

# **California HOME First-Time Homebuyer (FTHB) Requirements and Procedures for Program Guidelines and Written Agreements**

May 30, 2024





# Welcome



We'll now start recording this webinar.





# Welcome



Welcome and Introductions by  
Janice Waddell, Assistant Deputy  
Director of the Division of Federal  
Financial Assistance



# Welcome

## **HOME Program Team**

**Nicolé “Niki” McCay**  
**Section Chief**

**Jay Cortese**  
**Senior Program Specialist**

## **Program Activities Staff:**

**Tony Noia**

**Vicki Balanco**

**Jaime Gonzalez**

**Paul Monson**

**Celina Castilleja**



# Welcome

## HOME Program Team (cont'd)

### Projects Staff:

Francesca Wander

JT Marcell

Soledad Sandoval

Kris Genilo

Stefany Booth

### Retired Annuitant Specialists:

Bob Rystad

Albert Rollin



# Welcome



## Trainer:

Jay Cortese

Senior Specialist, HOME Program

[Jay.Cortese@hcd.ca.gov](mailto:Jay.Cortese@hcd.ca.gov)



# Housekeeping

- Please type your questions in the Q&A, not in the chat. We will try to answer those in the Q&A, but might discuss them with the group or tell you we'll have to get back to you.
- We plan on posting onto our webpage Q&As that would be of interest to others.
- We believe this will be much shorter than advertised but will take a break if necessary.



# Webinar Poll

Facilitator to conduct quick survey of the audience (who's here?)







# Overview



*Image Credit: Pixabay*

- Goals and Background
- Brief Summary of February 9, 2024 FTHB Webinar
- Required Documents and Next Steps
- Related Updates

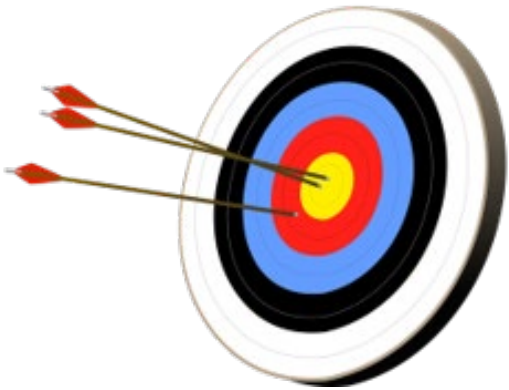
# Goals and Background





# Goals for Today

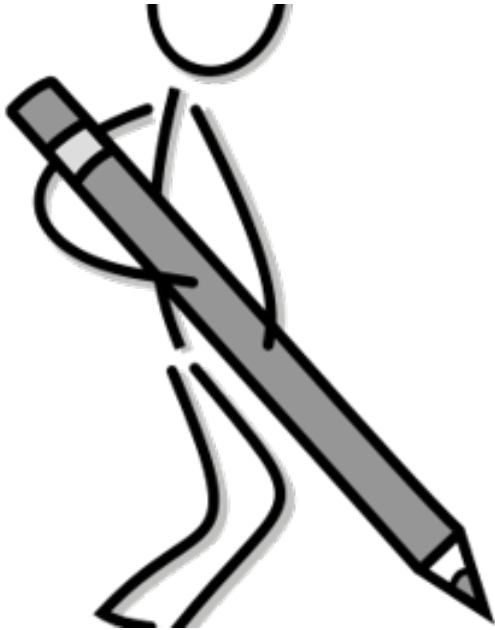
## GOAL SETTING



- Overview of Program.
- Understanding HCD's approach and requirements.
- Implementing changes, HCD approvals and process.



## Background review



- California HCD grants federal HOME funds to cities, counties and CHDOs to operate a HOME program or project, including FTHB.
- We shared at our February 9, 2024 webinar that we had a new recapture/resale policy to both meet federal requirements and serve you better.



## Before we dive in...

- ✓ We expect to e-mail to all attendees of today's webinar, on or before June 13<sup>th</sup>:
  - February 9<sup>th</sup> FTHB webinar slide deck (the recording failed!)
  - Today's FTHB webinar slide deck
  - FTHB Program Guidelines template
  - HOME FTHB Loan Agreement template
  - Grantee Submittal Cover Sheet and Certification



# Brief Summary of our February 9, 2024 FTHB Webinar



## Brief Summary of our February 9, 2024 FTHB Webinar

Our last webinar covered:

- The basics of Resale/Recapture from the HOME Final Rule, including HOME Written Agreement requirement
- Why the Program is using Recapture, not Resale
- The Recapture approach requires all or a portion of the direct subsidy to the homebuyer be recaptured from net proceeds of the sale, and allows the homebuyer to sell the property to any willing buyer, even during the Period of Affordability





## Brief Summary of our February 9, 2024 FTHB Webinar (cont'd)

We discussed the three Recapture models as follows and gave examples of each:

1. *Recapture of Entire Direct Subsidy*: Lender recaptures only the HOME direct subsidy provided at time of purchase, plus any interest due according to the terms of the HOME Promissory Note.
2. *Owner Investment Returned First*: Lender allows the homebuyer to recapture their cash contributions at the time of purchase prior to Lender recapturing the HOME direct subsidy and any accrued interest.
3. *Shared Net Proceeds*: Lender shares appreciation with the homebuyer.



## Brief Summary of our February 9, 2024 FTHB Webinar (cont'd)

- Reminded about monitoring FTHB projects annually, and about our responsibility to monitor grantees and subrecipients
- Defined Direct HOME Subsidy, Net Proceeds, and Long-Term Affordability
- Introduced the requirement for a HOME Written Agreement (in addition to the Promissory Note and Deed of Trust)
- Mentioned noncompliance ramifications (not recapturing available funds = Return of Funds by grantee)



## Brief Summary of our February 9, 2024 FTHB Webinar (cont'd)

- Details about subordinating to a refinanced primary mortgage, which are to be in your FTHB Program Guidelines (better terms and/or immediate health and safety repairs to preserve collateral)



## Remember...

- The terms and conditions in the executed written agreement and recorded documents govern the individual deal.
- The HOME Written Agreement must be a separate legal document from any loan instrument and must comply with requirements in the federal regulations as cited in the State's Resale and Recapture policy.

# Questions?

(we'll address unanswered relevant questions that are in the Q&A)



# Required Documents and Next Steps





# Required Documents and Next Steps

We are providing forms that must be used, including:

- FTHB Program Guidelines Template
- FTHB Written Agreement Template
- FTHB Grantee Submittal Cover Sheet and Certification





# Required Documents and Next Steps

## FTHB Program Guidelines Template



# Required Documents and Next Steps

## **Facts about the Department's updated FTHB Program Guidelines template**

- It is required to be used as a starting point for grantees, and we must approve proposed Program Guidelines that grantees submit
- It is now HOME-only (removed CDBG and CalHome)
- HCD-approved Program Guidelines are your HOME Program activity's policies and procedures in HUD's eyes, and in ours, to which you will be held accountable



# Required Documents and Next Steps

## Biggest FTHB Program Guidelines changes:

- Recapture (loan repayment) terms must now be included.
- Added a requirement in Section 5.0.A. that grantees use our FTHB Subsidy Calculation Worksheet, to document compliance with both debt ratio ranges in that section. This ensures that an appropriate HOME assistance amount was loaned.
- Default language that the Principal Residency requirement be for the HOME Affordability Period only, not for the entire term of the loan. **Your Promissory Note, Deed of Trust, and HOME Loan Agreement must agree with what your approved HOME Program Guidelines say in this regard.**



# Required Documents and Next Steps

## **Facts about the Department's updated FTHB Program Guidelines template (cont'd)**

- It includes the minimum borrower contribution (1% of the purchase price or \$1,000, or another requirement you specify). It cannot be \$0.
- It specifies the debt-to-income ratio ranges (front-end and back-end) that determine the lowest and highest allowable first mortgage payment.
- It has the updated 24 CFR Part 5 income determination regulations (Attachments A and B).



# Required Documents and Next Steps

## **Facts about the Department's updated FTHB Program Guidelines template (cont'd)**

- Attachment C has the three applicable HOME limits (HOME Homeownership Value Limits, HOME Maximum Per-Unit Subsidy Limits, and HOME Income Limits), which you'll update each year when we post and announce updated limits, as we just did for Subsidy and Income Limits
- We anticipate posting and announcing updated HOME Homeownership Value Limits in June, if HUD stays on schedule.



# Required Documents and Next Steps

## **Facts about the Department's updated FTHB Program Guidelines template (cont'd)**

- It contains the HOME Affordability Period chart that will inform the Period length to be put onto the HOME FTHB Loan Agreement
- It outlines the HUD requirement for homebuyer counseling by a HUD-certified counselor who works for a HUD-certified housing counseling provider, which can be done remotely and must include individual counseling.



# Required Documents and Next Steps

## FTHB Written Agreement Template





# Required Documents and Next Steps

## Using the Department's new FTHB Written Agreement Template

- The Template is in MS Word format, locked into Track Changes
- As with Program Guidelines, after grantee submittal, we will review and approve it once any requested changes are made
- In it, you will need to specify the following, to match with what you put into your FTHB Program Guidelines and other loan documents:



# Required Documents and Next Steps

## Using the Department's new FTHB Written Agreement Template

- Using the template, you will specify for each borrower:
  - Name, date, property address
  - Purchase price
  - Loan amount
  - Appraised value and date
  - Length of HOME Affordability Period (5, 10 or 15 years depending on \$\$), promising formal written notice to the homebuyer of the completion date and expiration date of Affordability Period and therefore the HOME Loan Agreement
  - Minimum Buyer contribution in dollars, for this purchase (cannot be \$0)
  - Section 9, your Recapture Provisions, must be filled in to match your FTHB Program Guidelines, in accordance with HCD Resale/Recapture policies



# Required Documents and Next Steps

## Using the Department's new FTHB Written Agreement Template (cont'd)

- Most choose the most-simple approach, which is that the buyer receives sale or foreclosure proceeds only in excess of payoffs of the mortgages (primary and HOME loan, at least).
- As mentioned earlier, other choices are much harder to manage as they involve special calculations. These include shared net appreciation and owner investment returned first.



# Required Documents and Next Steps

## Using the Department's new FTHB Written Agreement Template (cont'd)

- The State HOME Regulations at <https://www.hcd.ca.gov/grants-funding/active-funding/home/docs/State-HOME-Regulations-eff-1-1-2017-FINAL.docx> limit your HOME loan options, in Section 8205(c)(1).
- Details are on the next slide



# Required Documents and Next Steps

## Using the Department's new FTHB Written Agreement Template (cont'd)

- Cities and Counties HOME Loan parameters in State HOME Regs:
  - Simple interest loan, 0-3% interest
  - Interest and payments deferred for the term of the loan
  - May forgive some or all accrued interest
- CHDO HOME loan parameters (HCD is the lender to FTHB):
  - 3% simple interest loan
  - Interest and payments are deferred for term of the loan
  - 10% of accrued interest forgiven at end of years 11-20



# Review of HOME Affordability Period

Total HOME Investment in the unit is:	The Period of Affordability is:
Under \$15,000	5 years
Between \$15,000 and \$40,000	10 years
Over \$40,000	15 years

**HCD's recapture approach requires that all or a portion of the direct subsidy provided to the homebuyer be recaptured from net proceeds of the sale.**



# Required Documents and Next Steps

## California HOME First-Time Homebuyer Program Grantee Submittal Cover Sheet and Certification





# Required Documents and Next Steps

## HOME First-Time Homebuyer Program/Project Restoration/Initiation Grantee Checklist and Certification

For [grantee name, e.g. City of ABC]

**Completed by:**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Organization if not grantee (i.e., Admin Sub or Subrecipient): \_\_\_\_\_

E-mail address: \_\_\_\_\_

Phone number: \_\_\_\_\_

***Instructions: Complete this checklist and submit it with each of the documents to  
[HOMENOFA@hcd.ca.gov](mailto:HOMENOFA@hcd.ca.gov). Please e-mail any questions to that same e-mail address.***



# Required Documents and Next Steps

1. ☐ Completed HOME FTHB Program Guidelines
2. ☐ Completed HOME FTHB Loan Agreement
3. ☐ Copy of proposed Promissory Note
4. ☐ Copy of proposed Deed of Trust
5. ☐ Copy of other loan document used, if any ( \_\_\_\_\_ )
6. ☐ FTHB Program Guidelines, Loan Agreement, Promissory Note, and Deed of Trust all have matching terms.



# Required Documents and Next Steps

Certification: I, [name], [title of Director or above], do hereby approve of this submission as being complete and reflective of the [city's, town's, county's, CHDO's] choices pertaining to its HOME First-Time Homebuyer (FTHB) program.

The [city, town, county, CHDO] understands the requirement to abide by the contents of its FTHB Program Guidelines and its above-referenced FTHB loan documents, once approved by the Department.

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_



# Required Documents and Next Steps

- Step 1 – Department will e-mail materials we've covered, to all of today's attendees before posting/announcing
- Step 2 – Department will post ADA-Remediated FTHB webinar materials on HOME webpage, and announce their availability
- Step 3 – Grantees to Submit the required documents for HCD review and approval.
- Step 4 – Review process: Expected time to review and approve complete document packages is within 45 working days or less
- Step 5 – Notify grantees that their HOME FTHB Activity can be operated. *Status: Approval e-mail with letter signed by the Department to operate their HOME FTHB program will follow Step 4.*

# Related Updates





## Something new! – Replacement Index for Maximum Primary Mortgage Rate

- The State HOME Regulations require our NOFA refer to an index regarding the maximum interest rate the primary mortgage can have
- For many years, we've used the FNMA 30-year fixed 90-day index rate plus 1%
- The FNMA 30-year fixed 90-day index rate will no longer be published after June 2024.
- Therefore, let's look at the new index you'll be using, which you'll see in the FTHB Program Guidelines



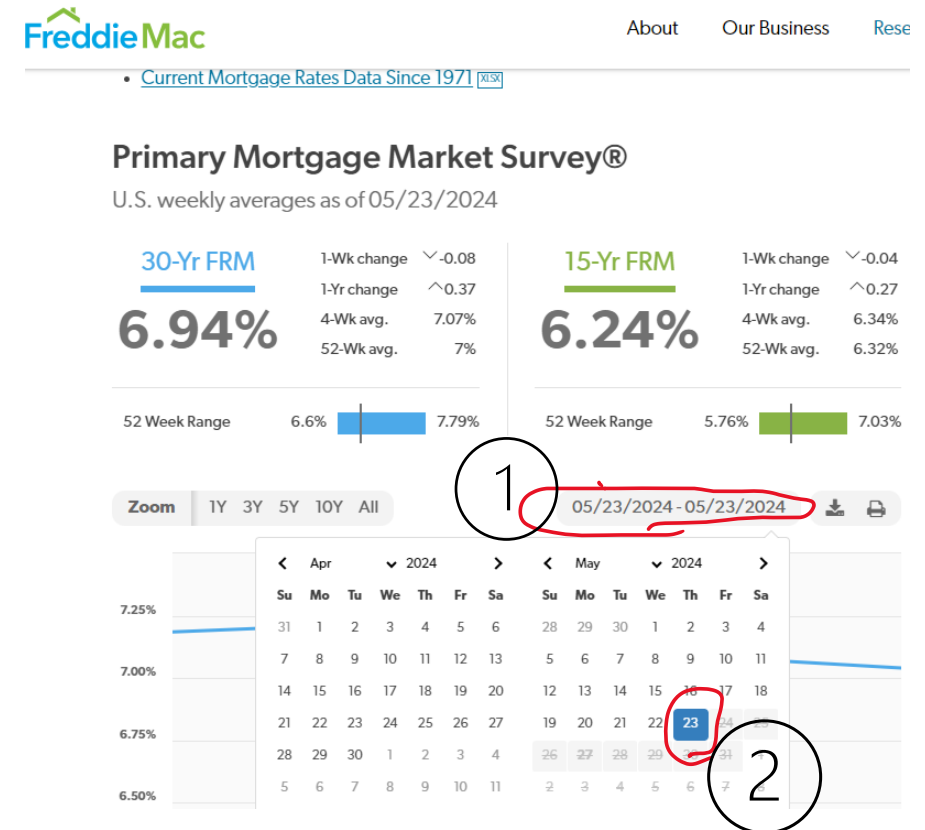
## Something new! – Replacement Index for Maximum Primary Mortgage Rate (cont'd)

- The new index for the highest allowable primary mortgage rate will be the Freddie Mac rate.
- The rate can be found at (this link is in the updated FTHB Program Guidelines):  
<https://www.freddiemac.com/pmms>
- You'll need to choose and document the date the primary mortgage rate was locked, or else the date of the HOME loan approval, and that the primary mortgage rate is within 1% of the index rate.



# Something new! – Replacement Index for Maximum Primary Mortgage Rate (cont'd)

- On the Freddie Mac page, you will isolate the date you have chosen, as follows:







## Something new! – Replacement Index for Maximum Primary Mortgage Rate (cont'd)

Next, save the rate using the download and/or print buttons next to the date range you chose, and save the documentation into your printed file that the primary mortgage rate is no greater than 1% higher than this 30-year fixed rate.





## Something new! – Income Determination Regulations at 24 CFR Part 5

- In February 2023, the 24 CFR Part 5 regulations were greatly revised by HUD
- As mentioned earlier today, we have updated Attachments A (Income) and B (Assets) of the FTHB Program Guidelines accordingly
- Please be sure to carefully read them, but the following are the biggest updates



## Something new! – Income Determination Regulations at 24 CFR Part 5 (cont'd)

- Only net family “non-necessary” assets exceeding \$50,000 (was \$5,000) require imputing income
- Cash-out value of retirement accounts is excluded
- There is much more detail regarding excluded income
- There are no more examples of included income
- Unearned income by or on behalf of each dependent under 18 counts



## One last thing...

Cleaner submissions will be reviewed more quickly by us, and will get your FTHB Program restored, or started, sooner!

So, please e-mail [HOMENOFA@hcd.ca.gov](mailto:HOMENOFA@hcd.ca.gov) or call your HOME Program Activities Representative if you have questions.

Rep map link: <https://www.hcd.ca.gov/grants-funding/active-funding/home/docs/HOME-Program-Activities-Rep-Map-PDF-Nov-2021.pdf>



# Final Questions?

*Image Credit: Pixabay*







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California HOME First-Time Homebuyer (FTHB)  
Requirements and Procedures for Program Guidelines



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# THANK YOU FOR ATTENDING!