allows a max ratio of less than 42% or program guidelines do not allow higher debt to income ratio.
- B. The lender for the first loan must establish an impound account for the loan to pay property related expenses such as payment of property taxes and insurance.

7.2 Ineligible First Mortgage

The following are ineligible first mortgage terms:

- Adjustable-rate mortgages.
- Balloon loans or negative amortizing loans
- Prepayment penalty that requires the Borrower to pay a steep fee before

refinancing.

7.3 Participating Lending Institutions

The Homebuyer will have the option to choose any lender from the list of approved lenders provided by GSFA to obtain their first mortgage approval. This approval will be subject to all the requirements of the HBA program. Acceptable lenders for originating the first mortgage include: commercial banks, savings banks, savings and loan associations, credit unions, and mortgage brokers. The first mortgage loan term must be a maximum thirty (30) years, with the loan fully amortized at the end of the loan period. Interest rates and fees are required to fall within the usual and customary range. The lenders working with the HBA program will adhere to the following parameters:

- Lenders should ensure that each employee and/or person that works with a HBA-assisted buyer is able to render the services in a professional and competent manner. Lenders will be certain that each such person and/or employee has obtained, possesses, and maintains all required licenses, certifications, registrations and or permits required under all applicable laws, rules, and regulations to perform the work necessary. Each Lender understands that they are responsible for the work of their designated employees/persons.
- Lenders are expected, at all times, to comply with all rules, laws, and regulations affecting the related work.
- Lenders shall provide information on the types and requirements of each of the financial options available to eligible HBA Applicants. Lenders will process and review the application of any HBA Applicant to determine such a person's eligibility under the financial options available.
- Lenders will coordinate their first trust-deed loan applications with the Program's processes and procedures and will obtain from the prospective Borrower all documents and information required for the application for a mortgage loan.
- Lenders will perform all investigations and verifications that would normally be performed for underwriting a mortgage and will notify the Borrower in writing of loan decision. Lender will conduct such reasonable investigation necessary to certify that the Applicant has satisfied the requirements of the applicable financing option selected in accordance with the Lenders policies and temporary and permanent regulations issued pursuant to the Internal Revenue Code and the HBA eligibility requirements.
- Lender shall submit complete loan application packages to the Program in a timely manner so that HBA funds are available and can be provided for an efficient closing.
- Lender warrants familiarize with all provisions of local, state and federal laws applicable to mortgage origination and lending as applicable to consumer loans as well as all policies established by the Program with respect to HBA. Lender will agree to comply with all applicable federal and state laws, regulations and all

policies established by the Program and those required by federal and local, state laws, regulations, and rules applicable to consumer lending, related disclosures, and practices.

- Lenders providing first mortgage loans agree to abide by all Fair Housing and Lending requirements and to uphold the quality standards of the HBA Program.

7.3.1 Anti-Predatory Lending

HCD does not condone unscrupulous actions carried out by a lending institution to entice, induce and/or assist a Borrower in taking a mortgage that carries a high interest rate and fees or place the Borrower in a lower credit rated loan to the benefit of the lender. Participating lending institutions must agree to abide by anti-predatory lending practices. These include, but are not limited to the following:

- No excessive fees. The participating lender may only assess those usual and customary fees and charges that would be assessed for a buyer with the same type of first mortgage who is not participating in the HBA program. The Lender may charge origination fee of up to 3% of the first loan amount or up to 2% of the first loan amount and a maximum of up to 1% of the second loan amount. This origination fee is in addition to the customary fees to be charged on the first loan (i.e., processing fees, underwriting, doc fees, etc.). Other than 1% origination fee on the HBA loan, the lender shall not charge any other fee on the award amount with the exception of recording fee and transfer taxes.
- Escrow extension fee cannot be paid from award funds.
- The prevailing Market Interest Rate is to be used per financial institutions credit policy.

7.4 Final Review and Affordability Compliance Package

Final review is performed by GSFA prior to committing funds to an Applicant to ensure the total award amount is accurate and necessary towards the purchase of the home. GSFA will review the complete package received from the first lender with the following documents:

- Copy of Applicant and co-Applicant's URLA (form 1003 & 1008) verifying first loan amount and terms acceptable to HBA policies and procedures.
- Copy of lender's loan estimate to ensure that Closing Costs are reasonable and customary and are compliant with the first lender's predatory lending guidelines.
- Copy of first mortgage approval letter with outstanding stipulations and expiry date.

- Executed Purchase Agreement with all addendums and Escrow instructions.
- Appraisal Report supporting the purchase price and appraised value with recent comparable analysis of comps in subject's neighborhood.
- Preliminary Title Report with 12-month chain of title and plat map.
- Income documents per section 5.5.
- Income calculation worksheet.
- Homeowner insurance to verify property is not located in a local, state or federal High Fire Hazard Severity Zone, as shown on CalFire's Fire Hazard Severity Zone viewer (<https://egis.fire.ca.gov/FHSZ/>) and the property is eligible for standard homeowner's insurance
- Completion of DOB worksheet for each loan file to determine final award amount is accurately calculated.
- Review of loan application for restriction on liquid asset including gift funds from family members and Borrower contributions
- The award amount is adequate to make homeownership affordable and is not an excessive subsidy based on Duplication of Benefits, debt-to-income ratio and Applicant's Household income level.
 - The primary mortgage is fixed rate with a maximum thirty (30) year term.
 - Projected taxes and insurance are average for the geographical area.

Pursuant to the governing Federal Register notice, 83 FR 40314, cost reasonableness is described as the price that a prudent person would pay for an item or service under competitive market conditions, given a reasonable knowledge of the marketplace. Further, Subrecipient shall assure that all costs are reasonable in accordance with the Cost Principles outlined in the most recently published CDBG-DR [Grant Administration Manual](#).

The subrecipient must review all the above documents in compliance with HBA policies and procedures together with its own written policies, standard operating procedures prior to approving the final grant amount. Subrecipient to maintain all documents and process flows for HCD review and audit.

7.4.1 Oversight review by HCD

The Subrecipient will perform the QAQC review, complete the Subrecipient Final Award Checklist (including the DOB Worksheet), and submit the package to HCD for their QAQC review and approval before the loan closing.

7.5 Closing Process

Within thirty (30) business days after closing, the contracted lender must submit the following documents to the Subrecipient:

- Final, signed URLA by the Applicant and Co-Applicant (if applicable)
- Signed Closing Disclosure/Truth in Lending required for each lien with all pages.
- Certified Copy of Signed Final Settlement Statement
- Copy of executed Deed of Trust and Promissory Note (including the legal description page) for both liens.
- Any other document the Subrecipient may deem necessary such as partial exemption form etc.

The Subrecipient will verify that the aforementioned documents align with the transaction and complete a quality compliance review to ensure loan documents are accurate, enforceable, and fully executed with correct dates, loan amounts, etc.

The closing date will be the signing date of the loan documents, and the funding date is the date when the Subrecipient wires funds to title company. The recording date is the date when ownership of the Subject Property is transferred to the Program Applicant by means of a grant deed transfer and Promissory Notes are recorded with the respective county in the recorder's office.

7.5. Homeowners Insurance

HCD requires that all properties acquired with HBA funds have homeowner's insurance, are not located in a local, state or federal High Fire Hazard Severity Zone, as shown on CalFire's Hazard Zone viewer ([Fire Hazard Severity Zone Viewer \(arcgis.com\)](https://arcgis.com)) and are eligible for standard homeowner's multiple peril insurance. The Homeowner policy must be issued by a traditional insurance provider and cannot be issued by CA Fair Plan, neither as a carrier or as a companion policy. GSFA must ensure coverage is in force at loan closing and during the 5-year compliance period. The following must be included in the homeowner's Insurance policy/binder:

- Name of the Insurance Company
- Policy number
- Insurance Provider's address and telephone number
- Agent's signature required on the binder.
- Borrower's Name(s); must be shown as primary insured.
- Insured Property Address
- Effective dates of policy (effective date must be the same or before the date of funding date)
- Premium amount
- Dwelling coverage
- Deductible amount

HO-3 Single Family Residence Coverage

The HO-3 policy is a combination of an "open perils" policy and a "named perils" policy. It's considered a combination because it will cover the Dwelling (the actual structure of

the home as well as other structures on the property) on an open peril basis and personal property on a named peril basis only. This policy will also cover other structures, Personal Liability, and medical payments to others.

Acceptable Coverage

Coverage A is the only permitted coverage type to determine sufficient dwelling coverage to meet transaction requirements which is also known as main structure coverage. Dwelling coverage is the part of the home insurance that pays to repair or rebuild the home's physical structure such as walls, floors, roof, windows, support beams, and foundation. An HO-3 policy may include a number of additional coverage types when applicable, however, they are not acceptable to be included in the total calculation to meet dwelling coverage requirements. The insurance company furnishing an insurance policy must have an acceptable rating by A.M. Best Company, Standard and Poor's, Inc. or Demotech, or Kroll Bond Rating Agency acceptable to first lender guidelines.

Coverage Requirements

Property insurance must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft, vehicle, or explosion. Property insurance policies that limit or exclude from coverage (in whole or in part) windstorms, hurricane, hail damage, or any other perils, are not acceptable. The hazard insurance policy shall be the amount of first mortgage and the HBA grant amount, or the insurance coverage provides for 100% of replacement cost coverage in the event of a loss. All policies include waiver of subrogation. Policies must be written for a term of one (1) year or provide for continuous coverage until canceled and must be current at the time of closing and through delivery. The maximum deductible for insurance shall not exceed 5% of policy coverage amount. All closings must include hazard policy and a paid receipt for the first year's premium to evidence proof of insurance. If premium is paid at closing, a *Closing Disclosure* to evidence the first year's premium payment.

Loss Payee/Mortgagee Clause

All Certificates and Evidence must include the name of the Project (applies to Condominiums), the name of the Borrower as named insured, HCD's Contract Number or HBA loan number, and the address of the property. HCD, its officers, agents, employees, directors, and appointees shall be additionally insured as their interests may appear. *HCD must be notified thirty (30) days prior to any change, non-renewal, or cancellation of the insurance policy.* All policies with property coverage must include HCD as Lenders Loss Payee with mortgagee interest noted as:

Golden State Finance Authority and Department of Housing and Community Development

c/o U.S. Bank Home Mortgage

P.O. Box 961045

Fort Worth, TX 76161-0045

Re: _____ (HBA Loan #)

Condominium Insurance

The Condominium Project where the Single Unit is located must be insured to FHA standards as well as any applicable state and local condominium requirements.

Walls-In (HO-6)

- Walls-In Insurance refers to insurance that covers the interior of the Unit and Personal Property inside the Unit.
- The Borrower must obtain a Walls-In policy (HO-6) if the master or blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage to insure improvements that the Borrower may have made to the Unit (applies to refinance transactions).

Hazard Insurance

- Hazard Insurance refers to insurance coverage that compensates for physical damage by fire, wind, natural occurrences, or other events outside of the Condominium Project's control.
- The Condominium Association must have a master or blanket Hazard Insurance policy in place for the entire Approved Condominium Project in an amount equal to at least 100 percent of the insurable replacement cost of the Approved Condominium Project, including the individual Units in the Approved Condominium Project.
- The Mortgagee must verify that any policy with a coinsurance clause includes an agreed amount endorsement or selection of the agreed value option, or an amount of coverage equal to at least 100 percent of the insurable replacement cost. The Mortgagee must verify that any pooled insurance policy satisfies the insurance coverage standard for each Condominium Project insured under the policy. The insurance policy must list the Condominium Association as the named insured, or, in the case of an affiliated Approved Condominium Project or Condominium Association, the name of the affiliated Approved Condominium Project or Condominium Association may be listed as a named insured.

Liability Insurance

- The Condominium Association must maintain comprehensive Liability Insurance for the entire Condominium Project, including all Common Elements and areas, public ways, and other areas that are under its supervision, in the amount of at least \$1 million for any single occurrence.

Fidelity Insurance

- For all Condominium Projects with more than 20 Units, the Condominium Association must maintain Fidelity Insurance for all officers, directors, and employees of the Condominium Association and all other persons handling or responsible for funds administered by the Condominium Association.
- Insurance coverage must be the greater of:
 - Three months of aggregate (12 month) assessments on all Units plus reserve funds (up to the maximum permitted by state law); or
 - The minimum amount required by state law.

- If the Condominium Project engages a management company, it must have a policy that covers both or separate policies. The policy or policies must demonstrate that they specifically meet the standard for both the Condominium Association and the management company.

HCD requires that all properties acquired with HBA grant funds have insurance that covers all perils associated with the property location; coverage must be in force at the time of closing. These requirements apply initially at close of escrow and annually thereafter during the five-year monitoring period.

8. Appeals, Complaints and Grievances

Documentation on the appeals process for the award amount is included with each Applicant's Commitment Letter or ineligibility letter. An appeal for the award amount must be filed:

- Within thirty (30) calendar days of the commitment letter issue date or the Ineligibility letter.

8.1 Program Appeals

Applicants may not appeal policies that have been approved and incorporated by the Program, statutory, and regulatory requirements and standards may not be appealed. The Applicant has the option to file an appeal for one of the following reasons:

- Program eligibility,
- Award calculation,
- Duplication of Benefits (DOB) calculation Once the appeal has been submitted, the Subrecipient or contracted lender may request the Applicant to submit additional supporting documentation. Such supporting documentation may include, but not be limited to, Program eligibility documentation, property records, and/or correspondence from FEMA.

Resolution of appeals are handled by conducting a thorough full file review of documentation provided to support appeal reasons(s), and careful implementation of Program policies. This full file review may result in positive or negative changes to the status of eligibility or incur an increase or decrease in the previous award amount.

Appeals must be submitted in writing, to Golden State Finance Authority, 1215 K Street, Suite 1650, Sacramento, CA 95814 via U.S. Mail, or fax to 916-444-3219

An appeal determination letter is mailed to the Applicant after complete review of the file and supporting documentation.

8.1.1 Appeals Review Process

If the Applicant disagrees with the decision made by the Subrecipient, they may file an appeal review request within thirty (30) days from the date of the decline letter

issued by the subrecipient.

To file an Appeal Review Request, the Applicant must provide a copy of the decline letter and any new information and supporting documentation that were not available at the time of subrecipient review process. Applicants must also provide a narrative describing, in detail, the reason(s) they are requesting a review of the appeal.

All Appeal Review Requests must be submitted in writing. Resolution of appeals are handled by conducting a thorough full file review of documentation provided to support appeal reason(s), and compliance with Program policies. This full file review may result in positive or negative changes to the status of eligibility or incur an increase or decrease in the previous award amount.

Appeals must be submitted in writing, to Golden State Finance Authority, 1215 K Street, Suite 1650, Sacramento, CA 95814 via U.S. Mail, or fax to 916-444-3219 or via email: info@gsfahome.org

Within 3 days of receiving the appeal review request, the subrecipient will forward all the documents provided by the applicant to HCD for review. HCD review will include the following:

- The HBA Specialist will draft an initial recommendation and provide it along with all appeal review request documents to the Single-Family Programs, Disaster Recovery Section Chief.
- If the Section Chief approves the appeal review request, an appeal review decision letter is mailed to the Applicant. If the Section Chief is unable to approve the request, they will forward the appeal review request for final review by an appeal review panel.

Timeframes: Appeal requests are decisioned and an appeal review decision letter is mailed to the Applicant within thirty (30) days of receipt, unless the appeal review request is under review of the appeals review panel, in which case the appeal review decision letter is mailed within 60 days of receipt.

Appeal Review Panel is comprised of 3 members, the panel meets bi-weekly to review all outstanding appeal review requests that were not approved by the Section Chief for final determination. An appeal determination letter is mailed to the Applicant once the appeal review is complete.

8.2 Section 504 Coordination Complaints and Grievances

Section 504 of the Rehabilitation Act of 1973 is the anti-discrimination law that protects the rights of qualified individuals with disabilities to equal opportunity in programs and activities which receive federal funds.

It is the policy of HCD, and therefore its contractors or grantees, to fully comply with the requirements of the Americans with Disabilities Act (ADA), the Rehabilitation Act

of 1973, and the California Fair Employment and Housing Act (FEHA) and state and federal laws related to the rights of persons with disabilities.

All individuals, a class of individuals, or their representative alleging discrimination have the right to submit a verbal or written complaint or grievance on the basis of the following protected category: race, color, religion, ancestry, physical or mental Disability, medical condition, genetic information, sex, sexual orientation, marital status, age, gender, gender identify, gender expression, military status or veteran status regarding services, activities, facilities, or benefits provided by the Program.

Any individual who believes they have been discriminated against by any facet of an HCD program or activity may file a verbal or written complaint or grievance with HCD by contacting HCD's designated Section 504 coordinator at:

California Department of Housing and Community Development EEO Office –
Attention ADA Coordinator
2020 West El Camino, Ave. Suite 630 Sacramento CA 95833
Email: EEO-Office@hcd.ca.gov
Phone: (916) 263-3635

9. Monitoring and Compliance and Closeout

The Subrecipient shall, upon closing a Borrower's purchase, establish a **monitoring checklist for each Borrower and track compliance** by way of conducting an annual review to be completed within thirty (30) days from the annual closing anniversary. The monitoring checklist shall be completed by trained Subrecipient staff and shall provide documentation and certification that Borrower continues to meet requirements of ownership and occupancy for the five-year period. In addition to verifying occupancy and ownership, subrecipient must obtain documents to support adequate coverage for homeowner insurance policy is retained current for the five-year compliance period. Acceptable documents to verify each of the compliance items are as follows:

- Occupancy: Copies of current utility bills which identify service location such as cable bill, telephone bill (landline), water/sewer bills, Documents must verify Borrower name and service location as Subject Property address.
- Ownership: Copy of property profile, Subject Property tax bill, homeowner insurance policy identifying the Borrower as owner
- Current homeowner insurance: Copy of homeowner insurance policy declaration page supporting it's not a renter's policy and identifying the mailing address and insured site address are same and matches the Subject Property address.

At least one Borrower must occupy the property within 60 days of signing the Security Instrument and intend to continue occupancy for at least five years.

The HBA program will not allow more than one property as a Primary Residence for any Borrower or using the HBA assistance as a vehicle for obtaining investment

properties, even if the Subject Property is the only one owned by the Borrower or co-Borrowers.

During the annual review, Subrecipient shall also track and maintain documentation to show the forgivable and remaining portions of the HBA loan amount on each anniversary date. If the Borrower is not in default on the anniversary date, the outstanding principal balance of the Note will be reduced by 20% each year till the five-year occupancy compliance is met. Subrecipient shall provide HCD with monthly client monitoring logs commencing one month after the one-year anniversary of the first closing. Monthly monitoring logs shall include complete details of the Applicant, property, and compliance certification, or the lack thereof, with the HBA Program's monitoring requirements.

The Subrecipient shall continue to monitor all closed loans for a period of five (5) years, and provided the Borrower is not in default, the last (fifth) annual review will result in 100% of the HBA loan being forgiven. Upon successful completion of the last monitoring review, the Subrecipient shall prepare a release of the HBA lien and also prepare and record a full reconveyance of the Deed of Trust with the applicable county recorder's office. The subrecipient shall inform the Borrower in writing of the lien release.

9.1. Responsibilities

The subrecipient is to monitor Borrower compliance with program requirements and Promissory Note restrictions for the five-year compliance period. Any compliance activities that remain at the end of the Subrecipient's vendor's contract with the state will be transitioned to HCD staff.

9.2. Ownership and Occupancy

Documents acceptable to verify ownership and occupancy include copies of current utility bills which identifies service location such as cable bill, telephone bill (landline), water/sewer bills, homeowner insurance policy supporting it's not a renter's policy and identifying the mailing address and insured site address are same and matches the Subject Property address.

9.3. Recapture Policy

The Subrecipient must process and track all recaptured funds received from all sources relating to a HBA loan encumbered property and recycle those funds for new purchase through the final date to close escrow (10/1/2025) under the program. Monthly reports are due from the Subrecipient on the recaptured funds and all surplus funds not utilized by the end of Expenditure deadline are to be returned to HCD.

To safeguard the CDBG-DR investment in the property, HCD requires a Promissory Note to be recorded on properties purchased with the HBA loan. The Promissory Note remains in effect for a period of five years following the date of purchase requiring the Borrower to occupy the Subject Property as Primary Residence. The Promissory Note will be filed in the applicable County Recorder's Office where the Subject Property is located. Property cannot be used as a second home or converted into a rental.

If the homebuyer fails to comply with the occupancy requirements above or wants to sell the property, the following recapture proration chart will be used to calculate the prorated grant amount that needs to be recaptured at the time of default or sale.

Recapture Pro-ration Chart

If the homeowner defaults within the first five years of loan closing the following chart will be used to determine the recapture of the HBA assistance:

Number of months	Recapture Amount
1-12	100% of the grant amount
13-24	80% of the grant amount
25-36	60% of the grant amount
37-48	40% of the grant amount
49-60	20% of the grant amount

9.4. Allowable Exceptions for recapture of HBA funds

During the five-year monitoring, the Subrecipient may receive notification from the homeowner that they will no longer occupy the Subject Property as their Primary Residence or encounter situations during the annual review where the homeowner is no longer occupying the Subject Property. Accordingly, the Subrecipient may permit a Borrower with an exception for waiver of pro-rated recapture of HBA funds based on circumstances outlined below. All exceptions require complete documentation and recommendation for approval by HCD. The subrecipient will provide complete notes in the file outlining the reasons for the allowed exception.

- **Temporary Relocation**

If the homeowner needs to temporarily relocate for employment-related reasons, the homeowner must provide the date of relocation and acceptable documents such as a signed letter from the Borrower's previous, current, or prospective employer outlining the details of the relocation. The letter must include the effective date and terms of relocation verifying the move is temporary. The homeowner must provide a letter of explanation stating their intent to return to the Subject Property as their Primary Residence and that the remaining Household members such as spouse or dependents of Borrower will continue to occupy the property in the meantime. This will also apply to active-duty military personnel. If the Borrower wants to sell the property because of relocation the waiver will not apply and pro-rated HBA funds shall be recaptured.

- **Death or Incapacity of homeowner**

If death or Incapacity of all the Borrowers occur, a remaining Household member may continue to occupy the Subject Property as their Primary Residence. Copies of death certificate, power of attorney or other legal documents may be deemed acceptable sources of verification of the death or Incapacity of the Borrowers. The HBA loan will be forgiven upon verification of the Borrowers' death or

Incapacity.

- **Financial hardship due to medical reasons**

If the Borrower is transferred to a medical/care facility and is unable to occupy the Subject Property as his/her Primary Residence, existing members of the Household may continue to occupy the property as their Primary Residence. Acceptable verification will be required to document those individuals who were Household members prior to Borrower's hardship. The subrecipient will need to obtain documents to verify occupancy by a Household member which includes a letter of explanation from the Household member and a letter from the medical/care facility verifying homeowner is a resident of the care facility and one of the following documents:

- Copies of paystub, W-2s, tax returns, bank statements, credit card statements, utility bills or insurance bills of a Household member to verify his/her Primary Residence as the Subject Property.

- **Divorce or Vacating a Jointly Owned Property**

If one Borrower of a jointly owned Property permanently vacates the property due to separation or divorce, at least one Borrower must maintain occupancy as their Primary Residence in the Subject Property for the duration of the five-year occupancy restriction. HCD will only subordinate the HBA loan if completing a rate and term refinance subject to the limitations and requirements of the Master Servicer. The HBA loan must remain in the same lien position it held prior to subordination. Cash out refinance will not be permitted. If the divorce decree or other legal documents requires sale of property, then recapture of the HBA loan amount will be required based on the recapture chart above.

The Borrower may be required to repay all, or a portion of the HBA loan amount for the following reasons but not limited to: providing false or misleading information to the program, failure to disclose receipt of other assistance from SBA, FEMA, or non-profit entities which impacts the DOB and final award calculation.

9.5. Refinance, subordination, and Payoffs

If a Borrower needs to refinance the first loan during the five-year monitoring period, the Subrecipient must prepare and process a subordination agreement and verify the new first loan terms meet the following criteria:

- Rate and term refinance only
- At least one Borrower on the existing loan to remain as continuity of obligation.
- Fixed rate mortgage only
- No negative amortization or prepayment penalty
- Property remains as Primary Residence.

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If a Borrower requests to pay off the HBA loan during the five-year monitoring period,

the Subrecipient must prepare the payoff demand based on the recapture pro-ratio chart above. All recaptured proceeds will need to be processed by the Subrecipient per section 9.3 above.

10 Program Closeout

The closeout of the HBA Program is a process through which HCD determines that all applicable administrative and Program requirements are completed. In general, a Program is ready for closeout when the following conditions are met:

1. All eligible activities were completed.
2. All Program funds are expended in full, repurposed for the Action Plan program design, or all remaining funds are planned to be returned to HUD.
3. All reporting requirements completed and submitted (except for the final report that is submitted during the closeout process, if applicable)
4. Any special conditions of the Program were met.
5. All audit and monitoring issues affecting the Program were resolved.

11 Records Management

As outlined in the CDBG-DR Grants Administration Manual, records are maintained in accordance with 24 C.F.R. part 570.490, in reference to 2 C.F.R. part 200. Records are kept to document compliance with Program requirements, with federal, state, and local regulations, and to facilitate audit review by HUD. CDBG-DR records, including Program documents, are subject to the Freedom of Information Act (FOIA) and California Public Records Act (PRA).

11.1 Personally Identifiable Information (PII)

Personally, Identifiable Information (PII) is information that can be used to distinguish or trace an individual's identities. Examples of PII include names, addresses, income verification documents, Disability status, employment status, etc. which can be linked or is linkable to a specific Applicant and/or beneficiary of CDBG-DR Programs. As the Subrecipient and its contracted lenders receive direct applications from homeowners requesting assistance, the Subrecipient and its contracted lenders maintain PII information for the duration of the project, in their System of Record.

If records containing PII are subject to Freedom of Information Act or California Public Records Act requests, such records shall only be released in accordance with state and federal law. PII records are only stored as long as is necessary, in accordance with record retention requirements at 2 C.F.R. part 200.333 and 24 C.F.R. part 570.502(a)(7).

11.2 File Security

The Subrecipient and its contracted lenders have adequate procedures in place to collect and process the Applicant provided information, while providing assurances that any Personally Identifiable Information (PII) is handled in accordance with signed data sharing agreement.

In no case shall an Applicant's PII or file information be released to another party

without written consent of the Applicant. In addition, CDBG-DR personnel are not permitted access to any file where there could be a potential or perceived conflict of interest.

11.3 Record Retention

HCD maintains Program and project-related documents, including financial records, supporting documents, statistical records, and other pertinent records. These records are maintained for a minimum period of five years from the closeout of HUD's grant with HCD. All Subrecipients and contractors for the Program are also subject to this policy and all financial and Program files are maintained accordingly. Records are maintained to document compliance with Program requirements and federal, state, and local regulations and to facilitate an audit review by HUD. Records are maintained in accordance with 24 C.F.R. part 570.3, which states they must be maintained for a period of 5 years following the closeout of HUD's grant with the state. Proper records management ensures that:

- The state complies with all requirements concerning records and records management practices under Federal and State regulations.
- The state has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements and community expectations.
- These records are managed efficiently and can be easily accessed and used for as long as they are required; and
- These records are stored as cost-effectively as possible and when no longer required they are disposed of in a timely and efficient manner based on HUD Handbook 2225.6, Records Disposition Schedules, and HUD Handbook 2228.2.

11.3.1 Applicant Files

All Applicant files are maintained for the duration of five years after HCD's grant closeout with HUD, within the Subrecipient's System of Record.

Applicants are subject to audit and further review throughout their participation in the Program and up to five years after loan closing. Applicants must provide additional documentation in support of their applications as requested by the State, its representatives or agents, HUD, HUD OIG, or the California Legislative Auditor. Failure to comply with these requests may result in the recapture of funds.

11.4 Fair Housing / Civil Rights

HCD follows policies and procedures for compliance with Affirmatively Furthering Fair Housing (AFFH) requirements during the planning and implementation of all Program activities. Such policies and procedures involve a review that includes an assessment of the demographics of the proposed housing project area, socioeconomic characteristics, environmental hazards or concerns, and other factors material to the AFFH determination.

Programs are required to comply with all relevant fair housing laws, including the federal Fair Housing Act, Title VI of the Civil Rights Act of 1964, Section 504 of the

Rehabilitation Act of 1973, and the Americans with Disabilities Act. These laws prohibit discrimination in housing and federally assisted Programs on the bases of race, color, national origin, religion, sex, Disability, and familial status. The federal obligation to affirmatively further fair housing stems from the Fair Housing Act. State fair housing laws, including the California Fair Employment and Housing Act, are also required for Fair Housing compliance.

Download HUD's Fair Housing booklet at:

https://www.hud.gov/sites/documents/FHEO_BOOKLET_ENG.PDF