

Name of State Recipient

HOME Investment Partnerships
Program (HOME)

First-Time Homebuyer
Program Guidelines

Serving the name of city, or the unincorporated
areas of the County of XXX



HOME FIRST-TIME HOMEBUYER PROGRAM GUIDELINES

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HOME PROGRAM FIRST-TIME HOMEBUYER PROGRAM GUIDELINES

1.0. GENERAL

The above-named entity, hereinafter referred to as the “Sponsor” or “Lender,” has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer a HOME First-Time Homebuyer program. The homebuyer program described herein (the “Program”) is designed to assist eligible homebuyers in purchasing homes, also referred to herein as “housing units”, located within the Program’s eligible area, as described in Section 3.1.A. The Program provides this assistance in the form of a 30+ year deferred payment “silent” junior priority loan as “Gap” financing toward the purchase price and closing costs of an affordable housing unit that will be occupied by the homebuyers as their primary residence during the HOME Affordability Period. The Program will be administered by [name of Sponsor, name of sub-recipient, or name of administrative subcontractor, if applicable], (the “Program Operator”).

1.1. PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with state and federal fair lending regulations to ensure nondiscriminatory treatment, outreach, and access to the Program. No person shall, on the grounds of race, color, ancestry, national origin, citizenship, immigration status, primary language, religion, disability (mental or physical), sex and gender, sexual orientation, gender identity, gender expression, genetic information, marital status, familial status (families with children under 18 or people who are pregnant), source of income, military or veteran status, or age be excluded, denied benefits, or subjected to discrimination under the Program. The Sponsor will ensure that all persons, including those qualified individuals with disabilities, have access to the Program and will take steps to ensure effective communication with and marketing to applicants, residents, and members of the public with disabilities.

- A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Affirmative marketing efforts will be based upon a comparison (census data will be used) of the Program’s eligible area compared to the demographic characteristics of the population served by the Program. This includes tracking separately all applications, including subsets for those which result in denial of assistance or withdrawal, and for those which result in assistance), and an explanation and analysis of any underserved segments of the population. This information is used to show that protected classes (listed above) are not being intentionally or unintentionally excluded from the Program. Flyers or other outreach

materials, in English and any other languages that are the primary languages of a significant portion of the area's residents, in accordance with Sponsor's Limited English Proficiency (LEP) Plan, or equivalent, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies. The Program may sponsor homebuyer seminars to help educate homebuyers about the homebuying process and future responsibilities.

- B. The Program Operator will market the Program to local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be invited to have their customers participate in the Program.
- C. The following statement will be included in all outreach and marketing materials: Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds.
- D. The Sponsor will ensure that all Personally-Identifiable Information remains confidential and is properly protected.

1.2. **APPLICATION PROCESS AND SELECTION**

- A. The Sponsor maintains a waiting list of applicants. Each applicant is asked to complete an application form, which asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for Program participation. Completed applications are processed on a first-come-first-served basis. Applications are deemed complete only if all information is completed and the application is signed and dated. Incomplete applications are returned to the applicant and will not be date/time stamped until complete.
- B. Once the applicant's name comes to the top of the waiting list, their Program eligibility will be confirmed, and they will then be invited to a briefing regarding participation in the Program. At the briefing, the application is reviewed and the potential homebuyer is given a "Preliminary Eligibility Letter" for the Program, along with the following forms: Program Brochure, Attachment (G) Instructions to Homebuyer, List of lenders familiar with the Program, Attachment (E) Seller's Lead-Based Paint Disclosure and the EPA Booklet "Protect Your Family from Lead in Your Home", and (F) Notice to Seller.

If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household

composition, or other important questions that cannot be resolved, the Sponsor reserves the right to deny assistance to the household. In this case, the applicant may re-apply after [state the period here, and if there are different periods for different situations, since this paragraph covers various scenarios, spell them out here], as stated in a written assistance denial letter.

- C. Each applicant must participate in individual Homebuyer Counseling consistent with the requirements in Section 1.5 of these Program Guidelines.
- D. The potential homebuyer is given 90 days to find a qualified home and secure a primary loan for the housing unit. If during the 90-day timeframe, the potential homebuyer is unable to achieve this, an extension may be given. However, if the potential homebuyer cannot meet the requirements of finding a qualified housing unit and closing a primary loan within the allotted time to participate in the Program, the reservation of funds expires and the next person on the waiting list will be given an opportunity to participate in the Program.

1.3. THE HOME PURCHASE PROCESS

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

DEBT SERVICE			
FOR A FAMILY OF FOUR EARNING \$3,388 PER MONTH			
HOUSING PAYMENTS		TOTAL OVERALL PAYMENTS	
Principal & Interest Payment	\$ 865	\$ 1,180	Housing
Insurance	82	+ 200	Other Debt Service
Taxes	<u>233</u>	\$1,380	Total Debt Service
Total Housing Expense	\$1,180	(Overall debt service per month is 41% of \$3,388)	
\$3,388)	(PITI is 35% of \$3,388)		
OTHER HOUSEHOLD DEBT SERVICE			
	Car Payment	\$ 150	
	Credit Card Payment	<u>50</u>	
	Total Other Debt	\$ 200	
A \$865 per month loan payment equates to borrowing \$143,000 at 5.88% for a 30-year term.			

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

Purchase Price of Property	\$ 280,000
Less Primary loan amount	143,000
Less down payment of 1%	<u>2,800</u>
 Equals "GAP"	 \$ 134,200
 Plus estimated allowable settlement charges	 <u>8,400</u>
 Equals Total Subsidy	 \$ 142,600

- B. The housing unit selection process will be conducted by the homebuyers. Prior to making an offer to purchase an eligible housing unit (see Section 3.0), homebuyer shall provide seller with a disclosure containing the following provisions (see **Attachment F** for Disclosure to Seller form):
- 1) Homebuyer has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement;
 - 2) Homebuyer's offer is an estimate of the fair market value of the housing unit, to be finally determined by a state-licensed appraiser;
 - 3) The housing unit will be subject to inspection. In accordance with 24 CFR section 92.251(c), the housing unit must be decent, safe, sanitary, and in good repair. The standards must provide that the housing meets all applicable State and local housing quality standards and code requirements and the housing does not contain the specific deficiencies established by HUD based on the applicable standards in 24 CFR section 5.703 and published in the Federal Register for HOME assisted projects and units;
 - 4) All housing units built prior to January 1, 1978, will require a lead paint disclosure to be signed by both the homebuyer and Seller (Attachment E);
 - 5) Since the sale is voluntary, seller is not eligible for relocation payments or other relocation assistance;
 - 6) Seller understands that the housing unit must be either: currently owner-occupied, newly constructed, bought by the current tenant, or vacant for three months prior to submission of the purchase offer;
 - 7) If the seller is not provided with a statement of the above six provisions prior to or with the purchase offer, the seller may withdraw from the agreement after this information is provided.

- C. Applicant submits an executed Standard Form Purchase and Sale Agreement, along with a primary lender pre-qualification letter to Program Operator. The purchase and sale agreement will be contingent on the household and housing unit meeting Program eligibility requirements and receiving Program loan approval. Program Operator verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.
- D. Program Operator conducts an Environmental Review in accordance with 24 CFR Part 58, and Sponsor's NEPA Certifying Officer signs the appropriate form before any commitment of funds are made to the homebuyer. An acquisition cannot and must not include rehabilitation immediately after transfer of title, and requires completion of a HUD CENST form from the [Environmental Review - HUD Exchange](#) webpage.
- E. Program Operator, where Program Operator is not the Sponsor, submits recommendation to the Sponsor for approval or denial, including the reasons for the recommendation. Sponsor determines Applicant's approval or denial and instructs Program Operator to notify Applicant. Program Operator provides written notification to Applicant of approval or denial with reason and, if denied, a copy of the Program's appeal procedures. See Section 11 of these Program Guidelines.
- F. When primary lender requirements are met, Program funds are deposited into escrow, with required closing instructions and loan documents.
- G. At the time of escrow closing, the Sponsor shall be named as an additional loss payee on fire, flood (if required), and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit. A policy of Title Insurance naming the Sponsor as insured is also required.

1.4. HOMEBUYER COSTS

- A. Eligible households must document that they have the funds necessary for down payment and closing costs as required by the primary lender and the Sponsor. The Program's down payment requirement (below) is in place even if the primary lender has a lower down payment requirement. If the primary lender has a higher down payment requirement, there is no additional down payment requirement required by the Program.
- B. Homebuyer must contribute a minimum down payment of **one** percent (1%) of the purchase price but may contribute more if desired.

- C. Sponsor will provide a subsidy that is no greater than the applicable HOME Maximum Per-Unit Subsidy Limit for the State of California. [WORDING MAY BE ADDED, SUCH AS 50% OF THE PURCHASE PRICE, TO FURTHER RESTRICT THE MAXIMUM ASSISTANCE AMOUNT]. The subsidy will reduce the amount of the primary lender's loan so that the payments of principal, interest, taxes, insurance, and mortgage insurance and HOA dues, if any, are within approximately 25 to 30% of the household's gross monthly household income. In addition, the borrower's total debt must be within the ranges in Section 5.0. of these Program Guidelines.
- D. The Program Operator will determine the level of subsidy and affordability during underwriting of the Program's loan to make sure that it conforms to the requirements of the HCD funding Program.

1.5. HOMEBUYER EDUCATION

All Program participants are required to receive housing counseling prior to Program approval, delivered by a HUD-certified housing counselor who works for an organization certified by HUD to perform housing counseling. The Program Operator will provide the homebuyer with the needed counselor information. A list of such counseling entities is available at:

https://hud4.my.site.com/housingcounseling/s/?language=en_US.

A copy of the applicant's certificate of completion must be placed into the homebuyer file maintained by the Program Operator. In addition, the Program Operator must include evidence that the counseling provider was HUD-certified when the counseling certification was issued.

Acceptable forms of housing counseling include in-person, phone, and/or internet, provided the client and counselor have an individualized dialogue, with guidance and advice tailored to client's needs. This includes creating a client budget, financial analysis, an action plan, and referrals to relevant resources such as down payment assistance programs or legal services.

Housing Counseling defined: Housing counseling is independent, expert advice customized to the need of the consumer to address the consumer's housing barriers and to help achieve their housing goals and must include the following processes: Intake; financial and housing affordability analysis; an action plan, and a reasonable effort to have follow-up communication with the client when possible. The content and process of housing counseling must meet the standards outlined in 24 CFR Part 214, which include:

- addressing unique financial circumstances or housing issues;
- focusing on ways of overcoming specific obstacles to achieving a housing goal such as repairing credit;
- addressing a rental dispute, purchasing a home, locating cash for a down payment, and being informed of fair housing and fair lending requirements of the Fair Housing Act;
- finding units accessible to persons with disabilities;
- avoiding foreclosure;
- resolving a financial crisis; and
- the creation of an action plan.

1.6. CONFLICT OF INTEREST REQUIREMENTS

The applicable Conflict of Interest requirements of 24 CFR section 92.356 of the HOME Final Rule shall be followed for HOME assistance, as follows:

(a) Conflicts prohibited. No persons described in paragraph (b) of this section who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the HOME-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage, or adoption) the spouse, parent (including stepparent), child (including stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

(b) Persons covered. The conflict of interest provisions of paragraph (a) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the participating jurisdiction, State recipient, or subrecipient receiving HOME funds.

(c) Exceptions: Threshold requirements. Upon the written request of the participating jurisdiction to HCD, HUD may grant an exception to the provisions of paragraph (a) of this section on a case-by-case basis when it determines that the exception will serve to further the purposes of the HOME Investment Partnerships Program and the effective and efficient administration of the participating jurisdiction's program or project. See 24 CFR sections 92.356(d)(1-6) for details on the documentation needed in order to submit an exception request to HUD.

1.7. NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the Sponsor's commitment to non-discrimination. No person shall be excluded from participation

in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with State or federal funds on the basis of race, color, ancestry, national origin, citizenship, immigration status, primary language, religion, disability (mental or physical), sex and gender, sexual orientation, gender identity, gender expression, genetic information, marital status, familial status (families with children under 18 or people who are pregnant), source of income, military or veteran status, or age.

2.0 APPLICANT QUALIFICATIONS

2.1. CURRENT INCOME LIMITS FOR THE AREA, BY HOUSEHOLD SIZE

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

(See Attachment C for current income limits).

Household: Means one or more persons who will occupy a housing unit. Unborn children **CHOOSE ONE AND DELETE THIS PROMPT AND ONE OF THESE TERMS, AND UNHIGHLIGHT:** count/don't count in family size determination.

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

2.2. INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the HCD-published HUD income limits. The annual income definition found at 24 CFR Part 5, as detailed in the most recent HCD program-specific guidance at <https://www.hcd.ca.gov/grants-and-funding/income-limits/income-calculation-and-determination-guide>, will be used to independently determine and certify the household's annual gross income. The Program Operator should compare this annual gross income to the income the primary lender used when qualifying the household. The primary lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Program. Income will be verified by examining at least 2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) and six months of checking statements for the household. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

A. HOUSEHOLD INCOME DEFINITION:

Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period and will be used to determine program eligibility. For those types of income counted, gross amounts (before any deductions have been taken) are used. The income of live-in aides and the earned income of minors are not included in annual gross income calculations. Certain other household members living apart from the household also require special consideration. The household's projected income must be used, rather than past earnings, when calculating income.

See Attachment A: Income Inclusions and Exclusions

B. ASSETS:

There is no asset limitation for participation in the Program. Income, or imputed income from assets, however, is recognized as part of annual income under the 24 CFR Part 5 regulations (included as Attachments A and B). An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. *(Note: it is the income earned – e.g., interest on a savings account – or in some cases imputed income, not the asset value, which is counted in annual income.)*

An asset's cash value is the market value, less reasonable expenses required to convert the asset to cash, including, for example, penalties or fees for converting financial holdings, and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

See Attachment B: Asset Inclusions and Exclusions

2.3. DEFINITION OF AN ELIGIBLE HOMEBUYER

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

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

1. a displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
2. a single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
3. an individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is:
 - a. not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - b. not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

3.0. HOUSING UNIT ELIGIBILITY

3.1. LOCATION AND CHARACTERISTICS

- A. Housing units to be purchased must be located within the eligible area. The eligible area is described as follows: "Within the Name of City, or the unincorporated areas of the County of XXX."
- B. Housing unit types eligible for the Homebuyer Program are new or previously-owned single-family residences; condominiums; or manufactured homes in mobile home parks, in common-interest developments or on a single-family lot and placed on a permanent foundation system. HOME does not allow manufactured homes unless on a permanent foundation system.
- C. All housing units must be in compliance with property standards in Section 1.3.B.3 of these Program Guidelines.
- D. Housing units located within a 100-year flood zone will be required to provide proof of flood insurance with an endorsement naming the City? County? as loss payee in order to close escrow.

- E. Housing must be “modest”, in accordance with the federal HOME regulations at 24 CFR section 92.254(a)(2).

3.2. CONDITIONS

- A. Construction Inspection and Determining Need for Repairs.

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

- 1) When the Sponsor’s Program utilizes Federal funds and if the housing unit was constructed prior to 1978 then the lead-based paint requirements of Section 3.2.C will apply.

The Program Operator is responsible to ensure that a certified housing inspector walks through the housing unit, determines if it is structurally sound, and identifies any code-related and health and safety deficiencies that need to be corrected. A list of necessary repair items will be given to the homebuyers and their Realtor to present to the seller’s agent.

If there are one or more health and safety deficiencies, and/or violations of applicable building codes noted in the written report, the Sponsor will approve the subsidy only if prior to close of escrow, and seller agrees to have necessary repairs made to the dwelling unit prior to transfer of property ownership, at the seller’s expense.

Upon completion of all work required by the Program Operator, Sponsor, appraiser, pest inspector and/or certified housing inspector, a final inspection will be conducted prior to close of escrow. The inspector will sign off on all required construction work assuring that each housing unit receiving Program assistance complies with Section 1.3.B.3. requirements of these Program Guidelines that the unit is decent, safe, sanitary, and in good repair, and that it meets all applicable State and local housing quality standards and code requirements and does not contain the specific deficiencies established by HUD based on the applicable standards in 24 CFR section 5.703 and published in the Federal Register for HOME-assisted projects and units, at the time of purchase and prior to occupancy.

- 2) Only new construction and homes built within the previous 12 months and not previously occupied are not subject to a home inspection.

- B. Per 24 CFR section 92.214(a)(6), no additional HOME assistance, including rehabilitation funds, may be provided after the 1-year anniversary of the filing of the Project Completion Report through the end of the HOME

Affordability Period. The HOME Affordability Period is as follows (amount does not include Activity Delivery and Administration Costs paid to the State Recipient by HCD):

Amount of HOME Assistance	Period of Affordability in Years
Under \$25,000	5 years
\$25,000 to \$50,000	10 years
Over \$50,000	15 years

During the HOME Affordability Period, the home must remain occupied by the borrower or an eligible heir, as their primary residence, or else all HOME assistance becomes due and payable.

- C. Lead-Based Paint Hazards: All housing units built prior to 1978 for which HOME funding is anticipated are subject to the requirements of this section 3.2.C. Such homes must undergo a visual assessment by a person who has taken HUD's online Visual Assessment course. Deteriorated paint must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a DHS-certified LBP Risk Assessor/Inspector. HOME general administrative and activity delivery funds may be used to pay for lead-based paint visual assessments, and if lead mitigation and clearance costs are incurred, these programs may incorporate the costs into the calculation of Program assistance.
- D. The following requirements must be met:
- 1) **Notification**: a) Prior to homebuyer's obligation to purchase a home built prior to 1978, the Buyer will be given the most recent copy of and asked to read the EPA pamphlet "*Protect Your Family From Lead in Your Home*". (EPA 747-K-94-001). A signed receipt of the pamphlet will be kept in the Sponsor's homebuyer file; b) A notice to residents is required following a risk assessment/inspection using form DHS 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) a notice to residents is required following lead-based paint mitigation work using Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction form, LBP – 1 (Attachment H).
 - 2) **Disclosure**: Prior to the homebuyer's obligation to purchase a home built prior to 1978, the HUD disclosure (Attachment E), "Seller's Lead-based Paint Disclosure" notice must be provided by the seller to the homebuyer.
 - 3) **Inspections**: The Inspector shall conduct a "Visual Assessment" of all the dwelling unit's painted surfaces to identify deteriorated paint. All deteriorated paint will be stabilized in accordance with CFR 35.1330 (a)

and (b); and a Clearance shall be made in accordance with CFR 35.1340.

- 4) **Mitigation:** If stabilization is required, the contractor performing the mitigation work must use appropriately-trained workers. Prior to the contractor starting mitigation work, the Program Operator shall obtain copies of the contractor's and workers' appropriate proof of LBP training, as applicable to the job, to assure that only qualified contractors and workers are allowed to perform the mitigation.
- E. The Program Operator will: 1) confirm that the housing unit is within the eligible area, 2) will review each proposed housing unit to ensure that it meets all eligibility criteria before funding, and 3) ensure a completed Lead Compliance Document Checklist is placed in each purchaser's file (see Attachment I).
- F. Environmental Review: Program Operator conducts an Environmental Review in accordance with 24 CFR Part 58, and Sponsor's NEPA Certifying Officer signs the appropriate form before any commitment of funds are made to the homebuyer. An acquisition must not include rehabilitation immediately after transfer of title, and requires completion of a HUD CENST form from the [Environmental Review - HUD Exchange](#) webpage.

3.3. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes will be those that are currently owner-occupied or have been vacant for three months prior to the acceptance of a contract to purchase. A unit is ineligible if its purchase would result in the displacement of a tenant. It is not anticipated that the implementation of the Program will result in the displacement of any persons, households, or families. However, if tenant-occupied homes are inadvertently included in the Program and relocation becomes necessary, the activity will be carried out in compliance with Sponsor's relocation plan, which describes how those permanently displaced will be relocated and paid benefits in accordance with the following Federal laws.

A. **Uniform Relocation Assistance (URA) and Real Property Acquisition Policies Act of 1970**

The federal URA and Real Property Acquisition Policies Act of 1970, as amended, contains requirements for carrying out real property acquisition or the displacement of a person, regardless of income status, for a project or program for which HUD financial assistance (including HOME) is provided. Requirements governing real property acquisition are described in HUD's [CPD Handbook 1378.0](#). The implementing regulations, 49 CFR Part 24, require developers and owners to take certain steps regarding

tenants of housing to be acquired, rehabilitated, or demolished, including tenants who will not be relocated even temporarily.

B. Section 104(d) of the Housing and Community Development Act of 1974

Section 104(d) requires each contractor (CHDO or State Recipient), as a condition of receiving assistance under HOME, to certify that it is following a residential anti-displacement plan and relocation assistance plan. Section 104(d) also requires relocation benefits to be provided to low-income persons who are physically displaced or economically displaced as the result of a HOME-assisted project, and requires the replacement of low-income housing, which is demolished or converted. The implementing regulations for Section 104(d) can be found in 24 CFR Part 42, subpart (C).

3.4. PROPER NOTIFICATION AND DISCLOSURES

- A. Upon selection of a housing unit, a qualified seller and homebuyer will be given the necessary disclosures for the Program. The homebuyer must have read and signed all Program disclosure forms. All property disclosures must be reviewed and signed by the homebuyer and seller.
- B. All owners who wish to sell their housing units must receive an acquisition notice (Attachment F) prior to submission of the homebuyer's original offer. This notice will be included in the contract and must be signed by all owners on title. The disclosure must contain the items listed in 1.3.B. (required for federally-funded programs).

4.0. PURCHASE PRICE LIMITS

The purchase price limits for this Program shall not exceed the HOME Homeownership Value Limit for the Sponsor's County as updated by HCD, or a temporary waiver limit approved by HUD and the Department.

Attachment C: HOME HOMEOWNERSHIP VALUE LIMITS *Sponsor will update these limits annually as HCD provides new information.

5.0. THE PRIMARY LOAN

Prior to obtaining a loan from the Sponsor, a homebuyer must provide evidence of approval for the maximum amount the primary lender is willing to loan (the "primary loan"), although the Program may limit the primary loan amount based on the debt-to-income ratio maximums herein.

A. QUALIFYING RATIOS

The front-end (housing) debt-to-income ratio shall be between 25% and 30% and is the percentage of a borrower's gross monthly income (before deductions) that would cover the cost of the loan principal and interest payment, property taxes, property insurance, and mortgage insurance and HOA dues, if any.

The back-end (total) debt-to-income ratio shall be between 25% and 40% and is the percentage of a borrower's gross monthly income that would cover the cost of housing as described in the paragraph above, plus any other monthly debt payments like auto or personal loans, credit card debt, and student debt, as well as child support and alimony payments.

Exceptions to these maximums must be documented and placed into each loan file, to demonstrate compensating factors.

The Program Operator must complete the HOME Subsidy Calculation Worksheet and place it into the loan file to document that the HOME assistance amount was appropriate, based on compliance with the debt ratio ranges in the two preceding paragraphs of this subsection. The Worksheet is currently accessible on the HOME webpage at:

https://www.hcd.ca.gov/grants-funding/grants-forms/docs/HOME_FTHB_Subsidy_Calculation_Worksheet_June_2013_Version.xls.

B. INTEREST RATE

The primary loan must have a fixed interest rate that does not exceed, by greater than one percent, the Freddie Mac 30-year Fixed Rate Mortgage rate at <https://www.freddiemac.com/pmms>.

The applicable Freddie Mac rate should be from the date the primary mortgage rate was locked, or else the date of HOME loan approval. No temporary interest rate buy-downs are permitted. The loan file must contain this documentation for Department monitoring purposes.

C. LOAN TYPE AND TERM

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

D. IMPOUND ACCOUNT

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

6.0. THE PROGRAM LOAN

A. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE

For HOME, the amount of Program assistance to a homebuyer toward purchase of a home shall not exceed the HOME Maximum Per-Unit Subsidy Limits (“Subsidy Limits”) for the State of California. See Attachment C of these Program Guidelines for current Subsidy Limits. Any approved “grant” amount for lead-based paint evaluation and reduction activities or for relocation assistance shall be included in the Subsidy Limits evaluation, as shall Activity Delivery Costs.

B. NON-RECURRING CLOSING COSTS

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

C. AFFORDABILITY PARAMETERS FOR HOMEBUYERS

The actual amount of a Homebuyer’s Program subsidy shall be computed according to the debt-to-income ratio parameters specified in Section 5.0.A. Each borrower shall receive only the subsidy needed to allow them to become homeowners (“the Gap”) while keeping their housing costs affordable. The Program Operator will use the “front-end ratio” of housing-expense-to-income to determine if the amount of the proposed primary loan is acceptable and, ultimately, the Program subsidy amount required, bridging the gap between the acquisition cost (purchase price plus closing costs) less down payment, and the amount of the primary loan.

D. RATE AND TERMS FOR PROGRAM LOAN

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

The Program loan’s term shall be for 45 years. [TECHNICAL ASSISTANCE FROM HOME (please remove when editing): This must be at least as long as the primary mortgage period, and we recommend exceeding the term of the primary loan by 15 years.]

The Program loan’s interest rate shall be 0% simple interest. [TECHNICAL ASSISTANCE FROM HOME (please remove when editing): this must be between 0-3%, and may even be different for lower income levels, and/or involve forgiveness of interest over time to incentivize longevity in the home]

All Program loan payments shall be deferred because the borrowers will have their repayment ability fully utilized under the primary loan. Loan principal shall not be

forgiven, and the loan period cannot be extended, except for loans that are resubordinated when a rate and term refinance is approved, per Attachment D.

E. COMBINED LOAN-TO-VALUE RATIO

The loan-to-value ratio for a Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to 5 percent of the sales price to cover actual closing costs.

7.0. PROGRAM LOAN REPAYMENT (HOME RECAPTURE TERMS)

TECHNICAL ASSISTANCE TO SPONSOR FROM HOME (please remove this prompt when editing): Choose one of the three options here and delete the other two. **IMPORTANT:** Your HOME Loan Agreement, and your other loan documents if they discuss loan repayment terms, must contain this same HOME Recapture language.]

[CHOICE #1 (remove this prompt): *Recapture of Entire Direct Subsidy*]

Recapture of Entire Direct Subsidy

The Program Lender recaptures the entire amount of the direct HOME subsidy provided to the homebuyer, plus any interest due according to the terms of the HOME Promissory Note, before the homebuyer receives a return. The recapture amount is limited to the net proceeds available from the sale or foreclosure.

In cases where there is appreciation, (see definition of Appreciation), the homebuyer would retain any net proceeds exceeding the direct HOME assistance plus interest due that is recaptured.

Example: A homebuyer receives \$10,000 of HOME down payment assistance to purchase a home. The direct HOME subsidy to the homebuyer is \$10,000, which results in a five-year Period of Affordability. If the homebuyer sells the home after three years, the grantee or state would recapture, assuming that there are sufficient net proceeds, the entire \$10,000 direct HOME subsidy plus any interest due according to the terms of the HOME Promissory Note. The homebuyer would receive any net proceeds in excess of that amount.

In some cases, such as in declining housing markets, net proceeds available at the time of sale may be insufficient to recapture the entire direct HOME subsidy plus interest due provided to the homebuyer. Since the HOME Final Rule limits recapture to available net proceeds, the Program Lender can recapture only what is available from net proceeds. In a scenario where recapture provisions state that the entire direct HOME subsidy plus interest will be recaptured, and there are

insufficient net proceeds available at sale, the Program Lender is not required to repay to the Department, and the Department is not required to pay back to HUD the difference between the total direct HOME subsidy and the amount available for recapture from net proceeds.

[CHOICE #2 (remove this prompt): *Owner Initial Investment Returned First*]

Owner Initial Investment Returned First

The homebuyer shall recover, if available, their entire down payment before recapture is calculated. Once the net proceeds from the sale are determined, the homeowner's initial investment is then deducted from the remaining net proceeds available for recapture. The entire HOME subsidy plus interest is recaptured from the remaining net proceeds. The homeowner retains the remaining net proceeds. Where net proceeds are insufficient to repay all or any of the homeowner's initial investment, the homebuyer will not receive the full amount of their initial investment. They will receive only what net proceeds are available. The Lender may not be able to recapture the full amount due under the recapture agreements from the net proceeds available. In such circumstances, neither the Program Lender nor the Department are responsible for repaying to the account that provided original assistance the difference between the amount of direct HOME subsidy due and the recaptured amount available from net proceeds.

Example: A homebuyer received \$5,000 in HOME downpayment assistance and provided \$5,000 of their own funds for down payment. After purchasing the home, the homebuyer invested \$2,000 for capital improvements to the property. Two years into the 5-year Period of Affordability, the homebuyer decides to sell the home. The Lender's recapture provisions allow the HOME-assisted homebuyer to recover, from net proceeds, their entire investment in the property before the Lender recaptures any HOME subsidy. The net proceeds from the sale total \$10,000. The homebuyer recovers their \$7,000 investment (down payment plus capital improvements) from the net proceeds of the sale. The Lender is able to recapture, from the remaining net proceeds, only \$3,000 of its original \$5,000 investment. The Lender is not responsible for repaying to the Department the \$2,000 difference between the recapture amount due and what is available from net proceeds.

[CHOICE #3 (remove this prompt): *Shared Net Proceeds: Lender shares appreciation with the homebuyer.*]

Shared Net Proceeds

If net proceeds are not sufficient to recapture the entire HOME investment or a reduced amount as described above or enable the homebuyer to recover the amount of the down payment and **any** investment in the form of capital improvements made by the homebuyer since purchase, the Lender will share the

net proceeds. Homebuyer must have documented evidence of the costs of any capital improvements made in order to include those costs in the shared net proceeds calculation.

To calculate the amount of net proceeds (or shared appreciation) to be returned to the Lender, the Lender will:

- Divide the direct HOME subsidy by the sum of the direct HOME subsidy and the homebuyer's investment, then without rounding the result,
- Multiply by the net proceeds to calculate the amount of HOME investment to return to the Lender.

To calculate the amount of net proceeds (or shared appreciation) available to the homebuyer, the Lender will:

- Divide the homebuyer's investment by the sum of the direct HOME subsidy and the homebuyer's investment, then without out rounding the result,
- Multiply by the net proceeds to calculate the amount of homebuyer investment to return to the homebuyer.

Example: A homebuyer received \$10,000 in HOME down payment assistance and provided \$2,000 of her own funds for the down payment. She also invested another \$3,000 on capital improvements to the property. She is selling the home after two years. The Lender has structured its recapture policies to share the net proceeds between the HOME-assisted homebuyer and Lender. In this example, the net proceeds of the sale are \$5,000. Using the two formulas set forth above, the amount of the net proceeds to be recaptured by the Lender is \$3,333.

$$\frac{\$10,000}{(\$10,000 + \$5,000)} \times \$5,000 = \$3,333$$

The amount of the net proceeds to be recovered by the homebuyer is \$1,667.

7.1. PAYMENTS ARE VOLUNTARY

Borrowers may begin making voluntary payments at any time, without penalty. Payments will be applied to principal, thus reducing accrual of simple interest.

7.2. RECEIVING LOAN PAYMENTS

A. Voluntary Program loan payments, and loan payoffs, shall be made to:

Name of State Recipient (Program Sponsor)

Address

City, State, Zip

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

7.3. DUE UPON SALE OR TRANSFER

If an owner sells, transfers title, or discontinues principal residency in the purchased property during the HOME Affordability Period for any reason, the loan is immediately due and payable pursuant to the Recapture (loan repayment) terms in the HOME Loan Agreement.

Notwithstanding the foregoing, if the owner of the property dies, even after the HOME Affordability Period expires, an heir may assume the HOME loan at the same rate and terms, if the heir's household meets each of the following requirements:

- does not exceed the current HOME income limits; and
- will immediately occupy the home as their principal residence.

During the HOME Affordability Period, if the property owner dies and the heir does not meet these HOME eligibility requirements, the loan is due and payable.

The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment D on loan defaults for further information on property restrictions.

7.4. LOAN SERVICING POLICIES AND PROCEDURES

See Attachment D for local loan servicing policies and procedures. While the attached policy outlines a system that can accommodate a crisis that restricts

borrower repayment ability, it should in no way be misunderstood: The loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures shall be pursued.

7.5. LOAN MONITORING PROCEDURES

Sponsor must monitor Borrowers and their homes annually to ensure adherence to Program requirements including, but not limited to, the following:

- A. Owner-occupancy during the Period of Affordability
- B. Property tax payment
- C. Hazard insurance coverage
- D. Good standing on Primary loans

8.0. PROGRAM LOAN UNDERWRITING AND APPROVAL

A. Loan Underwriting

All homebuyers or their representatives shall receive an eligibility packet with all the necessary forms, disclosures, information, and application. The homebuyer must submit a complete application packet with all the Sponsor's Program loan documents executed, as well as all the information from the primary lender. The primary lender shall submit copies of the following to the Sponsor: 1) fully-executed property sales contract with proper seller notification; 2) mortgage application with good faith estimates and primary mortgage disclosures; 3) full mortgage credit report and rent verification; 4) current third-party income verifications and verifications of assets; 5) homeownership education certificate, if applicable; and 6) signed underwriting transmittal summary and final signed loan application, both from primary lender. Staff will work with local lenders to ensure qualified participants receive only the benefit from the Sponsor's Program needed to purchase the housing unit and that leveraged funds will be used when possible.

B. Creditworthiness

Qualifying ratios are only a rough guideline in determining a potential borrower's creditworthiness. Many factors such as credit history, amount of down payment, and size of loan will influence the decision of the primary lender to approve or disapprove a particular loan. The borrower's credit history will be reviewed by the Sponsor and documentation of such maintained in the loan file. The Sponsor may elect to obtain a credit report or rely on a current copy obtained by the primary lender. The Sponsor must use the information on the credit report for each adult borrower for its calculations of front-end and back-end debt-to-income ratios.

C. Documents from Primary Lender

After initial review of the qualified homebuyer's application packet, the Program Operator will request any additional documents needed. Documents may be e-mailed or faxed. Based on receipt and review of the final documents, the Program Operator will complete, sign, and date an income certification (using the most-recent HCD program's guidance on income calculation and determination), and homebuyer certification (review of credit report and income taxes). Documentation of affordability shall then be verified, and a subsidy amount will be determined by the Program Operator.

D. Disclosure of Program and Loan Information to Homebuyers

The Program will inform the borrower of the results of the income determination process, including the permissible range of primary mortgage payments and the maximum purchase price possible. Information on the Program's application will be documented with third-party verifications and/or documents in the file. For example, the sales contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite, and title reports provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application provides current debt and housing information and will be documented by the credit report and income/asset verifications. The primary lender's approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the primary lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Program loan. By reviewing and cross-checking all the primary lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN

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

8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING

The homebuyer(s) sign promissory notes, loan agreements, deeds of trust, and statutory lending notices (Truth In Lending (TIL), etc.); the Deeds of Trust are recorded with the County Clerk/Recorder at the same time, and the request(s) for

a copy of Notice of Default are also recorded with the County Clerk/Recorder.

8.3. ESCROW PROCEDURES

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

9.0. SUBORDINATE FINANCING

Subordinate loans may be used to cover mortgage subsidy costs that exceed the Program maximum loan amount. All subordinate liens must have the payments deferred, and the term must be for at least as long as the term of the Program loan.

10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

The Sponsor may make amendments to these Participation Guidelines. Any changes shall be made in accordance with regulations and approved by the Sponsor's HOME Program Representative or Program Manager. If internally required, the Sponsor's Loan Committee and/or governing body would then need to approve said changes.

10.1. DEFINITION OF EXCEPTION

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

10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES

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

- B. The Sponsor shall make a determination regarding the exception request based on the recommendation of the Program Operator. The request can be presented to the Sponsor's loan committee and/or governing body for a decision.
- C. Note: such exceptions may not directly or indirectly discriminate against protected classes under all current federal fair housing law and state statutes and regulations.

11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. Complaints concerning the Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal must be made in writing and filed with the Sponsor. The Sponsor will then schedule a meeting with the Loan Review Committee. Their written response will be made within thirty (30) working days. If the applicant is not satisfied with the Committee's decision, a request for an appeal may be filed with the Sponsor's governing body. Final appeal must be filed in writing with HCD within one year after denial.

ATTACHMENT A

Income Inclusions and Exclusions

The Program Operator shall access the current federal income determination regulations online at <https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-F/subject-group-ECFR174c6349abd095d/section-5.609>, regarding income inclusions and exclusions.

ATTACHMENT B

Asset Inclusions and Exclusions

The Program Operator shall access the current federal income determination regulations at <https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-F/section-5.603> regarding the definition of Net family assets, to which the regulations at section 5.609 refer.

ATTACHMENT C

HOME HOMEOWNERSHIP VALUE LIMITS FOR **XXX** COUNTY* (Limits effective 12/31/2025)

EXISTING CONSTRUCTION	NEW CONSTRUCTION (less than 12 months old)
\$XXX,XXX	\$XXX,XXX

[Note from HOME to remove: if you have exception limits approved by HOME, modify this table as needed and indicate from/through date of the exception]

HOME MAXIMUM PER-UNIT SUBSIDY LIMITS FOR CALIFORNIA (Limits effective 5/11/2026)

O-BDR	1-BDR	2-BDR	3-BDR	4-BDR
\$187,658	\$215,122	\$261,595	\$338,419	\$371,477

HOME INCOME LIMITS FOR **XXX** COUNTY* (Limits effective 6/1/2026)

<i>Number of Persons in Household</i>								
	1	2	3	4	5	6	7	8
80% of AMI	\$	\$	\$	\$	\$	\$	\$	\$

*Sponsor will insert these limits for the county in which the Program is located and will update the limits annually as HCD provides new information. The link to the official, HCD-maintained Value, Subsidy, and income limits is: [State and Federal Income, Rent, and Loan/Value Limits | California Department of Housing and Community Development](#) (for HOME limits, choose “CDBG, HOME and NHTF/HHC Article I - Income, Value, Subsidy and Rent Limits”).

ATTACHMENT D

LOAN SERVICING POLICIES AND PROCEDURES FOR NAME OF STATE RECIPIENT

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

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

1. Loan Repayments:

Promissory Notes are for deferred payment loans, but the Lender must accept voluntary payments on the loan. Loan payments will be credited to principal. The Borrower may repay the loan balance at any time with no penalty.

Program loan payments, and loan payoffs, shall be made to:

Name of State Recipient
Address
City, State, Zip

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as loss payee.

When a property is in a 100-year floodplain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance with an endorsement naming the City? County? as lender loss payee will be required at close of escrow. The Lender will verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. The Lender requires Borrower to have impound accounts set up with their primary mortgagee wherein they

pay their taxes and insurance as part of their monthly mortgage payment.

3. Required Request for Notice of Default:

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

4. Annual Occupancy Restrictions and Certifications:

On owner-occupant loans, the Lender will require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. Annual occupancy verification will occur [Option #1: within 45 days of the anniversary date of the loan; Option #2: between [NAME OF MONTH] 1 and 15 of each year for the term of the loan].

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

In all cases where there is a change in title, occupancy, and/or use, the Borrower must notify the Lender in writing of the change.

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan, provided the heir is income eligible. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable.

If the owner moves out and converts the owner-occupied unit into a rental unit before the end of the HOME Affordability Period, the loan is due in full, unless the owner moves back in immediately.

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

6. Requests for Subordinations:

When a Borrower wishes to refinance their existing primary mortgage, they must submit a subordination request to the Program Lender. Approved refinancing of senior debt will be limited by the Department to circumstances in which the original homebuyer is securing more favorable terms that reduce monthly housing costs, or if sufficient equity exists, to take cash out for only items such as for immediate repairs to the property to correct identified health and safety violations.

There can be no third-party debt payoffs or additional encumbrances on the property. The total indebtedness on the property should not exceed the current market value, except when the borrower is obtaining a federally-sponsored refinance program loan. If said loan is approved and meets all other requirements, Combined Loan-To-Value will not be considered when reviewing the subordination request.

Also, the loan must:

1. be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in these Program Guidelines;
2. not have a temporary interest rate buy-down;
3. have a term "all due and payable" that matures prior to or concurrently with the maturity date of the Promissory Note. Therefore, the maturity date of the existing Promissory Note shall be modified to coincide with the maturity date of the new primary mortgage; and
4. not have a balloon payment due before the maturity date of the Program loan.

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

7. Process for Loan Foreclosure:

Upon any condition of loan default, such as non-payment, lack of insurance or property tax payment, change in title or use without approval, or default on senior loans, the Lender will send out a letter to the Borrower notifying them of the default status. If the default status continues, the Lender may start the formal process of foreclosure.

When a senior lienholder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender, who is the junior lienholder, may cancel the foreclosure proceedings by "reinstating" the senior lienholder. The reinstatement amount or payoff amount must be obtained by contacting the senior lienholder. This amount will include all delinquent payments, late charges, and fees to date. Lender must confer with Borrower to determine if, upon paying the senior lienholder current, the Borrower can provide future payments. If this is the case, then the Lender may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note. HOME funds may not be used for this purpose.

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

If the Lender decides to reinstate, the senior lienholder will accept the amount to reinstate the loan until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the Lender fails to reinstate the senior lienholder before five (5) days prior to the foreclosure sale date, the senior lienholder will then require a full payoff of the balance, plus related foreclosure administrative costs, to cancel foreclosure. If the Lender determines the reinstatement and maintenance of the property is not cost effective and allows the senior lienholder to complete foreclosure, the Lender's lien may be released once net available proceeds are received, if any.

Lender as Senior Lienholder

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

- 1) Can the loan be cured, and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- 2) Can the Borrower refinance with a private lender and pay off the Lender?
- 3) Can the Borrower sell the property and pay off the Lender?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 5) Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all the above factors have been considered, the Lender may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day

notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

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

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

ATTACHMENT E
SELLER'S LEAD-BASED PAINT DISCLOSURE
Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Seller's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):

(i) _____ Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

(ii) _____ Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the seller (check (i) or (ii) below):

(i) _____ Seller has provided the purchaser with all available records and reports pertaining to Lead-based paint and/or lead-based paint hazards in the housing (list documents below).

(ii) _____ Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Purchaser's Acknowledgment (initial)

(c) _____ Purchaser has received copies of all information listed above.

(d) _____ Purchaser has received the pamphlet Protect Your Family from Lead in Your Home.

(e) _____ Purchaser has received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

Agent's Acknowledgment (initial)

(f) _____ Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

_____ Seller	_____ Date	_____ Seller	_____ Date
_____ Purchaser	_____ Date	_____ Purchaser	_____ Date
_____ Agent	_____ Date	_____ Agent	_____ Date

Name of State Recipient

ATTACHMENT F

Disclosure to Seller with Voluntary, Arm's Length Purchase Offer DECLARATION

This is to inform you that _____ would like to purchase the property, located at _____, if a satisfactory agreement can be reached. We are prepared to pay \$_____ for a clear title to the property under conditions described in the attached proposed contract of sale.

Because Federal funds may be used in the purchase, however, we are required to disclose to you the following information:

1. The sale is voluntary. If you do not wish to sell, the buyer, _____, thru the agency, _____ will not acquire your property. The buyer does not have the power of eminent domain to acquire your property by condemnation (i.e., eminent domain) and the agency/Sponsor _____ will not use the power of eminent domain to acquire the property.
2. The estimated fair market value of the property is \$_____ and was estimated by _____, to be finally determined by a professional appraiser prior to close of escrow.

Since the purchase would be a voluntary, arm's-length transaction, you would not be eligible for relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), or any other law or regulation. Also, as indicated in the contract of sale, this offer is made on the condition that no tenant will be permitted to occupy the property before the sale is completed.

Again, please understand that if you do not wish to sell your property, we will take no further action to acquire it. If you are willing to sell the property under the conditions described in the attached contract of sale, please sign the contract, and return it to us at:

_____. If you have any questions about this matter, please contact _____ at _____.

Sincerely,

Title

Buyer

Date

Buyer

Date

Form continues on next page with Seller's Acknowledgment

Disclosure to Seller with Voluntary, Arm's Length Purchase Offer
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Acknowledgement

As the Seller I/we understand that _____ will inspect the property for health and safety deficiencies. I/we also understand that public funds may be involved in this transaction and, as such, if the property was built before 1978, a lead-based paint disclosure must be signed by both the buyer and seller, and that a Visual Assessment will be conducted to determine the presence of deteriorated paint.

As the Seller, I/we understand that under the **City's? County's?** program, the property must be currently owner-occupied, vacant for three months at the time of submission of purchase offer, new (never occupied), or renter purchasing the unit. I/we hereby certify that the property is:

☐ Vacant at least 3 months; ☐ Owner-occupied; ☐ New; or ☐ Being Purchased by its Occupant

I/we hereby certify that I have read and understand this "Declaration" and:

☐ a copy of said Notice was given to me prior to the offer to purchase.

If received after presentation of the purchase offer, I/We choose:

☐ to withdraw, or ☐ not to withdraw, from the Purchase Agreement.

Seller

Date

Seller

Date

ATTACHMENT G
NAME OF STATE RECIPIENT

INSTRUCTIONS TO HOMEBUYER

- A. Participant works with lender of choice to obtain the primary lender's pre-qualification letter.
- B. Program Operator reviews paperwork to determine program eligibility and financing affordability for participant.
- C. Program Operator staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and homeownership responsibilities.
- D. After consultation with Program Operator regarding approved bedroom and bathroom maximums, if any, and HOME Value Limit, participant works with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller. The HOME Program allows only homes vacant for three months or more prior to the date of the purchase offer, unless the current tenant is purchasing the home or the seller has been the only occupant during those three months, to prevent displacement of rental occupants.
- E. Participant selects home and enters into a purchase contract, contingent upon receiving Program loan approval and achieving Environmental Review clearance (see Section 1.3.D). Primary lender provides the Program Operator with a copy of:
 - real estate sales contract, including all addendums and counteroffers, all fully-executed
 - residential loan application and credit report
 - verified income documentation
 - disclosure statement
 - proof of personal funds for participation in program
 - breakdown of closing costs
 - structural pest control clearance
 - appraisal with photos and preliminary title report
- F. Program Operator has home inspected to document health & safety and code compliance. Notice of any deficiencies or needed corrections are given to participant's real estate agent, with recommended course of action. Only new construction and homes built within the previous 12 months and not previously occupied are exempt from the home inspection requirement.
- G. Program Operator requests loan approval from Sponsor's Loan Review Committee. Following loan approval, Program Operator prepares Deed of Trust, Promissory Note, Request for Notice of Default, Grant Agreement, Owner-Occupant Agreement with

City? County? and Escrow Instructions, and requests check and deposits same into escrow.

- H. Escrow company furnishes Program Operator with proof of documents to be recorded, and any escrow closeout information. After receipt of recorded loan documents, Final escrow Settlement Statement, Insurance Loss Payee Certification, and Final Title Insurance Policy, the Program Operator closes out the loan file.

ATTACHMENT H
LEAD-BASED PAINT
VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM

Section 1: Background Information			
Property Address:			No LBP found or LBP exempt ☐
Select one:	Visual Assessment ☐	Presumption ☐	Hazard Reduction ☐
Section 2: Visual Assessment. Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.			
Visual Assessment Date:		Report Date:	
Check if no deteriorated paint found ☐			
Attachment A: Summary where deteriorated paint was found.			
Section 3: Notice of Presumption. Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.			
Date of Presumption Notice:			
Lead-based paint is presumed to be present ☐ and/or Lead-based paint hazards are presumed to be present ☐			
Attachment B: Summary of Presumption:			
Section 4: Notice of Lead-Based Paint Hazard Reduction Activity. Fill out Sections 1, 4, 5, and 6. Provide to occupant w/in 15 days of after work completed.			
Date of Hazard Reduction Notice:			
Initial Hazard Reduction Notice? Yes ☐ No ☐		Start & Completion Dates:	
If "No", dates of previous Hazard Reduction Activity Notices:			
Attachment C: Activity locations and types.			
Attachment D: Location of building components with <u>lead-based paint remaining</u> in the rooms, spaces, or areas where activities were conducted.			
Attachment E: Attach clearance report(s), using DHS form 8552 (and 8551 for abatement activities)			
Section 5: Resident Receipt of Notice for Presumption or Lead-Based Paint Hazard Reduction Activity			
Printed Name:		Signature:	Date:
Section 6: Contact Information		Organization:	
Contact Name:		Contact Signature:	
Date:	Address:	Phone:	

ATTACHMENT I

Homebuyer Program Lead Compliance Document Checklist

The following documents should be in each Homebuyer unit file to document compliance with the lead requirements:

Document Name	Purpose	✓
Lead Safe Housing Rule Screening Sheet	Documents exemptions	
Physical inspection form (HQS or equivalent)	Documents visual assessment results	
Seller Certification	Seller certifies that paint was stabilized by qualified workers and that safe work practices were followed during paint stabilization	
Clearance Report and Clearance Review Worksheet	Documents that unit passed clearance	
Lead-Based Paint and/or Lead-Based Paint Hazards Disclosure Form DOC_12345.PDF (hud.gov)	Documents that buyer received disclosure and pamphlet.	
Lead Hazard Reduction Notice LSHR-Sample-Notice-of-Lead-Hazard-Reduction.pdf (hudexchange.info)	Documents that buyer received required lead hazard reduction notification.	

This was taken from the HUD Website at:

http://portal.hud.gov/hudportal/documents/huddoc?id=20264_leadcompliance.doc