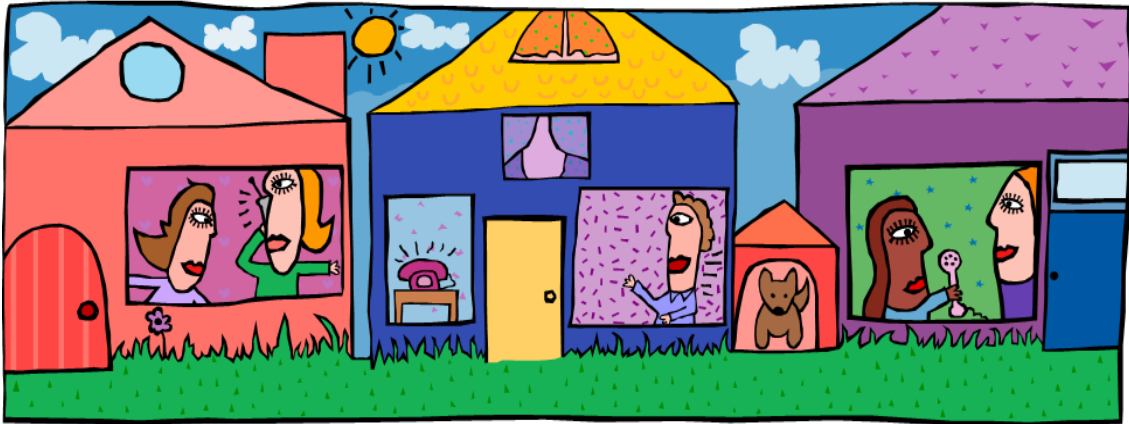


# City of El Cajon



## First-Time Homebuyer Program Manual

July 2023

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Housing Division  
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*as of July 2023*

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# First-Time Homebuyer Program Manual

## SECTION 1 - OVERVIEW AND PURPOSE

Homeownership has always been – and continues to be – the single best long-term investment for most Americans. It is a primary source of wealth and financial security for many households, helping to provide for education, retirement and more. Benefits include: individual asset accumulation – primarily through home price appreciation and paydown of the principal balance on a mortgage, which in turn leads to other opportunities for building wealth for current and future generations (e.g., education, small business, etc.); enhanced satisfaction with one’s housing and neighborhood; stronger neighborhood ties and civic participation; positive outcomes for children, including higher educational attainment, and increase in future homeownership rates; improvements in individual housing quality; and stronger neighborhoods.

In an effort to strengthen neighborhoods and families, the City of El Cajon offers loans designed to assist Lower-Income and in limited cases Moderate-Income first-time homebuyers to purchase a new or existing single-family residence or condominium home within the City of El Cajon under the American Dream First and California Dream Time Homebuyer Program (FTHB Program). The FTHB Program may utilize a combination of HOME, CALHOME, LMIHAF, or other funds, depending upon availability and Borrower eligibility.

To maximize the effectiveness of the FTHB Program as a vehicle for ensuring affordability, the assistance provided by the City will be in the form of a deferred payment, non-interest-bearing loan(s) with provisions for repayment of the principal amount and a share of any equity in lieu of interest (except in the case of default). Depending on the funding source, the principal and equity-share (or interest in the case of default) is due and payable upon a variety of conditions or circumstances, the most common one being the sale or transfer of the home. In all programs, the principal amount is never forgiven and must be repaid upon non-owner occupancy of the program-assisted property.

The City’s loans are intended to provide long-term residency in the program-assisted home. In all programs, a Period of Affordability (or Affordability Period) is imposed which sets forth the minimum period of time properties are required to be occupied by a Borrower as his/her principal place of residence under the regulations pertaining to the loan’s funding source.

The First-Time Homebuyer Program Manual simply sets forth the policies and procedures for all First-Time Homebuyer (FTHB) Programs administered by the City of El Cajon. All policies and procedures are subject to change without notice.

### FUNDING SOURCES AND FUNDING AVAILABILITY

Currently, the City of El Cajon uses Federal and State funding (when available) to implement the American Dream FTHB Program. Through the U.S. Department of Housing & Urban Development (HUD), the City receives an annual allocation from the HOME Investment Partnership (HOME) Program funds. In addition, when funding is available, the City has the opportunity to apply for additional funding through the California Department of Housing and Community Development (HCD) for CalHome or other funding. These funding sources allow the City to provide leveraged down-payment and closing cost assistance for eligible lower-income families.

Funding for the California Dream<sup>1</sup> FTHB Program **is no longer available on an ongoing** basis due to the dissolution of the former El Cajon Redevelopment Agency on February 1, 2012.

Although the above-mentioned sources of funding are identified for FTHB Program assistance, receipt of these funds are subject to annual funding allocations at the Federal, State, and local level or from loan repayments. The City will continually search for new funding sources to increase homeownership opportunities in and assistance may come in various forms provided directly from the City or through outside sources including: FTHB Program assistance, Mortgage Credit Certificates, homebuyer education partnerships, or other creative assistance that may become available in the near future.

The City has contracted with the San Diego Housing Commission (SDHC) to administer the City's American Dream First-Time Homebuyer Program using Cal-Home funds and HOME funds. All loan applications must be submitted through SDHC's First Time Homebuyer Lender Portal located at [www.sdhc.org/housing-opportunities/first-time-homebuyers/participating-lenders/](http://www.sdhc.org/housing-opportunities/first-time-homebuyers/participating-lenders/). SDHC will be completing the eligibility and underwriting reviews and loan processing activities on behalf of the City, all the way through to loan document and escrow closing, in coordination with the City's Community Development Department-Housing Division.

Only complete packets may be submitted to the SDHC. Should you have any questions regarding your submission, please contact SDHC at [ftfb@sdhc.org](mailto:ftfb@sdhc.org).

# First-Time Homebuyer Program Manual

## SECTION 2 - DEFINITIONS

- 1. ADJUSTED FOR FAMILY SIZE APPROPRIATELY TO THE UNIT:** In accordance with California Health & Safety Code (CH&SC) §50052.5(h) and compliance with “affordable housing cost”: a household of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case if a four-bedroom unit.
- 2. AFFIDAVIT:** A deposition filed in connection with the program made under oath and subject to penalties of perjury.
- 3. AFFORDABILITY PERIOD (CALHOME):** Thirty-Years.
- 4. AFFORDABILITY PERIOD (HOME):** Pursuant to 24 Code of Federal Regulations (CFR) Part 92.254, all HOME assisted properties will have recorded covenants requiring occupancy and affordability restrictions under the America Dream FTHB Program commencing on the date of the recordation of the Deed of Trust. HOME assisted units carry occupancy restrictions for varying lengths of time based on the total HOME Investment per unit as follows: <\$15,000 = 5 years, \$15,000 to \$40,000 = 10 years , > \$40,000 = 15 years, and for new construction is 20 years.
- 5. AFFORDABLE HOUSING COST:** See “Monthly Housing Cost”.
- 6. AMERICAN DREAM FTHB PROGRAM:** A Loan provided by the City to a First-Time Homebuyer utilizing funds solely or in part from the HOME, CALHOME Program(s), or other funds periodically received by the City of El Cajon.
- 7. APPLICANT:** Any person or Household who applies for City/Housing Authority loan assistance. An Applicant must include each Borrower and their respective spouses and other Household members who wish to go on title to the assisted property.
- 8. APPROPRIATELY SIZED HOUSEHOLDS:** A Household that will occupy the home with not less than one person per bedroom and not more than two persons per bedroom.
- 9. ANNUAL INCOME:** The gross amount of all income for all adult household members that is anticipated to be received during the coming twelve (12) months, as defined in The Department of Housing and Urban Development’s Technical Guide for Determining Income and Allowances. All income derived from any source, including income from wages (gross pay), overtime, pensions, veteran’s compensation, bonuses, public assistance, alimony, net rental income, dividends and interest, etc. must be included (Refer to **Appendix A**).
- 10. AREA MEDIAN INCOME:** The median family income of a geographic area of the state, as annually estimated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937: the median income for the San Diego County Primary Metropolitan Statistical Area (PMSA), with adjustments for household size, as adjusted from time to time by the U.S. Department of Housing and Urban Development (HUD).
- 11. ARMS LENGTH TRANSACTION:** A transaction in which the buyer(s) and seller(s) of a product act independently and have no relationship to each other. The concept of an arm's length transaction is to ensure that both parties in the deal are acting in their own self-interest and are not subject to any pressure or duress from the other party.
- 12. ASSETS:** Cash or a non-cash item that can be converted to cash. Assets exclude necessary personal property.

- 13. BORROWER:** A First-Time Homebuyer who has or will receive a loan from the City or Housing Authority.
- 14. BORROWER'S CASH CONTRIBUTION:** is defined as the sum of costs actually paid by the Borrower plus any gift funds approved by the City (less any refund) for the original purchase of the security property which may include, but are not limited to: down-payment, installment payments of mortgage principal on the First Trust Deed, escrow fees, transfer taxes, recording fees, brokerage commissions, other similar costs of the acquisition, Documented Capital Improvements, plus not less than the Legal Rate of Interest on those cash payments. Borrower's Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.
- 15. CALHOME FUNDS:** Funds received pursuant to the CalHome Program under the California Department of Housing & Community Development (HCD) codified at Chapter 6 (commencing with section 50650) or Part 2 of Division 31, Health & Safety Code.
- 16. CATASTROPHIC EVENT:** An event such as a disaster which results from a terrorist, military action, a federally-declared major disaster or emergency, the death of a Borrower, or other catastrophe that it is irreparable, the City/Housing Authority will consider at its sole discretion (with all necessary approvals and required documentation by the City/Housing Authority) taking one of the following actions on the City/Housing Authority loan:
- a. Forgiveness of the total unpaid principal balance of the second or third mortgage and the release of the loan;
  - b. Forgiveness of the portion of the unpaid principal balance of the second or third mortgage loan that results in the combined loan-to-value ratio being more than 100% of the value of the property and the release of that portion of the debt from the subordinate lien (as evidenced by the contemporaneous execution of a Modification Agreement that reduces the secured debt of the existing second or third mortgage);
  - c. Release of the existing second or third mortgage loan, with no forgiveness of the debt, and the contemporaneous execution of an unsecured promissory note equal to the unpaid principal balance of the second or third mortgage or a Modification Agreement that makes the existing second or third mortgage an unsecured loan;
  - d. Release of the portion of the existing second or third mortgage loan that results in the combined loan-to-value being more than 100% of the value of the property, with no forgiveness of that portion of the debt, and the contemporaneous execution of an unsecured promissory note equals to the amount released from the second or third mortgage and a Modification Agreement that reduces the secured debt of the existing second or third mortgage by the amount of the new unsecured promissory note;
  - e. Release of the existing second or third mortgage loan, with no forgiveness of the debt, and the contemporaneous execution of a secured promissory note and deed of trust equal to the unpaid principal balance of the second or third mortgage on an alternate property; or
  - f. The "sold" price (after a catastrophic event) shall be determined by the actual sales price of the assisted-property plus any additional cash, in-kind services, personal property, etc. given for the purchase of the property.
- 17. CITY:** The City of El Cajon, a municipal corporation.
- 18. COMBINED LOAN-TO-VALUE (CLTV):** The ratio of the sum of the new 1<sup>st</sup> mortgage and all City/Authority liens divided by the sale price or appraised value of the property, whichever is less. The CLTV shall not exceed 100% of the purchase price or appraised value, whichever is less.
- 19. COMMITMENT or TENTATIVE LOAN COMMITMENT:** A document which is originated and issued by the City/Housing Authority based on review and approval of a complete application package and lender's certification that the requirements necessary for issuance of a Housing Authority loan have been met. A commitment will be valid for 45 days.

- 20. CURRENT APPRAISED VALUE:** The value of the property established from an independent appraiser licensed by the State of California not less than 6 months old. The City/Housing Authority reserves the right to obtain an independent appraisal at its own expense.
- 21. CURRENT SALES PRICE:** The price established for the property in the open market and shall include anything of value given for consideration (e.g., cash, personal property, real property, etc.).
- 22. DEBT-TO-INCOME RATIO (DTI) or BACK-END-RATIO:** The ratio of the monthly housing costs plus all payments on long-term installment and revolving debt payments, divided by the monthly household income.
- 23. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):** U.S. Department of Housing and Urban Development is the federal agency that provides entitlement funds (HOME) to the City of El Cajon.
- 24. DISPLACED HOMEMAKER:** An A) adult; B) has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; C) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. A displaced homemaker also includes a single parent that while married, owned a home with his or her spouse or resided in a home owned by the spouse.
- 25. DOCUMENTED CAPITAL IMPROVEMENTS:** Improvements listed by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City/Housing Authority for review and approval. Borrower should contact the City of El Cajon Building Division (619-441-1726) to ensure that any Documented Capital Improvements meets current code and permits are obtained when required.
- 26. EFFECTIVE PERIOD:** The period commencing on the date of an agreement and ending on the earlier of the repayment of the loan from the City, or thirty (30) years (CalHome) after the recordation of the Deed of Trust.
- 27. EIGHTY PERCENT OF AREA MEDIAN INCOME:** Annual Income (HOME) or Gross Income (CALHOME) which does not exceed eighty percent (80%) of the Area Median Income.
- 28. ELIGIBLE BORROWER OR ELIGIBLE HOUSEHOLD:** Any person/household meeting the criteria for an eligible borrower set forth in this manual, who is in the process of securing financing for the purchase of a principal residence.
- 29. ELIGIBLE DWELLING:** Real property (a Single Family Residence or condominium unit) located within the City of El Cajon city limits. This may include a residential unit to be built, a new (not previously occupied) unit, or an existing home which has been previously occupied. The unit must be designed as a residence for one household, and must meet property standards and criteria as set forth in this manual.
- 30. EQUITY or NET APPRECIATION (CALHOME and HOME):** Is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the Documented Value of Capital Improvements from the Gross Appreciation amount.
- 31. EQUITY or NET APPRECIATION (HOUSING AUTHORITY):** Is calculated by subtracting the Borrower's Cash Contribution from the Gross Appreciation amount.
- 32. EQUITY SHARE PERIOD:** The period in which the City shall share Net Appreciation if the property is sold, rented, refinanced, conveyed, transferred or no longer owner-occupied (except with the express written consent of the City).
- 33. EXISTING HOME (ALSO RESALE):** A dwelling unit that has been previously occupied.
- 34. FAMILY:** Means an individual, or two or more persons related by blood or marriage, or a group of unrelated individuals living together and bearing the generic character of a relatively permanent housekeeping unit in a dwelling unit (El Cajon Municipal Code section 17.105.020). See also Household below.
- 35. FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** Federal National Mortgage Association. Federally

chartered, stockholder owned corporation supporting secondary market for FHA, VA and conventional mortgages.

- 36. FIRST-TIME HOMEBUYER:** An individual who has never, or in the past 3 years prior to application, had any ownership interest in a principal residence.
- a. **Exceptions to First-Time Homebuyer status:** Displaced Homemaker(s); Single Parent(s) who, while married, owned a home with her/her spouse or resided in a home owned by a spouse; persons who owned, as a principal residence, factory built housing (manufactured or mobile- home) that is not permanently affixed to a permanent foundation.
- 37. FORECLOSED:** A property “has been foreclosed upon” at the point that the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state and local law.
- 38. GIFT FUNDS:** Bonafide gift funds are allowed as the City 2% down-payment/closing cost/reserve requirement if received from immediate family members (parent, sibling, and grandparent), domestic partner, church, employer or non-profit agency, with documentation. Gift Funds must not be repayable, cannot be used to meet the Borrower’s 1% Reserve Requirement, and cannot be obtained from any loan source.
- 39. GROSS APPRECIATION:** Increased property value calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value (as may be the case in a refinance).
- 40. GROSS INCOME:** All income as defined in California Code of Regulations (CCR) Title 25, Section 6914 (Refer to **Appendix B**).
- 41. HOME FUNDS/HOME INVESTMENT:** Funds received pursuant to the Home Investment Partnership Program under the Department of Housing and Urban Development (HUD), codified at 42 U.S.C. Section 12701, et seq., 24 CFR Part 92.
- 42. HOMEBUYER EDUCATION:** A specific course of instruction, designed pursuant to California Code of Regulations (CCR) Title 25, Section 7722, to educate first-time homebuyers regarding various aspects of purchasing and maintaining a home. The course must meet all the requirements established by the City for the provider to be considered an eligible homebuyer educator. The City will post a list of eligible homebuyer educator providers on the city’s website at [www.elcajon.gov/housing](http://www.elcajon.gov/housing).
- 43. HOMEOWNER INVESTMENT:** The initial Seller’s Cash Contribution plus any Documented Capital Improvements.
- 44. HOMEOWNERSHIP:** Fee simple interest, leasehold interest, shared interest in a limited equity housing cooperative, or interest in a mutual housing project.
- 45. HOUSEHOLD:** One or more persons occupying the same housing unit (except foster children, unborn children and children being pursued for legal custody or adoption that are not currently living with the household). For HOME/CALHOME, foster children are included.
- 46. HOUSEHOLD SIZE APPROPRIATE TO THE UNIT:** Shall have the same meaning as “Adjusted Family Size Appropriate to the Unit” pursuant to CH&SC Section 50052.5(h): one person in the case of a studio unit; two persons in the case of a one-bedroom unit; three persons in the case of a two-bedroom unit; four persons in the case of a three-bedroom unit; and five persons in the case of a four-bedroom unit. For HOME/CALHOME, shall mean the maximum occupancy for a unit, as further defined in 24 CFR 982.401(d)(2)(ii), as may be amended from time to time; at least one bedroom or living/sleeping room for each two persons. Children of opposite sex, other than very young children, may not be required to occupy the same bedroom or living/sleeping room.
- 47. HOUSING RATIO:** The ratio between the monthly housing costs, including first mortgage principal, interest, taxes, and insurance, divided by the monthly household income. The Housing Ratio shall also include HOA dues, lease payments or space rent, mortgage insurance and subordinate lien payments, as applicable.



- 48. INTERESTED PARTY:** Means any party who has a financial stake or will benefit from a transaction and may include, but is not limited to: the Seller, Realtor(s), Lender, Escrow, Title, or other parties/entities.
- 49. ISSUER:** The City of El Cajon.
- 50. LENDER or PARTICIPATING LENDER:** A financial institution, whether broker, retail, or wholesale, licensed to provide mortgage loans in the State of California. The institution must meet all the requirements established by the City to participate as a lender in the City Program(s).
- 51. LIQUID ASSETS:** The total amount of funds that are in the form of cash or can quickly be converted to cash. These include: (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments (i.e. most stocks, money market instruments and government bonds) capable of being quickly converted into cash without significant loss, either through their sale or through the scheduled return of principal at the end of a short time remaining to maturity. Liquid Assets do not include: retirement, life insurance, loan, gift funds, or minor accounts. Accounts held jointly with a parent or other parties are not Liquid Assets unless proof of deposit directly from the Borrower is provided.
- 52. LOAN:** An extension of credit provided to an Eligible Borrower to finance the purchase of an Eligible Dwelling.
- 53. LOAN TERMS:** Conditions and requirements included in a loan agreement that specify the loan amount, term, interest rate, and other enforceable conditions agreed to by the Borrower and the Lender.
- 54. LOAN-TO-VALUE-RATIO:** The ratio between the amount of the City loan against a property and the appraisal value of the property securing the loan.
- 55. LOWER- or LOW- INCOME HOUSEHOLD:** Means a person or Household with income not greater than 80% of the Area Median Income as established by the U.S. Department of Housing and Urban Development.
- 56. MAXIMUM SALES PRICE/VALUE LIMIT (HOME and CALHOME):** The Maximum Sales Price cannot exceed the HUD approved limit. . Effectively July 1, 2023, the limit is \$760,000 for a single-family home and \$444,600 for a Condominium.
- MONTHLY HOUSING COST:** The total monthly housing cost, including first mortgage principal, interest, taxes, and insurance. The Monthly Housing Cost shall also include HOA dues, lease payments or space rent, mortgage insurance and subordinate lien payments, as applicable.
- 57. NET APPRECIATION or EQUITY (CALHOME and HOME/AMERICAN DREAM):** Is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the Documented Value of Capital Improvements from the Gross Appreciation amount.
- 58. NET PROCEEDS:** Sales price minus loan repayment (other than CALHOME/HOME/HOUSING AUTHORITY funds) and closing costs.
- 59. NEW HOME:** A dwelling unit that is proposed to be constructed, is currently under construction, or exists but has not been previously occupied.
- 60. NON-RECURRING CLOSING COSTS:** Are charges and fees which only occur one time and will not occur again; i.e., escrow fee, title insurance, recording, document preparation, notary, loan origination, etc.
- 61. OCCUPANCY:** A property that is a Borrower(s) principal or primary residence for the life of the Effective Period of the City/Housing Authority.
- 62. ORIGINAL PURCHASE PRICE:** The amount paid for the assisted property, plus any financed upgrades or closing costs, as listed on the Final HUD-1 Settlement Statement as the "Contract Sales Price" or "Total Consideration".
- 63. OWNERSHIP:** Any of the following interests in property that constitutes an ownership interest by the Applicant or Borrower: fee simple interest; joint tenancy; tenancy in common; interest of a tenant-shareholder in a cooperative; life estate; interest held in trust for the Applicant; partnership; or other interests.

- 64. PARTICIPATING JURISDICTION (PJ):** Is a Participating Jurisdictions in HOME program funded by HUD.
- 65. PAYMENT SHOCK:** A situation that occurs when the new proposed total monthly payment is sharply higher in percentage than the borrower's current housing/rent payment and is calculated as follows:
- a. The proposed total Monthly Housing Cost MINUS the current housing/rent payment, divided into the current housing/rent payment. This difference equals a percentage of "payment shock" over and above the current housing/rent payment.
    - i. For example: a proposed total Monthly Housing Cost is \$1,900 MINUS current housing/rent payment of \$900 equals a housing difference of \$1,000. \$1,000 divided by \$900 equals a 111.12% payment shock or payment increase.
- 66. PRINCIPAL RESIDENCE:** (1) a single-family house; (2) condominium unit; (3) stock held by a tenant-stockholder in a cooperative housing corporation (as defined in the Internal Revenue code Section 216(b) (1) and (2)); (4) occupancy in a multi-family building unit owned by the Applicant; and (5) any manufactured home (including a mobile home) as defined under federal law which is installed at a fixed location. Principal residence does not include recreational vehicles, campers and other similar vehicles. The residence must be occupied as the primary home of the buyer.
- 67. PROHIBITED MORTGAGE:** Any liens not approved by the City.
- 68. PROPERTY STANDARDS:** The minimum performance standards a property must meet for program eligibility. In addition, any incipient building code violations must be corrected prior to sale or occupancy. The City will utilize Property Standards for the HOME Program at the following link:  
<https://www.hudexchange.info/resource/6323/home-monitoring-property-standards-for-home-assisted-housing/>
- For homeownership units that will be acquired:
- Housing must meet PJ ("City") established standards of decent, safe, sanitary and in good repair at the time title is transferred to the buyer.
  - PJ ("City") standard must include state and local standards and must address, at a minimum, specific deficiencies based on inspectable items and areas in HUD's Uniform Physical Condition Standards, as identified by HUD.
  - PJ ("City") must inspect property within 90 days of commitment. If housing does not meet standards, it must be rehabbed to meet rehab standard.
- 69. PROPERTY VALUE:** The value of the eligible property as determined by an Appraiser licensed in the State of California. The City may obtain a separate appraisal review in the event the purchase/sales price value is greater than the appraised value submitted by Lender on behalf of Borrower.
- 70. PURCHASE PRICE:** The cost of acquiring the residence. (Cost excluding usual and reasonable settlement or finance costs and the value of services performed by Lender in completing the acquisition).
- 71. QUALIFYING HOUSEHOLD (CALHOME AND HOME/AMERICAN DREAM):** A very low and/or low-income person or family whose income is not greater than eighty-percent (80%) of the Area Median Income, as determined periodically by HUD, and who is otherwise eligible to purchase a house.
- 72. RELATED PERSON:** Any party(ies) who may have a beneficial interest in the sale or financing of the subject property, other than a Lender and/or Participating Lender.
- 73. RESERVE REQUIREMENTS:** The Borrower must maintain not less than 1% of the purchase price in Liquid Assets in reserves after close of escrow. Reserve assets must be seasoned for at least three full months and show an average daily balance of at least the 1% requirements.
- 74. SELLER'S APPLICABLE CLOSING COSTS:** Those costs of broker's commissions, escrow fees, title costs and fees, recording fees, etc.

- 75. SELLER'S CASH CONTRIBUTION:** Cash deposited by the Borrower (less any refund) in the Original Purchase Price transaction. Seller's Cash Contribution does not include any credit for closing costs, rebate financing, etc., provided by an interested 3rd party.
- 76. SINGLE-FAMILY RESIDENCE:** A housing unit intended and used for occupancy by one Household.
- 77. SINGLE PARENT:** An individual who: a) is unmarried or legally separated from a spouse; and b)(i) has 1 or more minor children for whom the individual has custody or joint custody; or b)(ii) is pregnant.
- 78. SWEAT EQUITY:** Reasonable labor rates + materials (prevailing wage, instead of minimum wage, established by a local union).
- 79. TERM:** The amount of a time set by the Lender for a Borrower to pay a first mortgage loan. Most first Deed of Trust mortgages have a 15-year or 30-year term. Term also refers to Effective Period.
- 80. VOLUNTARY ACQUISITION:** A requirement of HOME funds is to provide notification to the seller of their rights as described in compliance with federal regulations.

# First-Time Homebuyer Program Manual

## SECTION 3 - ELIGIBILITY REQUIREMENTS

The City of El Cajon **AMERICAN DREAM FIRST-TIME HOMEBUYER PROGRAM** is available for households earning at or below 80% of the Area Median Income (AMI) for the San Diego Metropolitan Statistical Area (MSA). The program utilizes **multiple** sources of funds for first-time homebuyer assistance available to lower income families to purchase their first home in the City of El Cajon.

### I. BORROWER REQUIREMENTS

#### A. INCOME REQUIREMENTS

##### 1. HOME Funds and Cal-Home Funds:

The Annual Income<sup>1</sup> of assisted households cannot exceed 80% of the Area Median Income (AMI) for the San Diego Metropolitan Statistical Area as determined annually by HUD and may be amended from time to time. Refer to **APPENDIX A** (HOME) for Annual Income inclusions and exclusions. Cal-Home Program has its own set of inclusions and exclusions to Annual Income. Annual Income for the Cal-Home Program is defined in 24 Code of Federal Regulations (CFR), Part 5, §5.609 (see Income Calculation and Determination Guide for Federal Programs, Chapter 1, Chapter 2, and Chapter 3).

The Annual Income of the household shall not exceed 80% of the Area Median Income for San Diego County Metropolitan Statistical Area published by HUD, as may be amended from time to time:

- a. All members of the household over age 18 will require submission of a 1003, Statement of Information, full income, and assets documentation.
- b. Court-Ordered income (Child Support, Alimony, etc.): Shall be counted toward the total household income. If proof and receipt cannot be provided for a full 12-month period, housing and debt-to-income ratios and the amount of assistance may be reduced accordingly.

#### B. CREDIT (ALL FUNDS)

The credit history of all mortgagors must meet FNMA guidelines, modified to City requirements, as follows:

1. A 3-merge credit report or Residential Mortgage Credit Report (RMCR) must be provided;
2. DU findings of "Refer with caution" or "Expanded approval/I eligible I, II, or III" will require further City review;
3. Minimum mid FICO score of 650;
4. A Bankruptcy must be discharged for a minimum of 4-years (or 2-years if an exception from the City is obtained due to an extenuating circumstance);
5. Short-sales or foreclosures must be discharged for a minimum of 5-years;
6. Judgments, collections, involuntary liens must be paid in full;
7. No delinquencies in the past 24 months and no accounts can be past due;
8. Limited or no credit will require non-traditional or alternative credit history; and
9. A credit report of all persons taking title and non-purchasing spouses will be required.

### **C. DOWN PAYMENT and CLOSING COST REQUIREMENTS (ALL FUNDS)**

The Borrower(s) must contribute not less than 0% of the purchase price toward down-payment of the property. The Borrower(s) must contribute 100% of the closing cost. The source of the closing cost can be derived from Liquid Assets, Gift Funds or Retirement Funds. Requirements for Gift Funds and Retirement Funds are as follows:

#### **1. Gift funds:**

- Are allowed from an immediate family member, church, employer or non-profit agency, with documentation and no expectation of repayment;
- Gift funds cannot be used to meet the borrower Reserve Requirement of 1% (see Liquid Assets/Reserve Requirements);
- Gift funds cannot be obtained from any loan source;
- Gift documentation required (gift letter, source bank statement, copy of check, copy of deposit);
- Gift funds must be deposited to escrow from an approved donor;
- Gift are allowed as a source of the 2% down-payment requirement and/or closing costs.

#### **2. Retirement Funds:**

- Accounts in the name of the Borrower(s);
- Are allowed as a source of the 2% down payment requirement and/or closing costs; and
- The funds must be in the form of a permanent withdraw (not a loan) from a 401-k or similar retirement account for use in the purchase of a home. A 401-K type loan may be considered if the loan payment does not cause an increase in the Debt-To-Income Ratio and requires additional City funding.

### **D. CITIZENSHIP (HOME FUNDS ONLY)**

Each household member must be a citizen or other national of the United States or a qualified alien as defined by the Federal Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) and 8 U.S.C 1611 et. Seq.

The residency status of a qualified alien must be continuous in nature and equal to or exceed the period of affordability (equity share period) required under 24CFR 92.254 and CH&SC Section 33413(b) (2) (C), as may be amended from time to time.

### **E. OTHER BORROWER REQUIREMENTS (ALL FUNDS)**

1. Household must be a first-time homebuyer;
2. Household cannot have Ownership in any other property;
3. Households must attend an approved Homebuyer Education class;
4. The Household must be owner-occupied for the property for the Period of Affordability;
5. All other requirements in this FTHB Manual must be met.

## **II. PROPERTY REQUIREMENTS**

### **A. ELIGIBLE PROPERTIES (ALL FUNDS)**

Eligible properties are any single-family residence, condominium unit, townhome, or manufactured home that meets FNMA conventional guidelines and is considered real property. The assisted property must be located within the City of El Cajon city limits. The property being acquired must be owner-occupied or vacant at the earlier of: submission of a verbal or written offer to purchase or submission of an application to the City for FTHB Program. See also Property Standards section below.

## B. VOLUNTARY ACQUISITION NOTICE (ALL FUNDS)

In order to comply with the Federal Uniform Relocation Act (“URA”) and the California Relocation Assistance and Real Property Acquisition Guidelines (“Guidelines”), the Voluntary Acquisition Notice **must:**

1. Be completed and submitted to the Seller/Owner or their Agent prior to or at the time an offer to purchase real property is made whenever FTHB Program(s) are anticipated to be utilized.
2. Verification of delivery to the Owner/Seller or their Agent of the Voluntary Acquisition Notice must be provided to the City with Purchase Offer.

## C. SALES PRICE LIMITS

### 1. HOME and CALHOME Funds-

Section 215(b) of the National Affordable Housing Act (NAHA) requires that the initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds not exceed 95 percent of the area median purchase price for single family housing, as determined by HUD. HUD releases the **HOME Homeownership Value Limits** on an annual basis.

In lieu of the limits provided by HUD, a PJ may determine 95 percent of the median area purchase price for single family housing in the jurisdiction annually in accordance with procedures established at § 92.254(a)(2)(iii). The PJ must submit these limits as part of its Consolidated Plan/Annual Action Plan.

The Maximum Sales Price cannot exceed **the** following limits for HUD funded loans: **Effective July 1, 2023**, the limit is \$760,000 for a single-family home and \$444,600 for a Condominium For CALHOME Loans, the City uses the HOME Limits.

*NOTE: The City will not fund any loan where a previously accepted Purchase Contract has been amended to increase the sales price in exchange for sales concessions or credit for closing costs, etc.*

## D. APPROPRIATELY SIZED HOUSEHOLDS (ALL FUNDS)<sup>1</sup>

Only appropriately sized households shall be eligible for City assistance to purchase a home. An appropriately sized household means a household that will occupy the home, with not less than one person per bedroom and not more than two persons per bedroom.

**Example:** Only a household with three to six persons may receive City assistance to purchase a three-bedroom home. All adults in an appropriately sized household at time of initial home purchase, except dependents, are required to hold title to the property. For purposes of this program, a dependent is defined as a person other than the taxpayer or spouse who will live in the house and who entitles the taxpayer to claim a dependency exemption. A dependent is either a qualifying child or other qualifying relative. *As an exception, a one person household will be allowed to purchase a two-bedroom unit because of limited one-bedroom units available for purchase in the City.*

## E. PROPERTY STANDARDS (ALL FUNDS)<sup>1</sup>

The property must be free from any defects that pose a danger to the health and safety and/or lead-based paint hazard of occupants prior to the close of escrow. Minimum property standards are found in the <https://www.hudexchange.info/resource/6323/home-monitoring-property-standards-for-home-assisted-housing/>. Any incipient building code violations must be corrected prior to sale or occupancy.

## F. PROPERTY TAX AND INSURANCE CALCULATIONS (ALL FUNDS)

When determining the monthly amount of property taxes, fire and Private Mortgage Insurance (PMI) premiums on all City loans, the following standard factors will be used, unless documentation can be provided to justify actual figures:

1. Property Taxes: 1.2% of the purchase price, adjusted monthly;
2. Fire Insurance Premiums: .3% (.003) of the loan amount, adjusted monthly; and
3. PMI or MI: actual amount, adjusted monthly.

### **III. CITY LOAN REQUIREMENTS**

#### **A. TRANSACTION TYPE (ALL FUNDS)**

Purchase transactions only

#### **B. LOAN TERMS**

The maximum assistance from the City shall never exceed the program limits and the funding maximums for each FTHB Program are as follows:

**The following loan terms shall be used under the *American Dream FTHB Program*:**

##### **1. HOME Funds:**

- a. Minimum Loan Amount = \$2,000.
- b. Maximum Loan Amount (Single Family Residence, Townhome, or Manufactured Home) = \$150,000.
- c. Maximum Loan Amount (Condominiums) = \$100,000
- d. 15 years Affordability Period
- e. 30 Year Loan Term
- f. Funds can only be used for down-payment assistance subject, to the Minimum Housing Ratio, Maximum Housing Ratio, and CLTV of 100%.
- g. No payments until sale, rental, refinance, transfer, conveyance, or non-occupancy of property.
- h. No interest – instead the City shares the equity (refer to Recapture Funds in section below).
- i. Owner-occupancy is required for no less than the Period of Affordability.
- j. Net Proceeds and Equity-share will be used to calculate repayment of loan; under no circumstances can the City recapture more than is available from the Net Proceeds of the sale.
- k. The City reserves the right to adjust loan amounts and percentages based on the type and amount of funds available in all funding sources.
- l. Funds are available on a first-come, first-serve basis.
- m. No City funds can be used for the payment of debt.
- n. Assistance cannot exceed 22% of the sales price.
- o. Borrower must not have more than \$25,000 in liquid assets after the close of escrow.

##### **2. CALHOME Funds:**

- a. Minimum Loan Amount = \$5,000.
- b. Maximum Loan Amount (Single Family Residence, Townhome, or Manufactured Home) = \$150,000.
- c. Maximum Loan Amount (Condominiums) = \$100,000
- d. 30 year loan term.
- e. Funds can be used for down-payment assistance subject, to the Minimum Housing Ratio, Maximum Housing Ratio, and CLTV of 100%.

- f. No payments until sale, rental, refinance, transfer, conveyance, non-occupancy of property, or maturity date.
- g. No interest – instead the City shares the equity (refer to Equity Share Period in section below);
- h. Loan is not assumable.
- i. Net Proceeds and Equity-share will be used to calculate repayment of loan; under no circumstances can the City recapture more than is available from the Net Proceeds of the sale.
- j. The City reserves the right to adjust loan amounts and percentages based on the type and amount of funds available in all funding sources.
- k. Funds are available on a first-come, first-serve basis.
- l. No City funds can be used for the payment of debt.
- m. Assistance cannot exceed 22% of the sales price.
- n. Borrower must not have more than \$25,000 in liquid assets after the close of escrow.

**C. CONTRIBUTIONS/CONCESSIONS (ALL FUNDS)**

All contributions made by an Interested Party are allowed for the payment of closing costs, prepaids or property upgrades shall not exceed 3% where the CLTV exceeds 90%; or 6% where the CLTV is between 75.01% and 90% of the purchase price or appraised value, whichever is less. Upgrades shall be completed prior to close of escrow or placed in an escrow account pending completion with all excess proceeds applied as a principal reduction payment to the 1<sup>st</sup> mortgage balance. Contributions/concessions cannot be for the payment of debt, reserves, or down payment. Seller/builder concessions for use of a preferred lender are allowed but cannot result in an increase in sales price if the preferred lender is not used.

**D. CO-SIGNED, DEFERRED AND SECURED LOANS (ALL FUNDS)**

All co-signed, deferred and secured loans shall be included in the determination of Debt-To-Income Ratio unless paid or refinanced by a joint responsible party prior to/or at close of escrow.

**E. NON-PURCHASING SPOUSE (ALL FUNDS)**

Not allowed. Each spouse must qualify for and go on title to the City FTHB Program.

**F. CO-SIGNERS / CO-MORTGAGORS (ALL FUNDS)**

Co-signers and Co-mortgagors who do not intend to occupy the property are prohibited.

**G. AFFORDABILITY PERIOD (ALL FUNDS)**

1. **CALHOME FUNDS:** An Affordability Period is not required.
2. **HOME FUNDS:**

Pursuant to 24 CFR 92.254, all HOME assisted properties will have recorded covenants requiring occupancy affordability restrictions under the American Dream FTHB Program commencing on the date of the recordation of the Deed of Trust. HOME assisted units carry rent and occupancy restrictions for varying lengths of time based on the total HOME Investment per unit as follows: <\$15,000 = 5 years, \$15,000 to \$40,000 = 10 years, > \$40,000 = 15 years, and for new construction is 20 years. Based on the current Maximum Loan Amount, the loan will be subject to an Affordability Period of 5 years. If an exception is granted to increase Maximum Loan Amount, the Affordability Period will change.

**H. EQUITY-SHARE VS. INTEREST RATE (ALL FUNDS)**

1. **HOME and CALHOME FUNDS (AMERICAN DREAM):**



Assistance provided by the City will include provisions for repayment of the principal amount and a share of any equity in lieu of interest (except in the case of default as set forth in the Note). The principal and equity-share (or interest in the case of default) is due and payable upon a variety of conditions or circumstances, the most common one being the sale or transfer of the home. The amount of equity due to the City is based on the percentage of down payment provided at purchase and the equity earned at payoff. Under no circumstances will the City recapture more than is available from the Net Proceeds of the sale if the property is owner-occupied at the time of sale.

**I. FORGIVENESS OF EQUITY SHARE (ALL FUNDS)**

**1. CALHOME FUNDS:**

The equity-share period expires after thirtieth (30) anniversary date of execution of the Promissory Note and/or Loan Documents of an assisted household. The principal balance will remain due and payable.

**2. HOME FUNDS:**

The equity-share period for HOME Funds expires after the Affordability Period ends on an assisted property that is continuously owned and occupied, or upon sale of an owner-occupied unit. The principal balance will remain due and payable.

**J. EQUITY-SHARE PERIOD (HOME and CALHOME)**

The period in which the City shall share Net Proceeds and/or Net Appreciation if the property is sold, rented, refinanced, conveyed, transferred or no longer owner-occupied (except with the express written consent of the City/Housing Authority). The Equity Share Period begins on the date the Deed of Trust was recorded for the loan(s). The Equity Share Period and equity due to the City varies depending on the original loan amount (Refer to Recapture Funds definitions).

**K. MAXIMUM COMBINED LOAN-TO-VALUE (CLTV) (ALL FUNDS)**

The maximum CLTV (combined loan-to-value) of all approved financing, including the City and new 1st Trust Deed loans shall not exceed 100% of the purchase price or appraised value, whichever is less.

**IV. AFFORDABLE HOUSING COST AND RATIOS**

**A. MINIMUM HOUSING RATIO (ALL FUNDS)**

The FTHB Program financing is provided to fund the gap needed to ensure that the cost of housing is affordable.

1. **“FRONT END RATIO” - AMERICAN DREAM FTHB PROGRAM:** the Housing Ratio of an assisted property cannot be less than 30% and no greater than 45% (previously 25%) of the Annual Income or Gross Income of the Household:
  - a. If the Housing Cost Ratio (with HOME and/or CALHOME assistance) is less than 30% of the household Annual Income or Gross Income, then HOME or CALHOME assistance shall be reduced and the first mortgage financing shall be increased so that the Minimum Housing Ratio of 30% is met.

**B. MAXIMUM HOUSING RATIO (ALL FUNDS)**

1. **AMERICAN DREAM FTHB PROGRAM:** The maximum Housing Ratio cannot exceed 30% of the applicant(s) monthly Annual Income or Gross Income.

**C. “BACK END RATIO” MAXIMUM DEBT-TO-INCOME RATIO (ALL FUNDS)**

The household total debt-to-income ratio cannot exceed 45% of the monthly Annual Income or Gross Income.

## V. FIRST MORTGAGE TERMS

### A. FIRST TRUST DEED LOAN TERMS (ALL FUNDS)

**First Mortgage Product type:** Fixed rate 30-year fully amortizing loans only. Balloon, interest-only, adjustable rate, negative amortizing loans, temporary buy-downs, or loans with pre-payment penalties are not allowed. First mortgage shall not exceed the difference between the purchase price or appraised value (whichever is less), the 2% Borrower Down Payment requirement, and the down-payment portion of the City funds.

**1. Additional Liens:** Liens, other than the approved First Trust Deed and the City/Housing Authority loan(s), are **not** allowed.

**2. Impounds:** The first mortgage loan is required to utilize an impound account (for payment of property taxes and hazard insurance).

**3. Lender Fees:** Maximum fees to the Buyer of 1.25% origination, discount points for below par pricing only and \$350 processing only. No other Broker or Admin type fees allowed. Other 3<sup>rd</sup> party fees that are reasonable and customary are allowable.

**4. FHA Loans:** should not be used where City/Authority funding of at least 20% is provided.

**5. HOA Certification:** Must meet First Mortgage guidelines

### B. LENDER/BROKER FEES FOR CITY/HOUSING AUTHORITY LOANS (ALL FUNDS)

No City or Lender fees will be charged for the origination of an American or California Dream FTHB Program loan.

## VI. QUALIFICATION PROCESS

### A. PRE-QUALIFICATION (ALL FUNDS)

The City requires prior Pre-Qualification of any First-Time Homebuyer loan. The pre-qualification package must include at a minimum the following (Refer to **APPENDIX C**):

1. A 1003 form;
2. Statement of Information;
3. Credit or DU findings;
4. Full income and asset documentation;
5. 3-months bank statements;
6. Approved homebuyer education certificate;
7. Advance Loan Disclosure(s);
8. Signed 4506T-Form; and
9. Copy of applicant(s) current identification.

Upon review and approval of the documentation submitted, the City will issue a Pre-qualification Letter to the Participating Lender and Borrower that may be submitted with an offer to purchase property. Pre-qualifications are good for 90-days from the earliest document dated in the pre-qualification package.

### B. LOAN COMMITMENT (ALL FUNDS)

1. A Tentative Loan Commitment letter will be issued with either prior-to-doc (PTD) or prior-to-close (PTC) conditions on a first-come, first-serve basis to households who have been Pre-qualified by the City.

2. The Tentative Loan Commitment has an expiration of 45 days.
3. After 45 days, the Loan Commitment funds are disencumbered and made available to the next qualified applicant.
4. A Tentative Loan Commitment cannot be issued to pre-reserve funds without a property.

**C. HOW TO APPLY (ALL FUNDS)**

Contact a participating lender. The participating lender list can be obtained at the San Diego Housing Commission website at: <https://www.sdhc.org/housing-opportunities/first-time-homebuyers/participating-lenders/>.

**VII. PARTICIPATING LENDERS**

**A. PARTICIPATING LENDER (ALL FUNDS)**

Only those Lenders who execute and present Lender Participation materials will be allowed to submit a pre-qualification packet to the City on behalf of an applicant. Changes to the Participating Lender company name or executive previously listed on the Lender Participation Agreement will require a new agreement to be executed along with copies of the appropriate licensing and a new Statement of Quality Commitment. Changes to the company contact only will require completion of page two of the agreement to be executed and returned to the City.

The First-Time Homebuyer Program Manual is available to all interested participating lenders which can be obtained in person, by mail or on the City website to assist in pre-determining a pool of potential applicants. Participating Lender(s) are responsible for pre-qualification of households to ensure first-mortgage and City FTHB program criteria has been met, preferably prior to execution of an offer to purchase real property.

**B. REFERRALS/RECOMMENDATIONS**

Requests from the public to provide recommendations to Participating Lender(s) who have submitted and/or closed previous transactions with the City will not be granted.

**VIII. HOMEBUYER EDUCATION PLAN**

**A. HOMEBUYER EDUCATION CERTIFICATE (ALL FUNDS)**

1. Prior to funding a FTHB Program loan, all applicants who will be on title are required to attend and provide a copy of a homebuyer education certificate received from an in person, 8-hour education class completed through an Approved Homebuyer Education Provider. The homebuyer education class must include the following topics:
  - a. Preparing for homeownership;
  - b. Available financing and credit analysis;
  - c. The loan closing process;
  - d. Homebuyer responsibilities;
  - e. Home maintenance; and
  - f. Loan Servicing.
2. Phone and Internet certificates are not allowed.
3. An approved Homebuyer Education Certificate must be issued within the last 6 months.

**B. APPROVED HOMEBUYER EDUCATION PROVIDERS**

1. Homebuyer education certificates, which do not specifically address the Homebuyer Education Certificate topics in Section A above, will require City review and approval the Homebuyer Education Course

Criteria prior to funding of a FTHB Program loan.

2. **LMIHAF and HOME FUNDS:** The City will maintain a database or list of Homebuyer Education Providers whose curriculum meets the criteria in Section A above and is deemed approved.

**CALHOME FUNDS:** The City requires the Homebuyer Education class to be provided through credit.org (formerly Springboard), a HUD-approved housing education provider, whose curriculum meets the criteria in Section A above and is deemed approved. The training will be provided at no cost to the home buyer. The prospective homebuyer must request and be provided with a written letter of approval from the City prior to attending the training with credit.org, in order to meet the Homebuyer Education requirements of this section.

## **IX. OTHER REQUIREMENTS/CONDITIONS**

### **A. PRIOR CITY ASSISTANCE (ALL FUNDS)**

If a Household member applying for FTHB assistance has been previously assisted by the City and if the City funds were lost due to short-sale, default or foreclosure, that household will not be eligible for assistance under the First-time Homebuyer Program.

### **B. REQUIREMENTS NOT ADDRESSED-UNDERWRITING CRITERIA (ALL FUNDS)**

The City reserves the right to consider all factors in the review of a request for assistance and adjust program eligibility criteria accordingly. Such criteria may include, but is not limited to: payment shock, job tenure, accumulation of assets, credit, ability to pay, risk to public funds, housing and debt-to- income ratios, market stability or decline, etc. Exceptions to non-regulatory program requirements may be requested and granted at the sole discretion of the City where multiple compensating factors are present.

### **C. CONFLICT OF INTEREST (CITY EMPLOYEES)**

No employee or agent of the City, or any other person who exercises policy or decision-making responsibilities (including members of a loan committee or officers, employees, and agents of the loan committee) in connection with the implementation of City programs shall directly or indirectly be eligible for City programs. Exceptions to this policy can be made only after disclosure and formal approval by the City Manager or Executive Director, depending on funding source.

## First-Time Homebuyer Program Manual

**SECTION 4 - LOAN SERVICING-ALL LOANS INCLUDING LOW MOD****I. LOAN SET-UP AND REPAYMENT****A. NEW LOAN SET-UP (ALL LOANS)**

1. Complete new "Loan File Set-Up Sheet" for the ABS Loan Servicing System for each new loan funded and receipt of the Final HUD-1 Settlement Statement;
2. Create a file for the original Note and place in fireproof safe;
3. Request a copy of the recording information on the First Trust Deed Loan;
4. Prepare and send a Request for Notice to the County Recorder's Office (to notify of a Default or Foreclosure);
5. Order tax service from Tax Service provider online (for notification of delinquent tax payments);
6. Insert close of escrow (COE) date and new loan information on current FY spreadsheet and Loan Portfolio spreadsheet;
7. Calendar all equity-share and annual occupancy/income certifications on ABS system;
8. Retain file in temporary drawer until receipt of original Deed of Trust, Regulatory Agreement and Title Policy.
9. Purge unnecessary documents from file;

**B. ANNUAL OCCUPANCY AND/OR INCOME REVIEW (ALL FUNDS)**

The City/Housing Authority will annually monitor each FTHB Program loan for owner-occupancy. During the annual monitoring process, continued residency must be confirmed for the Affordability Period or Term of the loan (HOME, CALHOME, and LMIHAF) and income eligibility (LMIHAF). All properties must be the principal place of residence of the Borrower(s). Loan monitoring consists of monitoring the occupancy, sale, rental, refinance, transfer or conveyance of title of the property to ensure compliance with the City/Housing Authority loan documents.

1. Occupancy will be verified by the submission of the following documents (HOME and CALHOME):
  - a. Proof of occupancy in the form of two copies of two current utility bills;
  - b. Statement of unit's continued use as primary residence of the Borrower(s) (Refer to **APPENDIX G**).
2. Occupancy will be verified by the submission of the following documents (Housing Authority):
  - a. Proof of occupancy in the form of two copies of two current utility bills;
  - b. Most recent pay-stub(s) for all occupants 18 years or older, and/or who are on title to the property, for all sources;
  - c. Proof of miscellaneous income (SS, alimony, child support, pension, insurance, trust, worker's compensation, unemployment, interest, public assistance, etc.);
  - d. If any family member is self-employed, a YTD profit & loss statement for each business;
  - e. Copy of most recent year W2's; and
  - f. Statement of unit's continued use as primary residence of the Borrower(s) (Refer to **APPENDIX G**).

The loan is due and payable in the event the purchased property is sold, rented, refinanced, transferred, conveyed, or property is no longer owner-occupied.

**C. REPAYMENT OF LOANS**

**1. HOME and CALHOME Funds:**

The American Dream FTHB Program funded loan (principal, interest/equity-share) shall be due and payable at the earlier of the following events (unless approved in writing by the City):

- a. The Sale, transfer, conveyance, refinance, and/or rental of the property.
- b. Non-owner occupancy of the property at any time during the Affordability Period.
  - i. Annual certification of continued owner-occupancy is required.

**2. LMIHAF:**

The California Dream FTHB Program funded loan (principal, interest/equity-share) shall be due and payable at the earlier of the following events (unless approved in writing by the Housing Authority):

- a. The sale, transfer, conveyance, refinance, and/or rental of the property.
- b. Non-owner occupancy of the property at any time during the Affordability Period.
  - i. Annual certification of continued owner-occupancy and income eligibility is required.
- c. Monthly payments can be triggered if income exceeds income limits.

**D. MONTHLY PAYMENTS (LMIHAF)**

Annual certification of continued owner-occupancy and income eligibility is required. If in any given year, the Gross Income of the assisted Household exceeds 120% of the AMI, the monthly amount to be paid to the Housing Authority shall be 30% of any income over 120% of the Area Median Income (prorated monthly), as determined by HCD and adjusted periodically, to a maximum of \$1,000, but not less than \$50.00 per month and is more particularly described in the Note. However, the maximum Affordable Housing Cost, with any Housing Authority approved mortgage, shall not exceed 35% of the Gross Income for the Household. Income eligibility will be reviewed each year and payments may change accordingly.

Once payments are determined, staff will send appropriate payment coupons to the Borrower on an annual basis and funds will be applied to the appropriate Reuse Account.

**E. MONITORING OF HAZARD AND/OR FLOOD INSURANCE POLICIES**

Staff shall monitor annual receipt of hazard (fire) insurance policies on an annual basis to ensure the City/Authority loan remains a loss payee. Should Borrower fail to maintain such insurance, staff will take necessary steps to secure an endorsement through the Borrower or by force-placing insurance against the property in accordance the loan documents.

**F. MONITORING OF ANNUAL PROPERTY TAX PAYMENTS**

Staff receives annual property tax service notices on an annual basis and will send notification to each Borrower of non-payment property taxes. In the event Borrower is delinquent in paying four years of property tax payments, staff will review the file for default or to advance property taxes in an effort to protect the FTHB Program loan.

**G. PAY-OFF DEMANDS OR PREPAYMENTS (ALL FUNDS)**

Pay-off demands shall be provided within 21 days of receipt of the written request, subject to receipt of additional information requested by the City/Housing Authority, in accordance with California Civil Code Section 2920-2943 and the terms of the FTHB Program loan documents. Funds will be deposited in accordance with Reuse/Repayment Account Requirements.

**H. RECAPTURE OF FUNDS (ALL FUNDS)**

**1. CALHOME FUNDS**

The City of El Cajon requires that City funds be recaptured if the Property does not continue to be the principal residence of the Borrower for the duration of the Effective Period. If all or any part of the Property or any interest in it is sold, rented, refinanced, conveyed or transferred to a non-eligible low-moderate-income family without the express written consent of the City (or if a beneficial interest in Borrower is sold, rented, refinanced, conveyed or transferred and Borrower is not an individual), the “Equity” in the Property shall be shared on a pro-rata formula between the Borrower and the City. No interest will be charged, and there are no assumptions (Refer to **APPENDIX D**).

## **2. HOME FUNDS**

In order to ensure affordability for the duration of the Affordability Period as defined above, the City requires that FTHB Program funds be recaptured if the housing does not continue to be the principal residence of the Owner(s) for the duration of the Affordability Period. If all or any part of the Property is sold, conveyed or transferred, the loan and any Equity Share shall be due and payable. If the Property is no longer owner-occupied (but no sale or eligible transfer occurs) during the Period of Affordability, the loan shall be IN DEFAULT AND IS IMMEDIATELY due and payable (AS SET FORTH IN THE ACCELERATION SECTION OF THIS MANUAL AND AS DEFINED IN DETAIL IN THE NOTE). All assisted properties will have covenants that meet these same criteria. The City shall seek recapture of principal, interest and/or Equity-Share as outlined in **APPENDIX D**.

## **3. LMIHAF FUNDS**

Pursuant to California Health and Safety Code §33334.3, the El Cajon Housing Authority requires that Housing Authority funds be recaptured if the Property does not continue to be the principal residence of the Borrower for the duration of the Effective Period. If all or any part of the Property or any interest in it is sold, rented, refinanced, conveyed or transferred to a non-eligible low-moderate-income family without the express written consent of the Housing Authority (or if a beneficial interest in Borrower is sold, rented, refinanced, conveyed or transferred and Borrower is not an individual), the “Equity” in the Property shall be shared between the Borrower and the Housing Authority.

### **I. DEFAULT & FORECLOSURES (ALL FUNDS)**

If the City/Housing Authority receives notification that the Borrower has defaulted on a Loan or other security interest, staff will review documentation received from the County Recorder’s Office and research sales comparables. Staff will prepare a recommendation for the City Manager/Executive Director to review and on action to be taken on the property in default based on the information received and in accordance with City of El Cajon City Council Policy B-13 (Refer to **APPENDIX H**).

### **J. ASSUMABILITY (ALL FUNDS)**

The Program does not allow assumptions or transfers<sup>1</sup>. Transfer of the property without City/Housing Authority consent or failure to comply with these terms and conditions will constitute a default and result in the loan becoming due and payable. If necessary, legal action will be initiated.

*\*Allowed with City’s prior approval under certain conditions.*

### **K. ACCELERATION (ALL FUNDS)**

The acceleration clause will be in effect when the property is no longer the principal place of residency of the eligible homebuyer, or upon discovery of willful misrepresentation or fraud in connection with the program. Rental of the property is prohibited and will cause the loan to be accelerated, unless a written request is submitted to the City/Housing Authority for review and recommendation.

## **II. CITY/HOUSING AUTHORITY REQUESTS**

### **A. SUBORDINATION (ALL FUNDS)**

1. Refer to **APPENDIX E** for City/Housing Authority Subordination Requirements.

2. If the payoff of the 1<sup>st</sup> mortgage has a remaining interest rate buy-down balance currently escrowed, those monies must be applied to the payoff balance at close of escrow and may not be refunded to the Borrower.
3. In the event an exception to the Subordination Requirements is requested and granted, the City/Authority may require execution and recording of a Loan Modification Agreement through close of escrow.
4. If loan terms change after a Subordination Agreement has been issued to the refinance lender, Escrow or Title Company, there will be an additional fee of \$50.00 for re-review of the revised loan terms and issuance of a second or each subsequent Subordination Agreement.

#### **B. SHORT SALE (ALL FUNDS)**

A short-sale occurs when a Lender is willing to accept less than the full payoff of its loan and typically takes place when a financial hardship or catastrophic event has occurred.

FTHB Program funds are used to provide assistance to an Eligible Person or Household purchase their first home and have no payments until sale, rental, refinance, or transfer of the property. The deferral of payments ensures that the property is affordable to the Homeowner(s).

The City/Housing Authority will review short-sale requests on a case-by-case basis when a significant financial hardship or Catastrophic Event occurs. At its sole discretion, the City/Housing Authority may approve such requests when the Homeowner(s) have exhausted all means necessary to remedy the financial hardship or Catastrophic Event. Documentation outlined in **APPENDIX F** (Short Sale Review Checklist) will be required to review any request and may require full repayment, partial repayment, sale of the property to another qualified family, combination thereof, or other means to secure repayment of the Loan.

Any loss of public funds will constitute a “cancellation of debt”, defined by the IRS and will be subject to issuance of a 1099-C and may be a taxable event to the Homeowner(s). Each Homeowner(s) should seek the advice of a tax consultant prior requesting a short-sale from the City/Housing Authority.

#### **C. EXCEPTIONS (ALL FUNDS)**

Exceptions to the FTHB Program can be requested by a Participating Lender, on a case-by-case basis. Requests will be reviewed and may be approved by Director of Community Development or designee once all requested supporting documentation is submitted with the pre-qualification package.

#### **D. APPEALS (ALL FUNDS)**

Any applicant denied assistance from the Program has the right to appeal. Complaints concerning the Program should be first made to the Housing Manager. If unresolved, the complaint or appeal must be made in writing and filed with the Director of Community Development. The Director of Community Development will then schedule a meeting or telephone conference call with the applicant to discuss the matter and a written response will be made within fifteen (15) working days. If the applicant is not satisfied with the decision, a request for an appeal may be filed with the City Manager/Executive Director or designee. The City Manager/Executive Director or designee, as applicable of the City of El Cajon/El Cajon Housing Authority will serve as an appeal board for rejected loans, if review is requested by the applicant or the Participating Lender.

### **III. COMPLIANCE, REVISIONS AND AUTHORITY**

#### **A. RECORDS RETENTION (ALL FUNDS)**

All FTHB Program files and loans will be retained in accordance with the City Records Retention Policy, as may be amended from time to time.

#### **B. INTENTIONAL OR NEGLIGENT MISINTERPRETATIONS (ALL FUNDS)**

Any intentional or negligent misrepresentation of information provided to the City may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation made, and/or in criminal penalties including, but not limited to, immediate termination of City assistance, immediate demand for payment in full, and fines or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.



**C. FRAUD/FALSE DOCUMENTATION (ALL FUNDS)**

Any person making a material misstatement or misrepresentation in any affidavit or certification made in connection with the application for the City/Housing Authority loan shall be subject to all applicable fines and penalties, including immediate denial or rejection of a request for FTHB Program assistance.

Intentional submission of false, misleading or incomplete documentation will not be tolerated by the City/Housing Authority and may result in barring an individual, company or vendor from participation in City/Housing Authority programs indefinitely. The federal False Claims Act (31 U.S.C. §3729 et seq.) and the California False Claims Act (California Government Code §12650 et seq.) provide that any person who makes a false or fraudulent claim for payment or approval is liable to the United States Government, or to the City/Housing Authority, for civil penalties and damages sustained because of the act of that person.

**D. REVISIONS/AUTHORITY (ALL FUNDS)**

The City Manager and/or Executive Director and/or his designee is authorized to develop, amend, revise, terminate this First-Time Homebuyer Manual at any time without notice, including granting exceptions to established criteria not regulated by Federal or State statutes, and is authorized to execute all documents necessary to effectuate the FTHB Program(s) as authorized City Council Resolution.

**E. QUESTIONS**

Questions regarding the City of El Cajon American Dream FTHB Program or El Cajon Housing Authority California Dream FTHB Program should be directed to the:

**CITY OF EL CAJON**

**DEPARTMENT OF COMMUNITY DEVELOPMENT- HOUSING DIVISION AT:**

**200 CIVIC CENTER WAY, 3RD FLOOR, EL CAJON, CA 92020-3996**

**PHONE: 619.441.1710      FAX: 619.441.1595**

**Website:**

<https://www.elcajon.gov/your-government/departments/community-development/housing-division>

## First-Time Homebuyer Program Manual

**SECTION 5 - REUSE/REPAYMENT ACCOUNT REQUIREMENTS (PLAN)****A. ESTABLISHMENT OF SEPARATE SPECIAL REVENUE FUND**

This section of the manual addresses requirements that a separate “Special Revenue Fund” must be established and maintained for receipt and disbursement of HOME, CalHome and LMIHAF funds. A “Special Revenue Fund” is one that is established by the City of El Cajon Finance Department (Finance) and used to account for the proceeds of specific revenue sources that are restricted legally to expenditures for specified purposes.

1. Finance shall create and maintain a separate Special Revenue Fund accounts for each grant or funding source (specifically for homebuyer assistance) which includes, but is not limited to: HOME, CalHome and LMIHAF funds.
  - a. HOME Funds: Upon repayment of HOME funds
    - i. 10% of the principal loan balance and fees/interest shall be deposited into the HOME FTHB program income special revenue fund account;
    - ii. The remaining 90% of the principal loan balance and fees/interest shall be allocated to the HOME FTHB program special revenue fund account for HOME eligible First-Time Homebuyer activities.
  - b. CalHome Funds: Upon repayment of CalHome funds
    - i. 95% of the principal loan balance and fees/interest shall be deposited into the CalHome FTHB program special revenue fund account for CalHome eligible First-Time Homebuyer activities;
    - ii. The allocation of 5% of CalHome funds, fees/interest will be collected and deposited into the Community Development Department Administration account activity 170110.
  - c. LMIHAF Funds: Upon repayment of LMIHAF funds:
    - i. 100% of the principal loan balance and fees/interest shall be deposited into the LMIHAF FTHB program special revenue fund account for LMIHAF eligible First-Time Homebuyer activities, as may be amended by the Housing Authority from time to time.
2. Commingling of Special Revenue Account Funds:
  - a. At no point shall any separate Special Revenue Fund be commingled with any other fund.
3. Tracking of Special Revenue Fund Account Funds:
  - a. Housing Staff shall concurrently create tracking systems to ensure the balancing of receipts and expenditures with Finance, which include (but is not limited to):
    1. Current FY or other Excel spreadsheets or ABS loan servicing system.
  - b. Refer to the Tracking matrix in Section B below for additional tracking requirements.
4. Disbursements From Special Revenue Funds:

- a. Disbursements of both principal and interest from each Special Revenue Fund shall be made in strict accordance with Federal and/or State regulations;
5. Interest Earned on Special Revenue Funds:
  - a. All interest earned on each deposited Special Revenue Funds must accrue to each fund, individually, and must be reused in strict accordance with Federal and/or State regulations;
6. Deposits to Special Revenue Funds:
  - a. All funds deposited and interest accrued in each separate Special Revenue Fund shall only be used by the City of El Cajon/El Cajon Housing Authority for program eligible activities in accordance with Federal and/or State regulations and provided herein;
7. Monthly Reports of Special Revenue Funds:
  - a. Monthly reports will be provided by Housing staff for the balancing of fund receipts and expenditures;
8. Monitoring Agreements:
  - a. The City of El Cajon and/or El Cajon Housing Authority may be required to enter into long-term monitoring agreements with internal, Federal or State Agencies for the reuse of each Special Revenue Fund for compliance with all applicable regulations.

**B. TRACKING OF SPECIAL REVENUE FUNDS**

Housing Division and Finance staff have an equally important role in the tracking and disbursement of Special Revenue Funds. Upon notification of the award of a Federal or State Special Revenue Fund grant or loan, the following processes will occur:

Event	Responsible Department	HOME	CALHOME	LMIHAF	Task/Result/Activity
<i>Notification of pending Award</i>	CDD - Housing	XX	XX	XX	<ul style="list-style-type: none"> <li>▪ Advise Finance of award;</li> <li>▪ Create spreadsheet for the tracking of the receipt and disbursement of new funds;</li> <li>▪ Create new fund on ABS loan servicing system</li> </ul>
<i>Special Revenue Fund creation</i>	Finance	XX	XX	XX	<ul style="list-style-type: none"> <li>▪ Established separate fund accounts number(s)</li> </ul>
<i>Receipt of allocation of Funds</i>	CDD - Housing and Finance	XX	XX	XX	<ul style="list-style-type: none"> <li>▪ Dual Tracking system: CD spreadsheet and deposit with Finance</li> </ul>
<i>Issuance of Loan Commitment for Homebuyer</i>	CDD - Housing	XX	XX	XX	<ul style="list-style-type: none"> <li>▪ Tracking of receipts vs. expenditures for each fund on RH spreadsheet;</li> <li>▪ Commit funds upon eligibility;</li> <li>▪ Input new loan on IDIS (as applicable);</li> <li>▪ Place availability of funds on City website</li> </ul>
<i>Expenditure of Special Revenue Funds for Homebuyer Education</i>	CDD - Housing	Not charged	Not charged	Not charged	<ul style="list-style-type: none"> <li>▪ Funds for homebuyer education are not charged or allowed</li> </ul>
<i>Expenditure of Special Revenue Funds for loan processing delivery fees</i>	CDD - Housing	Actual time via timecards	\$2,500 per loan	Actual time via timecards or flat fee basis	<ul style="list-style-type: none"> <li>▪ Funds will be charged for processing delivery fees</li> </ul>
<i>Use of Special Revenue Funds for loan servicing</i>	CDD - Housing	Actual time via timecards	5% allowed to be used for servicing costs.	Actual time via timecards	<ul style="list-style-type: none"> <li>▪ Funds are not charged or allowed for loan servicing, except as identified herein</li> </ul>
<i>Wiring of Special Funds</i>	CDD - Housing and Finance	XX	XX	XX	<ul style="list-style-type: none"> <li>▪ Wire disbursement requests are made upon receipt of all outstanding conditions, approvals and presentation to Finance;</li> <li>▪ New loan information is tracked on budget spreadsheets and loan portfolio;</li> <li>▪ Input loan on IDIS (as applicable);</li> <li>▪ Reconcile monthly reports with Finance</li> </ul>
<i>Repayment of Special Revenue Funds</i>	CDD - Housing and Finance	XX	XX	XX	<ul style="list-style-type: none"> <li>▪ Input funds on RH spreadsheets;</li> <li>▪ Input funds on ABS system;</li> <li>▪ Input funds on IDIS (as applicable);</li> <li>▪ Deposit funds with Finance;</li> <li>▪ Reconcile monthly reports with Finance</li> </ul>

## First-Time Homebuyer Program Manual

**SECTION 6 - PARTICIPATING LENDER REQUIREMENTS****CITY/HOUSING AUTHORITY LOAN QUALITY COMMITMENT POLICY**

The City of El Cajon Department of Community Development- Housing Division and the El Cajon Housing Authority invites the entire mortgage lending community to participate in the **AMERICAN DREAM and CALIFORNIA DREAM FIRST-TIME HOMEBUYER PROGRAMS**. Participation will continue to be open to those mortgage lenders who uphold the following work standards:

❖ **Lender Contact:** Each Participating Lender will designate a Contact Person for each applicant branch designated on the Participating Lender List who is committed and believes in City/Housing Authority programs, willing to answer questions, and will refer potential buyer's to the City/Housing Authority if detailed questions are necessary. Each bank, mortgage or other branch must apply separately and reflect one or two branch contacts.

❖ **Review City/Housing Authority Program Materials:** Participating Lender company personnel must review City/Housing Authority program materials or receive training for the program before taking application packages. This training may include (but is not limited to):

- Review of the Program Manual;
- Review of City/Housing Authority Bulletins, documents and forms;
- City/Housing Authority training sessions (if applicable);
- Personal or telephone correspondence with City/Housing Authority staff.

❖ **Lender Contact Responsibilities:** The Participating Lender Contact Person for each branch is responsible for:

- Distributing City/Housing Authority FTHB Program changes to lender staff as they are updated;
- Advising lender company staff of their obligations under the City/Housing Authority program's and must be prepared to submit all necessary documentation (as requested) in a timely manner;
- Notifying Housing staff of any re-assignment of Contact person and/or changes in company location and or status.

❖ **Loan Commitment Expiration:** Expiration of a City Tentative Loan Commitment without submission of the required paperwork must be addressed in a timely manner by:

- Submitting the documents necessary to make the file current;
- Canceling the pending loan with notification to the City/Housing Authority; or
- Requesting an extension of time.

❖ **Fair Lending:** Buyers must be treated fairly, receiving a full and accurate explanation about the City/Housing Authority FTHB loan programs. For questions that the lender cannot answer, the buyer is referred to housing staff at (619) 441-1710.

**Section  
7**

**First-Time Homebuyer Program Manual**

**SECTION 7 - FEESCHEDULE**

	AMERICAN DREAM FTHB PROGRAM (HOME FUNDS)	AMERICAN DREAM FTHB PROGRAM (CALHOME FUNDS)	CALIFORNIA DREAM FTHB PROGRAM (HOUSING AUTHORITY FUNDS)
<b>Lender Participation Fee – Initial</b>	← SEE SDHC →		
<b>Lender Renewal Fee (billed annually)</b>	← SEE SDHC →		
<b>Application Fees</b>	No charge	No charge	No charge
<b>Processing</b>	No charge	No charge	No charge
<b>Underwriting Fee</b>	No charge	No charge	No charge
<b>Document Preparation Fees</b>	No charge	No charge	No charge
<b>Wire Fees</b>	No charge	No charge	No charge
<b>Wire re-issuance (if original wire is returned)</b>	No charge	No charge	No charge
<b>Subordination Fees (per loan)</b>	No charge	\$200.00	\$200.00
<b>Subordination Re-Review Fee (after a Subordination has been issued)</b>	No charge	\$50.00	\$50.00
<b>Beneficiary’s Statement Fee</b>	No charge	No charge	No charge
<b>Demand Fee</b>	No charge	No charge	No charge
<b>Reconveyance Fee</b>	\$45.00	\$45.00	\$45.00
<b>Loan Modification Fee (if approved by City/Authority)</b>	\$10	\$10	\$10
<b>Loan Assumption Fee</b>	Not allowed	Not allowed	Not allowed
<b>Verification of Mortgage</b>	\$30.00	\$30.00	\$30.00
<b>Document Copies</b>	City fee schedule	City fee schedule	City fee schedule
<b>Postage or Overnight Mail</b>	As applicable	As applicable	As applicable

## First-Time Homebuyer Program Manual

**SECTION 8 - PROGRAM COMPARISON**

	AMERICAN DREAM FTHB PROGRAM (HOME FUNDS)	AMERICAN DREAM FTHB PROGRAM (CALHOME FUNDS)
Max Income	80% AMI	80% AMI
Max Purchase Price	See FTHB Flier	See FTHB Flier
Borrower Down Payment Minimum	2% of Purchase Price	2% of Purchase Price
Borrower Reserve Requirement (Liquid Assets)	1% of the Purchase Price	1% of the Purchase Price
Min City Loan for Down Payment (multiple sources)	\$2,000	\$2,000
Max City Loan for Homebuyer Assistance (multiple sources )	\$150,000 for single family and \$100,000 for condo/townhome <sup>1</sup>	Program Limit (up to City Available Balance)
Housing Ratio (minimum)	=or>25%	=or>25%
Housing Ratio (maximum)	=or<45%	=or<45%
Debt To Income Ratio	45%	45%
Max CLTV	100%	100%
Max Lender Origination Points (fees)	1.25%	1.25%
Max Lender Discount Points (fees)	For below par pricing only	For below par pricing only
Max Lender Processing Fee	\$350	\$350
Broker and/or Admin Fees	Non-allowable (Unless for standard 3 <sup>rd</sup> party fees)	Non-allowable (Unless for standard 3 <sup>rd</sup> party fees)
3 <sup>rd</sup> Party Fees	Reasonable and customary	Reasonable and customary
City/Authority Fees (acquisition)	Non-allowable	Non-allowable
Pre-qualification review	7 to 14 days	7 to 14 days
Review for Tentative Loan Commitment	3 to 5 days	3 to 5 days
Issuance of Loan Documents	48 hours after receipt of PTD conditions	48 hours after receipt of PTD conditions
Wiring of Funds	72 hours after receipt of all outstanding conditions	72 hours after receipt of all outstanding conditions

<sup>1</sup> For HOME funds, an exception can be requested from the City on projects funded by the City.

Section

**9**

First-Time Homebuyer Program Manual

**SECTION 9 - APPENDICES**

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# APPENDIX A

## ANNUAL INCOME CALCULATION WORKSHEET<sup>1</sup>

(a) Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:				
	Family Member	A	B	C
	(1) the Gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses:	\$	\$	\$
	(2) the net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall NOT be deducted to determine the net income from a business):	\$	\$	\$
	(3) interest and dividends;	\$	\$	\$
	(4) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;	\$	\$	\$
	(5) payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (see subdivision (b)(3));	\$	\$	\$
	(6) public assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:	\$	\$	\$
	(A) the amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus	\$	\$	\$
	(B) the maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,	\$	\$	\$
	(7) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;	\$	\$	\$
	(8) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse (see subdivision (b) (5)).	\$	\$	\$
<i>Where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household's full-time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.</i>				
	Income from assets in excess of \$5,000 (if not liquidated for the purpose of this transaction) at:	\$	\$	\$
<b>SUBTOTAL INCOME:</b>		\$	\$	\$
<b>(b) the following items SHALL BE EXCLUDED as income:</b>				
	(1) Income from employment of children (including foster children) under the age of 18 years;			
	(2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);			
	(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).;			
	(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;			
	(5) Income of a live-in aide (as defined in 24 CFR 5.403).			
	(6) Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).			
	(7) Amounts of educational scholarships paid directly to the student or to the educational institution;			
	(8) The special pay to a serviceman head of a family away from home and exposed to hostile fire;			
	(9) Amounts received from a Self-Sufficiency Program Income;			
	(10) Casual, sporadic or irregular gifts;			
	(11) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;			
	(12) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse);			
	(13) Adoption assistance payments in excess of \$480 per adopted child;			
	(14) Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts;			
	(15) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;			
	(16) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home;			
	(17) Other Federal Exclusions such as TANF, work-study, tribal payments, etc.			
<b>TOTAL INCOME</b>		\$	\$	\$
<b>NOTE:</b> Authority cited: 24 CFR 5.069 paragraph (b) (April 1, 2004)				

<sup>1</sup> Annual Income is defined for purposes of reporting as income and exclusions set forth in 24 CFR Part 5.



## APPENDIX B

### GROSS INCOME CALCULATION WORKSHEET<sup>1</sup>

(a) Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:				
	Family Member	A	B	C
	(1) the Gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses:	\$	\$	\$
	(2) the net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall NOT be deducted to determine the net income from a business):	\$	\$	\$
	(3) interest and dividends;	\$	\$	\$
	(4) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;	\$	\$	\$
	(5) payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (see subdivision (b)(3));	\$	\$	\$
	(6) public assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:	\$	\$	\$
	(A) the amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus	\$	\$	\$
	(B) the maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,	\$	\$	\$
	(7) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;	\$	\$	\$
	(8) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse (see subdivision (b) (5)).	\$	\$	\$
<i>Where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household's full-time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.</i>				
	Income from assets in excess of \$5,000 (if not liquidated for the purpose of this transaction) at:	\$	\$	\$
<b>SUBTOTAL INCOME:</b>		\$	\$	\$
(b) the following items SHALL NOT be considered as income:				
	(1) Casual, sporadic or irregular gifts;			
	(2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;			
	(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;			
	(4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books, and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposed of which are available for subsistence are to be included in income;			
	(5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;			
	(6) Relocation payments made pursuant to federal, state, or local relocation law;			
	(7) Foster child care payments;			
	(8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;			
	(9) Payments received pursuant to participating in the following volunteer programs under the ACTION Agency:			
	(A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.			
	(B) National Older American Services Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).			
<b>TOTAL INCOME</b>		\$	\$	\$
<b>NOTE:</b> Authority cited: Section 50053 and 50093, Health and Safety Code. Reference: Sections 50052.5, 50053 and 50093, Health and Safety Code.				

<sup>1</sup> Gross Income is defined under Title 25, Division 1, Chapter 6.5, Subchapter 2, §6914.

## **APPENDIX C**

### **LOAN SUBMISSION CHECKLIST & STACKING ORDER**

#### **I. Pre-Qualification Package:**

1. Lender Cover Sheet (if clarification is necessary);
2. Lender 1003 (All pages, completed, signed and dated. A Separate 1003 must be completed for all household members who are 18-years or older and will live in the property);
3. Complete Statement of Information form (for all household members 18-years or older and will live in the property)
4. 3-Merge Credit Report (Minimum FICO 650, mid score, each person taking title and their spouse(s);
5. Paystubs (1-full month for all household members 18-years or older and will live in the property);
6. Copy of Y-T-D profit and loss (if self-employed);
7. W2's (All household members who will live in the property 18 years or older);
8. 3-years Federal Tax Returns (all schedules) for all household members 18-years or older;
9. 3-Month Bank Statements (all accounts and pages for all persons who will live in the property 18 years or older);
10. Homebuyer Education Certificate for all persons taking title from an Approved Homebuyer Education Provider (see City Approved Homebuyer Education Providers);
11. Advance Loan Disclosure for program type (this is a MANDATORY item and must be signed at least 30-days prior to execution of City loan documents);
12. Certification and Authorization (all persons 18-years or older and who will live in the property);
13. 4506 (signed by all household members 18-years or older who will live in the property);
14. I.D. for all household members to meet Patriot Act;
15. Any/all additional documentation requested by the City.
16. Lender has determined that the household meets the following City requirements(initial all that apply)
  - Credit \_\_\_\_\_
  - 1% Asset \_\_\_\_\_
  - Income qualified \_\_\_\_\_
  - Housing & Debt-to-Income ratios \_\_\_\_\_

***Pre-qualification requests are generally reviewed within 7 to 14 business days.***

#### **II. Request for Funding / Tentative Loan Commitment (after City Pre-Approval has been issued):**

1. Submit a 1003 with property address and loan terms;
2. Submit a copy of the Voluntary Acquisition Notice that was submitted to the Seller/Owner.

***Items 1 and 2 should be faxed to the Department of Community Development – Housing Division at (619) 441-1595.***

***Requests for funding / issuance of a Tentative Loan Commitment will generally be issued within 3 to 5 business days.***

#### **III. City Loan Application Package (documents generally required after City Pre-Approval has been issued, property is located, and Request for Funding has been made):**

1. City First-Time Homebuyer Application and Affidavit;
2. Lender Good-Faith-Estimate;
3. Declaration of No Income (as applicable);
4. Tax Return Affidavit (in the event no Federal Tax Returns have been filed);
5. Gift and source documentation (as applicable);
6. Copy of MCC approval (this is a MANDATORY item on the American Dream FTHB Program);
7. Seller Affidavit;
8. Lead-Based Paint Disclosure;
9. Receipt of Disclosures;
10. Copy of Preliminary Title Report;
11. Copy of Escrow Instructions;
12. Copy of Purchase Contract and all Counter-Offers and Amendments;
13. Copy of Appraisal (Note: the City will accept an FHA appraisal in-lieu of a full City interior inspection of the property, as long as all "subject to completion" items are repaired prior to close of escrow).
14. Any/all other documentation requested by the City.

#### **IV. Loan document preparation and Wiring of funds:**

A minimum of 5 workdays after receipt of a copy of the appraisal is needed before loan documents are prepared in order to complete our appraisal review. Requests for preparation of Loan Documents will occur generally within 48-hours of receipt of all PTD conditions and completion of our appraisal review; Requests for Wiring of Funds will occur within 72-hours of receipt of Loan Documents, all PTC conditions, and completion of appraisal review.

**NOTE:** If a Loan Application Package does not include the listed items, the City will request submission of documentation: Prior-to-approval (PTA), Prior-to-documents (PTD), or Prior-to-closing (PTC) (unless specifically listed as a mandatory item).

**Application packages should be directed to:** City of El Cajon, Dept. of Community Development- Housing Division, 200 Civic Center Way, El Cajon, CA 92020-3996. For questions, please call: (619) 441-1710. Fax: (619) 441-1595.

## APPENDIX D

### American Dream First-Time Homebuyer Program Shared Equity Example<sup>1</sup>

**NOTE:** The maximum equity to be shared by the City shall not exceed the amount equal to the percentage of the value of the residence financed by the CalHome and HOME Program loan(s). That is, if the loan equals twenty percent (20%) of the **Original Purchase Price** of the residence, a maximum of twenty percent (20%) of the **Net Appreciation** may be charged by the City.

The following *example* assumes the following: (a) **Current Sales Price** or **Current Appraised Value** (as may be the case of a refinance), in the example, of \$260,000, (b) **Original Purchase Price (OPP)** of \$180,000, (c) initial **Gross Appreciation** of \$80,000 (the Current Sales Price of \$260,000 minus the Original Purchase Price of \$180,000), (d) \$26,000 in closing costs (estimated at 10% of the **Current Sales Price**), (e) initial **Net Appreciation** of \$54,000, and an equity share schedule based on the percentage of CalHome assistance of \$30,150 (16.75% of OPP) and HOME/ADDI assistance of \$14,850 + \$5,000 (11.03% of (OPP)) on an Initial Purchase Price of \$180,000. **The table is for the purpose of illustration only and will apply to any form of default of the City administered Programs. Actual sales price and net sales price will vary. The principal amount of the loans remains due and is in addition to any equity-share that may be owed to the City.**

# Months After Date of Agreement	Current Sales Price or Current Appraised Value (a)	Original Purchase Price (b)	Gross Appreciation (c) (difference of a-b)	Seller's Closing Costs (d) (10% of Current Sales Price)	Net Appreciation (e) (c-d)	Seller's Equity Share of Net Appreciation (f) (72.22% of [e])	CalHome & City Equity Share of Net Appreciation (g) (27.78% of [e])	Principal Amount Due to City (h)	Total Amount due to City (g+h)
0-180	\$260,000	\$180,000	\$80,000	\$26,000	\$54,000	\$38,998.80	\$15,001.20	\$50,000	\$65,001.20
181 and thereafter	\$285,000	\$180,000	\$105,000	\$28,500	\$94,500	\$94,500.00	\$0	\$50,000	\$50,000.00

In this *example*, the finance charge/equity-share varies between \$0<sup>2</sup> and \$15,001.20 through year fifteen (15). Your amount will differ, depending upon gross sales price, net sales price, the amount of equity, the number of months after the date of agreement that the sale, transfer, rental or refinance occurs, etc.

In the event that no Net Appreciation exists at the time of transfer or sale, the CalHome and HOME funds will still be due and payable. In the event that a negative Net Appreciation situation exists, and the full amount of the HOME funds are not available to be recaptured, the amount of HOME funds required to be repaid to the City, at its sole discretion will be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

$$\frac{\text{HOME Investment}}{\text{HOME Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME amount to be recaptured}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{Amount to Homeowner}$$

Provided that Borrower is not in default under the terms of the Note, the Note interest/equity share shall be forgiven in its entirety and interest in the equity of the Property shall be relinquished by the City fifteen (15) years from the date of the execution of the Note, as provided in the loan documents.

**"CalHome Funds" or "CalHome Loan"** is defined as funds received pursuant to the CalHome Program administered through the California Department of Housing and Community Development.

**"Current Sales Price"** is defined as the price obtained for the property in the open market and shall include anything of value given for consideration (e.g., cash, personal property, real property, etc.)

**"Current Appraised Value"** is defined as the value of the property obtained from an independent appraiser licensed by the State of California. The City reserves the right to obtain an independent appraisal.

**"Direct HOME Subsidy"** is the amount of HOME assistance; including down-payment, closing costs or any other HOME assistance provided directly to the homebuyer/homeowner.

**"Documented Capital Improvements"** is defined by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City for review. Please contact the City of El Cajon Building Division to ensure that any Documented Capital Improvement meets current code and permits are obtained when required.

**"Effective Period" or "Period of Affordability"** is defined as the period commencing on the date of this Agreement and ending on the earlier of the repayment of the loan from the City or thirty (30) years after recordation of the Deed of Trust.

**"Equity Share Period"** is defined as the fifteen (15) year period after recordation of the Deed of Trust in which the City shall share Net Appreciation if the property is sold, rented, refinanced, conveyed or transferred (except as provided in the Note), without the express written consent of the City.

**"Gross Appreciation"** is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value.

**"HOME Funds" or "HOME Investment"** is defined as funds received pursuant to the HOME Investment Partnership Program.

**"Homeowner investment"** is defined as the amount of Seller's Cash Contribution and Documented Capital Improvements made by the owner since purchase.

**"Net Appreciation"** is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the documented value of capital improvements from the Gross Appreciation amount.

**"Net Proceeds"** is defined as the sale prices minus superior loan repayment and any closing costs. Under no circumstances can the City (American Dream FTHB Program) recapture more than is available from the Net Proceeds of the sale.

**"Original Purchase Price"** is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs as listed on the Final HUD-1 Settlement Statement.

**"Seller's Cash Contribution"** is defined as cash deposited by the Borrower plus any gift funds approved by the City (less any refund) in the Original Purchase Price transaction. Seller's Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.

**"Seller's Applicable Closing Costs"** include those costs of broker's commissions' escrow fees, title costs and fees, recording fees, etc.

<sup>1</sup> Upon request of an assisted household, the City may elect to forgive all or a portion of the Equity-Share upon sale, if the assisted property is sold to another low-income household who utilizes HOME or CalHome funds for the purchase of the property. City review and approval will be required.

<sup>2</sup> Equity-share would equal \$0 in the event the property is sold to another qualified family who applies for CalHome/HOME assistance and the City elects to forgive the entire equity-share portion due to the City.

# **APPENDIX E**

## **SUBORDINATION REQUIREMENTS**

### **CITY OF EL CAJON/EL CAJON HOUSING AUTHORITY**

*(All programs)<sup>1</sup>*

This City of El Cajon and El Cajon Housing Authority will subordinate FTHB and Single-Family Rehabilitation Loan Program loans under the following conditions:

■ **New Loan Terms:**

FHA, VA, Conventional, no cash-out refinances where there is a reduction of PITI **and** an improvement in loan terms. Impounds on the new first mortgage will be required. The new 1<sup>st</sup> mortgage loan amount cannot increase beyond the 1<sup>st</sup> mortgage balance at purchase, or current 1<sup>st</sup> mortgage balance plus \$5,000 for closing costs and impounds, whichever is less. In addition, the City/Housing Authority will not subordinate to negatively amortizing, prepayment penalty, reverse mortgage loans, or financing subordinate to City/Housing Authority liens.

■ **Cash Back/Cash-Out:**

All refinance loan proceeds must be applied as a principal-reduction payment to the City/Housing Authority's loan balance.

■ **Documentation required for City/Housing Authority's review:**

- (1) Copy of the new lender application (1003)
- (2) Copy of the appraisal
- (3) Copy of the preliminary title report
- (4) Copy of an accurate estimated closing statement from escrow
- (5) Copy of escrow instructions
- (6) Credit Report (3) Merge (Borrower(s)/Spouse)
- (7) Copy of the new 1<sup>st</sup> Mortgage Note (and Riders, if applicable)
- (8) Copy of the 1<sup>st</sup> mortgage payoff demand
- (9) Subordination fee of \$200 (**effective 7/1/2023**)
- (10) Statement of Information (SI)
- (11) Any additional documentation that may be requested by the City/Housing Authority

■ **Buy-Down Balances:**

If the payoff of the 1<sup>st</sup> mortgage has a remaining interest rate buy-down balance currently in escrow, those monies must be applied to the payoff balance at close of escrow and may not be refunded to the borrower.

■ **City/Housing Authority loan status:**

If the Borrower is required to make payments on an existing City/Housing Authority loan and those payments are currently in arrears, the Borrower must pay all outstanding monthly or other amounts due up to and including the month of issuance of the requested Subordination Agreement(s).

■ **Exceptions:**

In the event an exception to these Subordination Requirements is requested and granted, the City/Housing Authority may require execution and recording of a Loan Modification Agreement, including any/all other applicable documentation necessary for approval, through close of escrow.

■ **Re-Review after a Subordination Has Been Issued:**

If loan terms change after a Subordination Agreement has been issued to the refinance Lender, Escrow Company or Title Company, there will be an additional fee of \$50.00 for re-review of the proposed loan terms and issuance of a second or each subsequent Subordination Agreement.

■ **Send all documentation to the City/Housing Authority as follows:**

**CITY OF EL CAJON**  
COMMUNITY DEVELOPMENT DEPARTMENT  
**HOUSING DIVISION**  
**200 CIVIC CENTER WAY**  
**EL CAJON, CA 92020-3996**  
**(619) 441-1710**  
**(619) 441-1595 fax**

The City/Housing Authority will review the above documentation for compliance with existing guidelines and will generally render a decision within 7-10 business days of all requested documentation. A Subordination Agreement and any other applicable documentation will be issued by the City/Housing Authority and will be forward to the escrow company with specific instructions for compliance, unless instructed otherwise

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<sup>1</sup> Except Granite Hills Place properties (Nicholas Street, Nicholas Way, Nicholas Place, etc.). Please contact the City at (619) 441-1710 for specific subordination guidelines on this project.

**APPENDIX F**  
**SHORT SALE CHECKLIST**

		Rcvd	Notes
<input type="checkbox"/>	Hardship Letter (e.g., what financial hardship or catastrophic event has the homeowner suffered (other than loss of equity) to justify the City/Housing Authority loss of funding or covenant. Letter must be signed by all borrowers/title holders.		
<input type="checkbox"/>	Proof that the homeowner tried to remedy the situation (e.g., Modification documentation, Consumer Credit Counseling, etc.)		
<input type="checkbox"/>	Complete and executed 1003.		
<input type="checkbox"/>	Current income documentation for all borrowers/title holders/household members and income sources including, but not limited to: most recent 1- month paystubs, 3-years W2's, 3-years Federal Tax Returns (all schedules included).		
<input type="checkbox"/>	All bank account statements and all other assets for most recent 120-day period.		
<input type="checkbox"/>	Copy of 3-Merge/bureau credit report (can obtain free online, 1-time per year, at <a href="https://www.annualcreditreport.com/cra/index.jsp">https://www.annualcreditreport.com/cra/index.jsp</a> ).		
<input type="checkbox"/>	Copy of 1 <sup>st</sup> Mortgage Lender approval for short sale, refinance or modification.		
<input type="checkbox"/>	Estimated HUD-1 and closing date.		
<input type="checkbox"/>	MLS listing agreement (if applicable).		
<input type="checkbox"/>	Copy of signed Purchase Agreement and addendums, if applicable.		
<input type="checkbox"/>	Any other information relevant to the request.		
<input type="checkbox"/>	Any other request from the City/Housing Authority.		
<input type="checkbox"/>	Will the buyer of the property apply for the American Dream or California Dream FTHB Program to maintain the assisted unit?		

**APPENDIX G**  
**ANNUAL MONITORING LETTERS**

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**APPENDIX H**  
**DEFAULT & FORECLOSURE POLICY**  
**CITY COUNCIL POLICY B-13**

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# **APPENDIX I**

## **PROPERTY STANDARDS**

The Acceptability Criteria listed with each section sets the **minimum** standards that must be met in all residential units. The Interpretation of Acceptability Criteria listed after those criteria are the standards that HUD feels should also be met if the property is to have long-term utility and contribute to the livability of the unit.

For homeownership units that will be acquired:

Housing must meet PJ (“City”)-established standards of decent, safe, sanitary and in good repair at the time title is transferred to the buyer; and

PJ (“City”) standard must include state and local standards and must address, at a minimum, specific deficiencies based on inspectable items and areas in HUD’s Uniform Physical Condition Standards, as identified by HUD; and

PJ (“City”) must inspect property within 90 days of commitment. If housing does not meet standards, it must be rehabbed to meet rehab standard.

**Copy of property inspection report, no earlier than 90 days before the commitment of HOME funds for acquisition.**

## **PROPERTY STANDARDS ACCEPTABLE CRITERIA AND INTERPRETATIONS**

**A. SITE AND NEIGHBORHOOD** – The site and neighborhood shall be reasonably free from disturbing noises and reverberations and other hazards to the health, safety and general welfare of the occupants.

**ACCEPTABILITY CRITERIA** – The site and neighborhood shall not be subject to serious adverse environmental conditions, natural or manmade, such as:

1. Dangerous walks, steps or instability;
2. Flooding, poor drainage, septic tank back-ups, sewer hazards or mudslides;
3. Abnormal air pollution, smoke or dust;
4. Excessive noise, vibrations or vehicular traffic;
5. Excessive accumulations of trash;
6. Vermin or rodent infestation;
7. Fire hazards;

Generally, approval of an area under a CDBG, and/or HOME will be sufficient to meet these criteria.

### **INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. All steps and walks should be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken & missing materials, etc., and be provided with sufficient pitch to prevent water accumulation.
2. The lot should have positive drainage away from the dwelling and/or dwelling unit to prevent standing water at the foundation.
3. No additions.
4. No additions.
5. Any materials, which accumulate on a property in the neighborhood, should be removed or screened and arranged in a manner that does not detract from the general appearance of the neighborhood.
6. No additions – see #5 above – removal of trash, garbage, debris, etc., will significantly reduce infestation problems.
7. The site should be free from fire hazards, such as the storage of highly flammable materials, etc.

**B. ACCESS** – The dwelling/dwelling unit shall have adequate access for the occupants.

### **ACCEPTABILITY CRITERIA**



1. The dwelling/dwelling unit shall be usable and capable of being maintained without unauthorized use of other private properties.
2. The building shall provide an alternative means of egress in case of fire, i.e., fire stairs, egress through windows, etc.

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. The property should be adjacent to an access street or road.
2. No additions.
  - a. **STRUCTURE AND MATERIALS** – The dwelling/dwelling unit shall be structurally sound so as not to pose any threat to the health and safety of the occupants and so as to protect the occupants from the environment.

**ACCEPTABILITY CRITERIA**

1. Ceilings, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage.
2. The roof structure shall be firm and the roof shall be weather tight.
3. The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects

such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding or other serious damage.

4. The conditions and equipment of interior and exterior stairways, halls, porches, walkways, etc., shall be such as not to present a danger of tripping and/or falling.
5. Elevators shall be maintained in a safe operating condition.
6. In the case of a mobile home, the home shall be securely anchored by a tie-down device which distributes and transfers loads imposed by the unit to appropriate ground anchors so as to resist wind, overturning and sliding.

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. Where crawl spaces or basements exist, all first-floor structural wood members, including floor joists, plates, piers and pilings should be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members should be repaired and/or replaced as required.
2. The exterior/interior walls should be weather-tight in a manner that prevents heat loss in the winter (cooling loss in the summer) as much as possible. This includes the repainting and/or installations of siding to protect the exterior surface from the elements. The interior walls should be repaired/replaced as required to facilitate this criterion.
3. The roof structure should be firm in that all roof-framing members should be free from cracks and rot. The roof sheathing should be solid and free from sagging, buckling, heaving, etc. If the roof appears to be well worn, it should be replaced. If possible, the best replacement will include stripping all the way down to the sheathing and replacing. If costs dictate, a second layer of roofing can be installed over the first layer. If there are already two or more layers of roofing materials, the roof should be stripped down to the sheathing, and if necessary, replace the sheathing and then install the new roof covering.
4. Concrete block or brick foundations, piers and pilings, should be inspected for loose mortar joints. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the structure. The joints should be recessed. The chimney should be inspected for loose mortar joints and proper height. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the chimney. The joints should be recessed.
5. All exterior steps, walkways and porches should be free of tripping hazards. Crumbling, cracked, broken, missing and/or uneven conditions should be repaired and/or replaced as necessary. The condition of all interior stairways should be such as not to present a danger of tripping or falling, see above. Handrails should be properly installed on all stairways.
6. No additions.
7. No additions.
8. The property should be inspected by a qualified extermination firm, and if necessary treated for vermin, rodents, termites and other wood-burrowing insects.
9. All outbuildings such as garages, storage sheds, etc., should be repaired to a usable condition or removed from the property.
10. The general appearance of the outside of the structure and the lot, after rehabilitation, should be such that it makes a significant contribution to the general appearance of the neighborhood.
11. Installation of gutters and down spouts is strongly recommended in order to divert water away from foundations.

- E. **LEAD-BASED PAINT** – The dwelling unit shall be in compliance with the HUD Lead-Based Paint regulations.

**ACCEPTABILITY CRITERIA**

The dwelling/dwelling unit shall comply with HUD Lead-Based Paint regulations at 24 CFR Part 35, issued pursuant to the Lead-Based Paint Poisoning Prevention Act, 42 USC 4801.

The owner shall provide a certification that the dwelling is in compliance with such HUD regulations.

If the property was constructed prior to 1978, any in-place tenant/family shall be furnished a notice and pamphlet as required by the Lead-Based Paint regulations. Such notice shall inform them of the procedures regarding the hazards of lead-based paint poisoning, the symptoms and treatment of lead poisoning and the precautions to be taken against lead poisoning.

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. Compliance with the Lead-Based Paint regulations requires the following actions:
  - a. Notification to all occupants that the property may contain lead-based paint, if constructed

prior to 1978, and the hazards, symptoms and treatment of such poisoning, including information on testing for elevated blood levels (EBL) for children.

- b. All contracts shall include language prohibiting the use of lead-based paint.
  - c. The inspection for and elimination of "immediate hazards", which are defined as chipping, peeling, flaking, cracking or other defects in previously painted surfaces.
2. No additions.
  3. No additions.

#### **F. WATER SUPPLY**

##### **ACCEPTABLE CRITERIA**

1. The dwelling/dwelling unit shall be served by an approved public or private sanitary water supply.

##### **INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. The dwelling unit should have a water heater of sufficient capacity to serve present and anticipated future residents. Further, they should not be allowed in bathrooms, bedrooms, sleeping rooms or closets.
2. Hot and cold water should be supplied to all kitchens, baths and laundry facilities.
3. All water lines should be protected from freezing.

**G. INTERIOR AIR QUALITY** – The dwelling/dwelling unit should be free of pollutants in the air at levels that threaten the health of the occupants.

##### **ACCEPTABILITY CRITERIA**

1. The dwelling/dwelling unit shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants.
2. Air circulation shall be adequate throughout the dwelling/dwelling unit.
3. Bathroom areas shall have at least 1 openable window or other adequate exhaust ventilation.

##### **INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. All gas or oil fired appliances should have proper venting to the outside of the dwelling/dwelling unit for combustion gases.
2. All windows designed to open should be capable of being easily opened, provided with the proper window hardware to make them both operable and openable, and provided with screens properly installed and maintained.
3. Kitchen areas should also have proper ventilation.

**H. ILLUMINATION AND ELECTRICITY** – Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the occupants. Sufficient electrical sources shall be provided to permit use of essential electrical appliances while assuring safety from fire.

##### **ACCEPTABILITY CRITERIA**

1. Living and sleeping rooms shall include at least one window.
2. A ceiling or wall-type light fixture shall be present and working in the bathroom and kitchen areas.
3. At least two electric outlets, one of which may be an overhead light, shall be present and operable in the living area, kitchen and each bedroom area.

##### **INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. No additions.
2. A ceiling or wall light fixture, operated by a wall switch should be present in the kitchen, bath and hallways.
3. All outlets installed as a result of the rehabilitation work should be of the grounded type.
4. Each unit should be provided with at least 100 amp service and a sufficient number of circuits to service present and anticipated future use of the
  - a. There should be separate circuits for any air conditioners (including window type), furnaces, electric dryers, electric stoves, microwaves and any other special appliances.
  - b. There should be two separate 20 amp circuits (minimum) for the heavy workload area in the kitchen, and all kitchens should be wired to the National Electrical Code (NEC), based on the size and layout of each individual kitchen.
  - c. With the exception of kitchens (see b. above), all other rooms should be assessed relative to their use of electricity and additional outlets and/or switches installed based on usage and safety factors.
  - d. Electrical outlets in the bathrooms and kitchens should have an overload switch.
5. Connection at the main service to the unit should be in an acceptable manner.
  - a. Placement of the connection should be out of the reach of children.
  - b. Proper anchoring should be used.

6. All defective exposed “knob & tube” wiring should be removed. It is recommended that any additional exposed “knob & tube” also be removed and replaced in conduit to prevent splicing and/or unsafe usage.
7. All hazardous conditions such as broken switches/outlets, missing covers, bare wiring, fixtures not properly installed/anchored should be repaired/replaced in an acceptable manner. It is recommended that all “pendant” type fixtures be replaced with an appropriate ceiling/wall fixture.
8. Even though a room may meet acceptability criteria #3 above, if the inspection reveals the use of octopus plugs, adapters, extension/zip cords and/or other unsafe practices, additional outlets should be installed.

**I. THERMAL ENVIRONMENT** – The dwelling/dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.

**ACCEPTABILITY CRITERIA**

1. The dwelling/dwelling unit shall contain safe heating and cooling facilities which are in proper operating condition and can provide adequate heat and/or cooling to each room in the dwelling/dwelling unit appropriate for the climate to insure a healthy living environment.
2. Unvented room heaters that burn gas, oil or kerosene are unacceptable.

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. All parts of the venting system for central heating/cooling units should be in proper working condition. For example:
  - a. Vent pipes should be free of rust and be properly maintained.
  - b. Where vent pipes are connected to a masonry chimney, that chimney should be properly maintained so that all mortar joints are tightly sealed.
2. No additions.
3. The attic should be insulated to a rating of R-30 with acceptable insulate material. Where cellulose is used, it should be tested for fire protection. Cellulose bags should be labeled with acceptable ratings derived from flame-spread tests.
4. Weather stripping should be applied as needed around all doors and windows.
5. Storm windows and doors should be installed whenever possible.
6. Any inside walls that are on an exterior wall, if opened down to the studs during the course of the rehabilitation, should be fully insulated with an acceptable insulate material.
7. All joints in the building envelope should be caulked/sealed. All brittle or loose caulking should be replaced.
8. Supply and return heating/air-conditioning ducts should be insulated whenever they run through unheated areas/spaces.
9. It is strongly recommended that whenever space heaters and/or floor furnaces are used, they be replaced with a properly installed more efficient central heating/cooling system.

**J. SANITARY FACILITIES** – The dwelling/dwelling unit shall include its own sanitary facilities which are in proper operating condition, can be used in privacy, and are adequate for personal cleanliness and the disposal of human waste.

**ACCEPTABILITY CRITERIA**

1. A flush toilet in a separate, private room; a fixed basin with hot and cold running water; and a bathtub and/or shower with hot and cold running water, shall be present in the dwelling/dwelling unit, and shall be fully operational.
2. These facilities shall utilize an approved public or private disposal system.

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. The toilet, basin, and tub or shower should all be located in the same room, if at all possible.
2. Where a public sewage system is not used, documentation in the file should show where the appropriate health agency has approved the disposal system.

**K. SPACE AND SECURITY** – The dwelling/dwelling unit shall afford the family adequate space and security.

**ACCEPTABILITY CRITERIA**

1. A living room, kitchen area, and bathroom shall all be present.
2. The dwelling/dwelling unit shall contain at least one sleeping or living/sleeping room of appropriate size for each two persons.
3. Exterior doors and windows accessible from outside the unit shall be lockable.
4. Each dwelling/dwelling unit should have smoke detectors. Where bedrooms are located on more than one floor of a structure, smoke detectors should be installed on each floor. It is recommended that all smoke detectors be U.L. approved and be hard-wired. U.L. approved battery type or a combination electric/battery

type may also be used.

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. No additions.
2. No additions.
3. No additions.
4. No additions.

**L. FOOD PREPARATION AND REFUSE DISPOSAL**- The dwelling/dwelling unit shall contain suitable space and equipment to store, prepare and serve foods in a sanitary manner. There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary.

**ACCEPTABLE CRITERIA**

1. The unit shall contain the following equipment in operating condition: 1) cooking stove or range, 2) refrigerator or appropriate size for the unit supplied by either the owner or the tenant/family, and 3) kitchen sink with hot and cold running water.
2. The sink shall drain into an approved public or private system.
3. Adequate space for the storage, preparation and serving of food shall be provided.
4. There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary (i.e. garbage cans).

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. No additions.
2. No additions.
3. Food storage space should be in the form of cabinets and/or pantry type storage. Food preparation space should be in the form of counters or other horizontal workspace.
4. No additions.

**M. SANITARY CONDITION** – The unit and its equipment shall be in sanitary condition.

**ACCEPTABILITY CRITERIA**

1. The unit and its equipment shall be free of vermin and rodent infestation.

**INTERPRETATION OF ACCEPTABILITY CRITERIA**

1. No additions.

Section

# 10

First-Time Homebuyer Program Manual

## **SECTION 10 - CITY/ HOUSING AUTHORITY FORMS**

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**11**

First-Time Homebuyer Program Manual

**SECTION 11 - FIRST-TIME HOMEBUYER PROGRAM BULLETINS**

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Section

**12**

First-Time Homebuyer Program Manual

**SECTION 12 - FIRST-TIME HOMEBUYER FLIERS**

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