



# City of Hollister

## First-Time Homebuyer Program Guidelines

For First-Time Homebuyer Program  
Funded by the State of California  
CalHOME and HOME Investment  
Partnerships Programs

Serving the City of Hollister  
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# CITY OF HOLLISTER HOMEBUYER PROGRAM GUIDELINES

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# CITY OF HOLLISTER

## FIRST-TIME HOMEBUYER PROGRAM GUIDELINES

### 1.0. GENERAL

The City of Hollister, hereinafter referred to as the “City” has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded homebuyer programs. The homebuyer program described herein (the “Program”) is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as “housing units”, located within City limits (the “Program eligible area”) as described in Section 3.1.A. The Program provides this assistance in the form of deferred payment “silent” second mortgage loans as “gap” financing. The Program loans may only be used toward payment of the purchase price and closing costs of a Program eligible home that will be occupied by the homebuyers as their primary residence. The Program will be administered by the City of Hollister, (the “Agency”).

### 1.1. PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation be excluded, denied benefits or subjected to discrimination under the Program. The Agency will ensure that all persons, including those qualified individuals with handicaps, have access to the Program.

- A. The Fair Housing Lender logo will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program’s eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies. The Agency will provide homebuyer workshops to help educate homebuyers about the home-buying process and future responsibilities. Persons who have participated in local homebuyer seminars will be notified about the Program.
- B. The Agency will work with local real estate agents and primary lenders to explain the Program requirements for eligible homes and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Program.
- C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Agency should take appropriate steps to ensure effective communication with disabled housing applicants, residents



and members of the public.

## 1.2. APPLICATION PROCESS AND SELECTION

Each applicant is asked to complete a Program application which includes an application checklist, income determination forms and disclosures which provide sufficient information regarding income, employment and credit history to establish preliminary eligibility for program participation. Applications are received, date and time stamped by Agency staff, therefore, assistance is provided on a first-come-first-served basis. A written letter regarding application status (eligible, ineligible, incomplete, etc...) will be issued to the applicant within 30 days from receiving the Program application.

Applications are deemed complete only if all requested upfront documentation from the application checklist is provided by both the applicant and primary lender/broker within 30 calendar days from the date the application was received and date and time stamped by Agency staff. Upfront applicant documentation requested from the application checklist includes, but is not limited to; completed and signed HOME Program application including disclosures, two (2) most recent paystubs, W-2's from previous two (2) years, two (2) most recent bank statements and three (3) years most recent tax returns. Upfront primary lender/broker documentation requested from the application checklist includes, but is not limited to; residential mortgage loan application (Form 1003), uniform underwriter's transmittal (Form 1008), good faith estimate (GFE), credit report and pre-approval letter. If within 30 calendar days staff has not received all requested upfront documentation from the application checklist from both the borrower and lender then the application will be deemed incomplete and the applicant will be immediately notified in writing.

1. Once the applicant's eligibility is verified, they are invited to attend a briefing/intake regarding participation in the program. At the briefing the Program application, income determination and credit reports are reviewed. Also at the briefing, the application is reviewed and the potential homebuyer is given a "Preliminary Eligibility Letter" for the Program along with the following forms:
  - Program Brochure;
  - *Attachment H*: Instructions to Home Buyer;
  - List of CalHFA lenders and other homebuyer assistance resources;
  - *Attachment E*: Seller's Lead-Based Paint Disclosure;
  - *Attachment F*: Lead-Based Paint Contract Contingency Language;
  - *U.S.E.P.A. booklet*: "Protect Your Family from Lead in Your Home";
  - *Attachment G*: Notice to Seller; and
  - Agency forms required in order to receive a Program loan.
2. Each applicant must attend a Homebuyer Counseling class deemed acceptable by the Agency.
3. The potential homebuyer is issued an initial 90-day period written loan approval letter. If during the 90-day period the potential homebuyer is unable to purchase a home, an additional 30 day loan approval extension may be granted for a total loan approval period of four months. In order to receive the subsequent 30-day loan approval



extension, the applicant must submit updated paystubs, bank statements, etc. and/or be in a purchase contract with a home inside the Hollister city limits. If the applicant is unable to supply Agency staff with required updated documentation and/or unable to purchase a home within a four month time frame, then the reservation of funds will expire and the next applicant on the waiting list will be given an opportunity to participate in the Program. In the case that four months elapse, the applicant can re-apply and submit a new application and they will be placed on a waiting list until funds become available.

4. The homebuyer locates the Housing Unit he/she wishes to purchase. Agency verifies the home meets eligibility requirements pursuant to the guidelines.
5. Prospective homebuyer notifies Primary Lender when an offer to purchase has been accepted.
6. Lender submits a completed loan application package to the Agency for review.
7. The Agency will provide written notification of approval or denial of the Program loan application to the applicant. Staff prepares all necessary loan documents. Documents are signed and funds deposited into escrow with the required closing instructions.
8. Staff cannot guarantee funds even if a potential applicant fulfills all the application requirements. All applications will be screened and selected based on program guidelines.

**1.3. THE HOME PURCHASE PROCESS**

**A. Determination of Need for Program Assistance and Program Loan Amount:**

The following example illustrates how the Agency will calculate whether or not the applicant is in need of a Program loan, the amount of the Program loan, and the amount the applicant may borrow from the Primary Lender as a first mortgage. The Agency will use both minimum and maximum front-end and back-end ratios in order to determine the principal amount of the Program loan for each applicant.

<b>DEBT SERVICE</b>	
<b>FOR A FAMILY OF FOUR EARNING A GROSS MONTHLY INCOME OF \$5,366</b>	
<p><b><u>MONTHLY HOUSING COSTS:</u></b></p> <p>Principal &amp; Interest Payment      \$971.27</p> <p>Homeowner’s Insurance              \$80.00</p> <p>Taxes                                        \$234.33</p> <p>Homeowner’s Assoc. Dues              \$0.00</p> <p>Mtg. Insurance                            \$108.00</p> <hr/> <p><b>Total Housing Expense              \$1,393.60</b></p> <p><b>Front-End Ratio = 25.97%</b></p> <p>Total Housing Expense (\$1,393.60) ÷ Total Household Income (\$5,366.00)</p>	<p><b><u>TOTAL MONTHLY DEBT:</u></b></p> <p>\$1,393.60      Total Housing Expense</p> <p>+ 550.00      Total Other Debts</p> <hr/> <p><b>\$1,943.60      Total Debt Service</b></p> <p><b>Back-End Ratio = 36.22%</b></p> <p>Total Debt Service (\$1,943.60) ÷ Total Household Income (\$5,366.00)</p>



<b>Acceptable Front-End Ratio Range</b> = 25% to 33%	<b>Acceptable Back-End Ratio Range</b> = 33% to 41%
<b><u>OTHER MONTHLY DEBT:</u></b> Car Payment           \$350.00 Credit Card Payment   \$150.00 <u>Student Loan Payment</u> \$50.00 <b>Total Other Debts     \$550.00</b>	
A \$1,393.60/mo. principal & interest, taxes, homeowner's insurance (PITI) and mortgage insurance loan payment equates to borrowing \$162,000.00 at 6.00% on 30 yr. fixed mortgage.	

<b>SUBSIDY CALCULATION</b> <b>FOR A FAMILY OF FOUR EARNING A GROSS MONTHLY INCOME OF \$4,500.00</b>	
Purchase Price of Property Less Primary Loan Amount Less Borrower's Down Payment (3%)  <b>Down Payment "GAP" Needed</b> <u>Allowable Settlement Charges used</u> <b>Equals Total Subsidy</b>  *In this scenario we provided a 25.00% subsidy for down payment funds only (\$56,250.00 ÷ \$225,000.00 = 25.00%). Guidelines allow for up to 25.00% total subsidy which can include 3.00% for allowable settlement charges.	\$225,000.00 \$162,000.00 \$6,750.00  \$56,250.00 <u>\$0.00</u> <b>\$56,250.00</b>

**B. Selection of Home for Purchase:**

**Buyer Disclosures and Purchase Contract Approval**

The applicant (homebuyer) is responsible for selecting the home they wish to purchase. The selected home must meet the Property Standards (see Section 3.0) of the Program in order for the purchase to qualify for Program Assistance. Prior to making an offer to purchase an eligible home, homebuyer shall provide the seller with a "Buyer's Disclosure" containing the following provisions:

- 1) Homebuyer has no power of eminent domain and, therefore, will not acquire the home if negotiations fail to result in an amicable agreement; and
- 2) Homebuyer's offer is an estimate of the fair market value of the home, to be finally determined by a state-licensed appraiser;



- 3) The home must be inspected by an inspector approved by the Agency to verify its compliance with local zoning and building codes in effect at the time of construction, and with local health and safety codes.
  - 4) All homes built prior to January 1, 1978 will require a lead paint disclosure to be signed by both the homebuyer and seller (Attachment E);
  - 5) Since the purchase will be voluntary, the seller will not be eligible for relocation payments or other relocation assistance from any party;
  - 6) The seller understands that the home must be either: currently owner-occupied, newly constructed (and vacant), or vacant for three months prior to the date of homebuyer's purchase offer.
  - 7) If the seller is not provided with a statement of the above six provisions prior to seller's written acceptance of the purchase offer, the seller may withdraw from the purchase and sale agreement after this information is provided.
- C. Applicant must submit a copy of the executed standard form purchase and sale agreement and primary lender pre-qualification letter to the Agency. The applicant is advised to make the purchase and sale agreement contingent on applicant's receipt of written approval for a Program loan from the Agency, as well as approval of the first mortgage, unless the applicant is confident of their ability to secure alternate financing for the home purchase, in case they do not receive a Program loan. The Agency will verify the eligibility of the applicant, the home, and the proposed first mortgage loan, and will determine the amount of assistance to be provided, consistent with these guidelines.
- D. The Agency will provide a written notice of Program loan approval or denial to the applicant. If the applicant is denied, the written notice will include the reasons for denial and a copy of the Program's appeal procedures.
- E. When the requirements of the Primary Lender and the Agency have been met, and the Primary Lender is ready to fund the loan (generally 24 hours prior to close), the Program funds will be deposited into escrow, with required closing instructions and loan documents.
- F. At the time of escrow closing, the Agency shall be named as an additional loss payee on the homebuyer's fire, flood, if required, and extended coverage homeowner's insurance policies for the length of the loan term, and in an amount sufficient to cover all encumbrances or full replacement cost of the home.

#### **1.4. HOMEBUYER COSTS**

- A. Prior to receiving written approval of the Program loan, applicants must document that they have the funds necessary for down payment and closing costs in the amounts required by the Primary Lender and the Agency. The Program's minimum down payment requirement of 3% will apply even if the Primary Lender has a lower down payment requirement.
- B. Homebuyer funds shall be used in the following order:
  - 1) Minimum down payment required:





The Borrower will be required to contribute a minimum of three percent (3%) of the sales price into an escrow account as their portion of the down payment. In the case of financial hardship, the three percent (3%) required borrower down payment may be reduced down to one percent (1%) and the other two percent (2%) can be in the form of a gift.

- 2) Customary buyer's closing costs, which may include any or all of the following: appraisal fee; cost of credit report; loan origination fee; discount points; recording fees; HOA fees; other customary buyers' closing costs; homebuyer's customary portion of the escrow fees (50%); title insurance; and the establishment of impound accounts for property taxes and insurance.
  - 3) After 1) and 2), above, are satisfied, any balance of homebuyer funds may be applied either toward the purchase price, or to reduce the interest rate of the primary loan, as necessary.
- C. If the buyer does not have sufficient funds to cover closing costs listed in B.2 above, the Agency may provide the Program loan in an amount sufficient to cover the balance of buyer's allowable closing costs.
- D. The buyer may retain a portion of their own personal savings in an amount not to exceed 20% of gross annual income for use as an emergency fund (in other words, they may opt not to invest this amount in the home purchase). This retention is unrelated to the calculation of income from assets for the purpose of determining income eligibility for the Program.
- E. The principal amount of the Program loan, if approved, shall be sufficient to reduce the applicant's monthly housing costs to an amount within the range for "front-end ratios" allowed by the Program (25% to 33% of applicant's gross monthly household income), as explained in Section 1.3.A, above, after applicant's down payment, approved first mortgage loan, and other available down payment assistance programs (such as CHDAP) have been applied toward the purchase price. In no case shall the Program loan amount exceed the Program loan limits, as described in Section F, below, and in Attachment C. The Agency will determine the Program loan amount during underwriting of the Program loan in conformance with any affordability standards applicable to any Program Loan funded with HCD grant funds (i.e., CalHome or HOME) pursuant to a Standard Agreement between the City of Hollister and HCD.
- F. The Program loan amount may not exceed the **lesser** of:
1. Twenty-Five percent (25%) of the homebuyer's acquisition cost (purchase price plus all closing costs);
  2. The buyer's "affordability gap" calculated as shown in Section 1.3.A above; or
  3. The HOME Program subsidy limits per Section 221(d) (3), as shown in Attachment C.

## 1.5. HOMEBUYER EDUCATION

Buying a home can be one of the most confusing and complicated financial transactions of the prospective buyer's life. Homebuyer education classes can help prospective buyers



avoid costly mistakes, and can increase the long-term viability of the Program-assisted home purchases. Studies have shown that first-time homebuyers who attended homebuyer education classes have a greater ability to handle problems that often occur with homeownership. All Program applicants must attend an Agency-approved homebuyer education class prior to receiving a Program loan. The homebuyer education class will cover the following topics, at a minimum: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; the impact of refinancing, and loan servicing. The Agency may offer homebuyer education in one or more of the following formats: individual counseling of applicants; individual or small group classes; and larger introductory workshops and informational sessions. Tools of instruction may include flyers, brochures, slide shows, audio/visual presentations, and/or worksheets.

## **1.6. CONFLICT OF INTEREST REQUIREMENTS**

When the assistance contains HOME funds, the applicable Conflict of Interest requirements of 24 CFR Section 92.356 of the HOME Final Rule shall be followed.

## **1.7. NON-DISCRIMINATION REQUIREMENTS**

The Program will be implemented in ways consistent with the Agency's commitment to nondiscrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with State funds on the basis of his or her religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, national origin, or ancestry, or other arbitrary cause.

## **2.0 APPLICANT QUALIFICATIONS**

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

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

**Household:** means one or more persons who will occupy a housing unit. Unborn children don't count in family size determination.

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

### **2.2. INCOME QUALIFICATION CRITERIA**

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. Income determination calculations and procedures, as described below and in the most recent HCD program-specific guidance at <http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>, will be followed to independently determine and certify the household's annual gross income. The gross annual household income determined by the Agency may or may not equal the



household income calculated by the Primary Lender when qualifying the household for the first mortgage. The income determined by the Agency using the method described below, not that calculated by the Primary Lender, shall prevail in determining the applicant's eligibility for the program and for all Program loan underwriting purposes, including housing cost ratios. The Primary Lender may not calculate the household income or assets in the same way as required by the Program. Income will be verified by the Agency by reviewing and documenting tax returns, copies of wage receipts (paycheck stubs), subsidy and/or benefit checks, bank statements and third party verification of employment, using forms sent to employers. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

A. HOUSEHOLD INCOME DEFINITION:

Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used; and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income. The link to Annual Income Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbq/FedProgGuideDocs/AppendixB\\_AnnualIncomeInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbq/FedProgGuideDocs/AppendixB_AnnualIncomeInclusionsExclusions.doc)

See **Attachment A** of these guidelines: 24 CFR Part 5 Annual Income Inclusions and Exclusions.

B. ASSETS:

There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. The income earned, such as interest on a savings account, is counted as annual income, not the asset value.

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

The Link to Asset Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbq/FedProgGuideDocs/AppendixC\\_AnnualIncomeAssetInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbq/FedProgGuideDocs/AppendixC_AnnualIncomeAssetInclusionsExclusions.doc)

See **Attachment B**: Part 5 Annual Income Net Family Asset Inclusions and Exclusions



### **2.3. DEFINITION OF AN ELIGIBLE HOMEBUYER**

Documentation of first-time homebuyer status will be required in order to determine Program eligibility. The Agency Program uses the following definition of an eligible homebuyer, which is a “first-time homebuyer” from 8201(l) Title 25 California Code of Regulations, as required by the State for all CalHome- and HOME-funded programs:

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

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

### **3.0. PROPERTY ELIGIBILITY FOR PROGRAM ASSISTANCE**

#### **3.1. LOCATION AND CHARACTERISTICS**

- A. Housing units to be purchased must be located within the eligible area. The eligible area is described as follows: Within the city limits of the City of Hollister.
- B. Housing unit types eligible for the homebuyer Program are new or previously owned: single-family detached houses (homes which have accessory dwelling units will be deemed ineligible), condominiums, or manufactured homes in mobilehome parks, in common-interest developments or on a single-family lot and placed on a permanent foundation system. HOME does not allow manufactured homes unless on a permanent foundation system.
- C. All housing units must be in compliance with State and local codes and ordinances.
- D. Housing units located within a 100 year flood zone will be required to provide proof of flood insurance with an endorsement naming the City of Hollister as additional insured in order to close escrow.



- E. Housing must be “modest”, so it may not exceed three bedrooms and two bathrooms unless there are documented extenuating circumstances (e.g. it would create an overcrowding situation, there is not a reasonable inventory of homes of this size, etc.)

### 3.2. CONDITIONS

- A. Construction Inspection and Determining Need for Repairs.

**New Homes:** The home will be eligible for purchase upon passing final building permit inspection and receiving a Certificate of Occupancy from the City of Hollister Building Division.

**Resale Homes:** Once the participating homebuyer has executed a purchase agreement for a resale (existing) home not requiring substantial rehabilitation work, and prior to a commitment of Program funds, the following steps must be taken for the housing unit to be eligible for purchase under the Program:

- 1) The Agency will provide a qualified building inspector, either City staff or a contract inspector, to inspect the home’s interior and exterior, determine if it is structurally sound, and identify any building code and/or health and safety deficiencies that need to be corrected. A list of building code-related repair items will be given to the homebuyers and their real estate broker or agent, in order to negotiate with the seller regarding repair costs. The City will cover the cost of the inspection only but will not pay for any of the repairs necessary to bring this unit up to code. Homes requiring substantial rehabilitation work will not be eligible for Program assistance, unless the required work has been completed by the seller and the work has passed final building inspection by the City of Hollister Building Division prior to Program loan approval.
  - 2) The lead-based paint safety requirements of Section 3.2.D will apply to this Program when federal (HOME) funds are used.
  - 3) A clear pest inspection report of all Section 1 items will be required for each home. The City will not cover the cost for any pest inspections or repairs. Smoke detectors must be installed by the seller if there are none in place. The Agency will encourage each homebuyer to secure a homeowner’s warranty policy as part of the purchase of a resale home.
  - 4) Upon completion of all repair work required by the Agency-designated building inspector and/or pest inspector, a final inspection will be conducted by the Agency prior to close of escrow. The inspector will verify that all required construction work has been completed per code requirements, assuring that each housing unit receiving Program assistance is in compliance with local codes and health and safety requirements at the time of purchase and prior to occupancy.
- B. Per Section 8208 of the State HOME regulations, no additional HOME assistance, including rehabilitation funds, may be provided during the period starting one year following the filing of the Project Completion Report through the end of the Affordability Period.



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

Amount of HOME Assistance	Period of Affordability in Years
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

- C. Housing unit size shall be sufficient to meet the needs of the homebuyer household, without overcrowding. Generally, this means not more than two persons per bedroom or living room. Exceptions may be made to accommodate large, immediate families.
- D. **Lead-Based Paint Hazards:** All housing units built prior to 1978 for which HOME or CDBG funding is anticipated are subject to the requirements of this Section 3.2.D. Such homes must undergo a visual assessment by a person who has taken HUD’s online Visual Assessment course. Deteriorated paint must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a DHS certified LBP Risk Assessor/Inspector. The City will cover the cost of the lead-based paint inspection only but the City will not pay for any necessary repairs. The following requirements must be met:
- 1) **Notification:** a) Prior to homebuyer’s obligation to purchase a pre-1978 home, the Buyer will be given the most recent copy of and asked to read the EPA pamphlet “*Protect Your family From Lead in Your Home*” (EPA 747-K-94-001). A signed receipt of the pamphlet will be kept in the Sponsor’s homebuyer file; b) A notice to residents is required following a risk assessment/inspection using form DHS 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) a notice to residents is required following lead-based paint mitigation work using Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction form, LBP – 1 (Attachment I).
  - 2) **Disclosure:** Prior to the homebuyer’s obligation to purchase a pre-1978 housing unit, the HUD disclosure (Attachment E), “Seller’s Lead-based Paint Disclosure” notice must be provided by the seller to the homebuyer.
  - 3) **Inspections:** The Inspector shall conduct a “Visual Assessment” of all the dwelling unit’s painted surfaces in order to identify deteriorated paint. All deteriorated paint will be stabilized in accordance with CFR 35.1330 (a) and (b); and a Clearance shall be made in accordance with CFR 35.1340.
  - 4) **Mitigation:** If stabilization is required, the contractor performing the mitigation work must use appropriately trained workers. Prior to the contractor starting mitigation work the Agency shall obtain copies of the contractor’s and workers’ appropriate proof of LBP training, as applicable to the job in order to assure that only qualified contractors and workers are allowed to perform the mitigation.



- E. The Agency will: 1) confirm that the housing unit is within the eligible area, 2) will review each proposed housing unit to ensure that it meets all eligibility criteria before funding, and 3) ensure a completed Lead Compliance Document Checklist is placed in each purchaser's file (See Attachment J).

### **3.3 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**

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

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

The federal URA and Real Property Acquisition Policies, as amended by the URA Amendments of 1987, contains requirements for carrying out real property acquisition or the displacement of a person, regardless of income status, for a project or program for which HUD financial assistance (including CDBG and HOME) is provided. Requirements governing real property acquisition are described in Chapter VIII. The implementing regulations, 49 CFR Part 24, require developers and owners to take certain steps in regard to tenants of housing to be acquired, rehabbed or demolished, including tenants who will not be relocated even temporarily.

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

Section 104 (d) requires each contractor (CHDO or State Recipient), as a condition of receiving assistance under HOME or CDBG, to certify that it is following a residential anti-displacement plan and relocation assistance plan. Section 104(d) also requires relocation benefits to be provided to low-income persons who are physically displaced or economically displaced as the result of a HOME or CDBG assisted project, and requires the replacement of low-income housing, which is demolished or converted. The implementing regulations for Section 104(d) can be found in 24 CFR Part 570(a).

### **3.4. PROPER NOTIFICATION AND DISCLOSURES**

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



disclosure must contain the items listed in 1.3.B. (Required for federally funded Programs).

#### **4.0. PURCHASE PRICE LIMITS**

The purchase price limits for this Program, shall not exceed the Maximum HOME Program Purchase Price/After-Rehab Value Limit for San Benito County as updated by HCD or HUD. **See Attachment C**

Note: For HOME- and CalHome-funded Programs the home purchase price of owner-occupied and homebuyer properties must be limited as follows:

- For CalHome-funded Programs, the purchase price can not exceed 100% of the area median purchase price as established by comparable sales or information provided by the California Association OF Realtors.
- For HOME-funded Programs the value (with or without rehabilitation) cannot exceed 95 percent of the area median purchase price as established by HCD and HUD.

**See Attachment C: MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMITS**

#### **5.0. THE PRIMARY LOAN**

Prior to obtaining a Program loan commitment from the Agency, a homebuyer must provide a loan approval letter for a first mortgage in the maximum amount the Primary Lender is willing to loan the homebuyer (the “primary loan”) within the Program loan standards (i.e., rates, ratios, amortization schedule, and other minimum loan requirements).

#### **5.1. UNDERWRITING STANDARDS**

Fully documented Primary loans approved for funding by USDA, FHA, the VA, or CalHFA, or a large institutional lender that underwrites to CalHFA, Fannie Mae, FHA, or USDA standards, will be acceptable to establish the applicant’s ability to make payments and dependability of income. Loans approved without full income documentation of the mortgagor(s), often referred to as “no doc” or “stated income” loans, will not be accepted as evidence of the applicant’s ability to make payments. In addition, the applicant must have a minimum credit score of 620, and may not have filed for bankruptcy or been foreclosed upon within three years prior to date of application to the Program.

In order to qualify for Program assistance, the applicant’s “front-end ratio” shall be not less than 25% and not more than 33%. The front-end ratio is the percentage of a borrower’s gross monthly income (before income tax deductions) equal to the total of the following monthly housing costs: required first mortgage payment (principal and interest), property taxes, property insurance, mortgage insurance, and homeowner association dues and/or mobile home space rent, if any. Ratios will be calculated using the Agency’s determination of applicant’s monthly income, not the Lender’s.

The applicant’s “back-end ratio” shall not be less than 33% and not more than 41%. The back-end ratio is the percentage of a borrower’s gross monthly income that would cover the cost of monthly housing costs, plus any other mandatory monthly debt payments, such as





monthly payments on: car loans, personal loans and credit cards, alimony or child support ordered by a court, and/or student loans.

## **5.2. INTEREST RATE**

The Primary (first mortgage) loan must be fully amortized and have a fixed interest rate for the entire term that does not exceed the current market rate, as established by an index identified in the most recent NOFA. No temporary interest rate buy-downs are permitted. Sub-prime rates, adjustable rates, interest-only options, and/or any type of negative amortization shall not be acceptable in the Primary loan.

## **5.3. LOAN TERM**

The primary loan shall be fully amortized and have a term “all due and payable” in no fewer than 30 years. There shall be no balloon payment requirements or prepayment penalties included in the terms of the Primary loan.

## **5.4. IMPOUND ACCOUNT**

All households will be required to have impound accounts for the payment of property taxes, homeowner association dues, if any, and property insurance as required by the Program, to ensure these payments will be made on time.

## **6.0. THE PROGRAM LOAN**

### **6.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

The amount of Program assistance to a homebuyer toward purchase of a home shall not exceed the **lesser** of:

- a) The homebuyer’s affordability gap, calculated as shown above in Section 1.3; or
- b) 25.00% of the total acquisition cost; or
- c) The maximum HOME subsidy limit per unit for San Benito County, according to number of bedrooms in the home, pursuant to Section 221(d)(3) of the National Housing Act (limits shown in **Attachment C**).

In recent years, either a) or b) above have generally been the lesser of the three amounts. The amount of Program assistance may also be limited by the amount of Program funding available to the Agency at the time the buyer’s application is approved, if this amount is less than items a) through c) above. Any approved “grant” amount for lead-based paint evaluation and reduction activities, if needed, shall be included as part of the Program assistance amount.

### **6.2. NON-RECURRING CLOSING COSTS**

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



**6.3. AFFORDABILITY PARAMETERS FOR HOMEBUYERS**

The actual amount of a buyer’s Program loan (subsidy) shall be computed according to the housing ratio parameters specified in Section 5.1. Each borrower shall receive only the subsidy needed to allow them to become homeowners (“the affordability gap”) while keeping their housing costs affordable. The primary lender and the Agency will use the “front-end ratio” of housing-expense-to-income to determine the amount of the primary loan and, ultimately, the Program loan amount required to bridge the gap, if any, between the acquisition cost (purchase price plus closing costs) minus the down payment, and the amount of the primary loan.

**6.4. RATE AND TERMS FOR PROGRAM LOANS**

All Program assistance to individual households shall be made in the form of a deferred payment second mortgage loan, commonly known as a “silent second” loan. All payments of interest and principal due on the loan are deferred until the home is sold, transferred (including most refinances), or no longer the primary residence of the borrower. The Program loan deed of trust shall be in second lien position following the Primary loan, unless another public agency is providing deferred financing and must be in second position, in which case the Program loan may be in third lien position.

The Program loan’s term shall be for a term equal to the term of the first mortgage loan, which shall not be less than thirty years.

The Program loan’s interest rate shall be 2.00% simple annual interest.

All Program loan payments shall be deferred for the term, so that the buyers will be able to use their available monthly income to qualify for the maximum possible amount in a Primary loan. Loan principal under the Program loan shall not be forgiven.

**6.5. LOAN-TO-VALUE RATIO**

The total loan-to-value ratio (TLTV) for all indebtedness on the property (Primary loan plus Program loan and any other deferred junior loans) shall not exceed ninety-seven percent of the sales price. Most transactions will be structured similarly to the example below:

Primary loan:	80% LTV
Program loan:	17% LTV
<b>Total financing:</b>	<b>97% TLTV</b>
<u>Buyer’s down payment:</u>	<u>3% of purchase price</u>
<b>Total funding:</b>	<b>100% of purchase price</b>

Closing Costs: up to 3.0% of purchase price (paid by buyer and/or Program Loan).

If the buyer is able to put down more than 3.0% as a down payment, the Program loan and/or Primary loan may be reduced in the amount of the additional down payment, depending on buyer’s ability to make monthly payments on the Primary loan. The Program loan shall not exceed 25.0% of the total acquisition cost (purchase price plus closing costs) in any case.



## **7.0. PROGRAM LOAN REPAYMENTS**

### **7.1. PAYMENTS ARE VOLUNTARY**

Borrowers may begin making voluntary payments at any time.

### **7.2. RECEIVING LOAN PAYMENTS**

A. Program loan payments will be made to:

**City of Hollister  
Attn: Housing Coordinator  
375 Fifth Street  
Hollister, California 95023**

B. The Agency will receive all loan payments (sometimes called “recapture” funds) and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited to and accounted for in the Agency’s appropriate Program Income Account (i.e., CalHome or HOME), as required by HCD programs. The Agency will accept voluntary partial (early) loan payments from borrowers, and payments in full upon sale or transfer of the property from borrowers and/or their heirs or other successors in interest. All loan payments are payable to “City of Hollister.”. The Agency may, at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program. Currently the Agency provides all loan servicing of Program loans in-house.

### **7.3. DUE UPON SALE OR TRANSFER**

In the event that an owner sells, transfers title (including certain refinances), or discontinues residence in the purchased property for any reason, the principal balance of the Program loan shall become immediately due and payable, except:

A. The owner shall be assured a fair return on investment including the owner’s investment and any capital improvement. If the Net proceeds are insufficient for the Agency to recapture the balance of Program Loan owed, the Agency shall share the Net proceeds with the owner in proportion to each party’s investment in the property. The Net proceeds are the sales price less repayment of the primary loan, and closing costs.

B. If the owner of the property dies, and the heir to the property currently occupies the property as a principal residence, meets the income eligibility requirements and the First-Time Homebuyer definition, and intends to continue to occupy the home as a principal residence, the heir may be permitted, upon approval of the Agency, to assume the loan for the duration of the original term and all other terms of the original Program. If a Primary loan is still outstanding against the property, the heir must also either assume or pay off the Primary loan prior to assumption of the Program loan. If the property owner dies and the heir does not meet the eligibility requirements, the loan will be due and payable upon settlement of the estate, or upon any transfer of the property, whichever occurs first.



- C. If the owner of the property dies, and the heir to the property meets income requirements, the First-Time Homebuyer definition, and intends to occupy the home as a principal residence, the heir may be permitted, upon approval of the Agency, to assume the loan at the rate and terms the heir qualifies for under the current participation guidelines. If the property owner dies and the heir does not meet eligibility requirements, the loan is due and payable.
- D. If an owner wants to convert the property to a rental unit, or any commercial or non-residential use, the loan is due and payable.
- E. The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. **See Attachment D** on loan defaults for further information on property restrictions.

#### **7.4. LOAN SERVICING POLICIES AND PROCEDURES**

**See Attachment D** for local loan servicing policies and procedures. While the attached policy outlines a system that can accommodate a crisis that restricts borrower repayment ability, it should in no way be misunderstood: The loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures will be pursued.

#### **7.5. LOAN MONITORING PROCEDURES**

The Agency will monitor Borrowers and their housing units to ensure adherence to Program requirements including, but not limited to, the following:

- a. Owner-occupancy
- b. Property tax payment
- c. Hazard insurance coverage
- d. Good standing on Primary loans
- e. General upkeep of housing units

Borrowers will be required to provide written evidence of their compliance with these requirements, as explained in detail in the Agency monitoring letters.

#### **8.0. PROGRAM LOAN PROCESSING AND APPROVAL**

##### **A. Loan Processing**

Once the buyer has received the preliminary eligibility letter and has had their purchase offer accepted by the seller of an eligible home, and received loan approval on a first mortgage loan, the Agency will provide the homebuyer or their loan officer with the loan application packet with all the necessary application forms, disclosures, loan documents, and other required information. The buyer will be responsible for completing their application and ensuring that their Primary lender has also provided all forms and signatures required for the buyer's application to be complete. The buyer or their loan officer will submit the complete application packet to the Agency, with the escrow number and contact information for the escrow officer. Agency loan documents will be provided to escrow and



signed by the buyer prior to deposit of Agency funds, once the Primary lender is ready to fund the Primary loan.

The buyer and Primary Lender must submit the complete packet and include the following:

- 1) accepted property sales contract with proper seller notification;
- 2) mortgage application with good faith estimates and first mortgage disclosures, including the 1003 and 1008 forms;
- 3) full mortgage credit report and rent verification;
- 4) current third party income verifications and verifications of assets;
- 5) homeownership education certificate.

Staff will work with local lenders to ensure qualified participants receive only the amount of Program assistance necessary to make the purchase possible, and that other available funding sources (SCAOR grants, ChDAP, MCCs, gift funds) will be used for the purchase to the extent possible.

#### B. Creditworthiness

Qualifying ratios are only a rough guideline in determining a potential borrower's creditworthiness. Many factors such as excellent or poor credit history, amount of down payment, and size of loan will influence the decision to approve or disapprove a particular loan. The borrower's credit history will be reviewed by the Agency and documentation of such maintained in the loan file. The Agency may elect to obtain a credit report or rely on a current copy obtained by the primary lender.

#### C. Documents from Primary Lender

After initial review of the qualified homebuyer's application packet, the Agency will request any additional documents needed. Documents may be faxed, but originals shall be received through the mail before Program funds are committed to escrow. Based on receipt and review of the final documents, the Agency will do an income certification (using most recent HCD program's guidance on income calculation and determination), and homebuyer certification (review of credit report and income taxes). Documentation of affordability will then be verified and subsidy requirement determined.

#### D. Disclosure of Program and Loan Information to Homebuyers

The Program's application and disclosure forms will contain a summary of the loan qualifications of the borrower with and without Program assistance. Housing ratios with and without Program assistance are also outlined in these guidelines. Information on the Program's application will be documented with third party verifications in the file. For example, the sales contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The Primary Lender's approval letter and estimated closing cost



statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the Primary Lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Program loan. By reviewing and crosschecking all the Primary Lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

### **8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN**

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

### **8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING**

The homebuyer(s) will sign all required Program loan documents, including the promissory note, loan agreement, deeds of trust, statutory lending notices (Truth In Lending (TIL), etc.), request for notice of default (referring to the Primary loan), and all other Program documents with notarization where required. Upon closing, the escrow officer must record the Program Deed(s) of Trust immediately following the first mortgage deed of trust in the San Benito County Official Records, followed by the request(s) for copy of Notice of Default. The Agency will provide the buyer, lender and escrow officer with detailed closing instructions in a letter to escrow.

### **8.3. ESCROW PROCEDURES**

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

### **9.0. SUBORDINATE FINANCING**

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

### **10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

The Agency may make amendments to these Participation Guidelines from time to time. Any changes shall be made in accordance with regulations and approved by the City of Hollister, except for purely administrative changes, including annual updates to income, price, and subsidy limits. Changes shall then be sent to HCD for approval.



## **10.1. DEFINITION OF EXCEPTION**

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

## **10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The Agency or its agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Agency's recommended course of action and any written or verbal information supplied by the applicant.
- B. The Agency shall make a determination of the exception based on the recommendation of the Housing Programs Coordinator. The request can be presented to the Hollister City Council, for a decision.

## **11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE**

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



# ATTACHMENT A

## 24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

### Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3).
6. Welfare Assistance	Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income: <ul style="list-style-type: none"> <li>• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and</li> <li>• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).</li> </ul> If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of: <ul style="list-style-type: none"> <li>• the amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities; <b>plus:</b></li> <li>• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.</li> </ul>
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

### Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	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. Inheritance and Insurance Income	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 for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	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 Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Income from a Disabled Member	Certain increase 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. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> <li>a. Amounts received under training programs funded by HUD.</li> <li>b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).</li> <li>c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.</li> <li>d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</li> <li>e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.</li> </ul>
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	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. Income from Full-time Students	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	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	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. Home Care Assistance	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	<p>Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:</p> <ul style="list-style-type: none"> <li>▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;</li> <li>▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);</li> <li>▶ Payments received under the Alaskan Native Claims Settlement Act;</li> <li>▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;</li> <li>▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;</li> <li>▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.</li> <li>▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);</li> <li>▶ The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from</li> </ul>

interests held in such trust or restricted lands;

- ▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- ▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- ▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- ▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- ▶ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- ▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps).
- ▶ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- ▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;
- ▶ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- ▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- ▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.



## **ATTACHMENT B**

### **PART 5 ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS**

This table presents the Part 5 asset inclusions and exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

Statements from 24 CFR Part 5 – Last Modified: January 2005

#### **Inclusions**

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

#### **Exclusions**

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.



## ATTACHMENT C

### I. MAXIMUM PURCHASE PRICE LIMITS 203(B) FOR NEWLY CONSTRUCTED AND EXISTING HOUSING UNITS IN SAN BENITO COUNTY (95% AREA-MEDIAN PURCHASE PRICE LIMITS)

#### (NEWLY CONSTRUCTED UNITS)

(Limit is effective 8/23/13)

COUNTY NAME	One-Unit
SAN BENITO	\$381,000

#### (EXISTING HOUSING UNITS)

(Limit is effective 8/23/13)

COUNTY NAME	One-Unit
SAN BENITO	\$266,000

### II. MAXIMUM PROGRAM LOAN AMOUNT

The amount of Program assistance to a homebuyer toward purchase of a home shall not exceed the **lesser** of:

- The homebuyer’s affordability gap, calculated pursuant to these Guidelines; or
  - 25.00% of the total “acquisition cost,” equal to contract sales price plus closing costs; or
- The maximum HOME subsidy limit per unit, shown in the table(s) below:

#### HOME SUBSIDY LIMITS PER UNIT – SECTION 221(d)(3) FOR SAN BENITO COUNTY

(Limit is effective 5/8/12)

COUNTY NAME	O-BDR	1-BDR	2-BDR	3-BDR	4-BDR
SAN BENITO	\$132,814	\$152,251	\$185,136	\$239,506	\$262,903

### III. MAXIMUM HOUSEHOLD INCOME (FOR BUYERS)

#### 2013 PROGRAM INCOME LIMITS\*

(Limit is effective 3/15/13)

<i>Number of Persons in Household</i>								
	1	2	3	4	5	6	7	8
<b>80% of AMI</b>	\$44,700	\$51,100	\$57,500	\$63,850	\$69,000	\$74,100	\$79,200	\$84,300

\*The Agency will update the income limits annually as HCD provides new information. The link to the official, HCD-maintained, income limits is:

<http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>



## ATTACHMENT D

### LOAN SERVICING POLICIES AND PROCEDURES FOR AGENCY HOMBUYER LOANS

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

The policies and procedures are broken down into the following areas: 1) making required monthly payments or voluntary payments on a loan’s principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan; 8) reconveyance of a loan.

#### 1. Loan Repayments:

The Lender will collect monthly payments from those borrowers who are obligated to do so under Notes which are amortized promissory notes, and may opt to use a collection company to collect payments, if needed. Late fees will be charged for payments received after the assigned monthly due date.

For Notes which are deferred payment loans; the Lender must accept voluntary payments on the loan. Loan payments will be credited to the principal. The borrower may repay the loan balance at any time with no penalty.

#### 2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the Lender may take out a force placed insurance policy to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower’s new insurance.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance with an endorsement naming the Agency as additional insured will be required at close of escrow. The Lender will verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes, the Lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the Lender requires Borrower to have impound accounts set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.



### 3. Required Request for Notice of Default:

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

### 4. Annual Occupancy Restrictions and Certifications:

On owner-occupant loans, the Lender requires Borrowers to submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. Some loans may have income and housing cost evaluations, which require a household to document that they are not able to make amortized loan payments, typically every five years. These loan terms are incorporated in the original note and deed of trust.

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

Prior to transferring title in full or part to any additional party, including refinancing, and/or prior to making a change in occupancy or use, the Borrower must notify the Lender in writing of any such change, in order to avoid creating a performance-based default under the loan terms. Lender and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions such that it remains available as an affordable home for low income owner-occupants. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction.

Changes in title or occupancy must be submitted to the Agency in writing for approval or for potential loan payoff demand, prior to the proposed change of use or title. Any change in title, occupancy or use that has not been approved in writing by the Agency prior to the transfer or change in use or occupancy will constitute a performance-based default, unless extraordinary circumstances outside of the Borrower's control caused the change (such as a natural disaster). In the event of a default or unauthorized transfer, the outstanding Agency loan balance will be due and payable immediately.

Change of Use or Occupancy by the Borrower: If the original Borrower ceases to occupy the home as their primary residence, and/or converts the home to a rental property, vacation home, or any non-residential use (such as office or commercial space), the loan shall become due and payable immediately upon such conversion.

Such changes constitute a performance-based default under the Program loan and will be noticed as such to the Borrower when the Lender becomes aware of the change.

Sale of the property: The Program loan is not assumable by a new buyer, and the loan balance will become immediately due and payable upon sale. If the prospective buyer qualifies for the First-



Time Homebuyer Program according to the applicable Program Guidelines in effect at that time, they may apply for and may receive a new Program loan from the Agency, depending on funding availability.

**Inheritance:** If a transfer of the property occurs through inheritance, the heir may be provided the opportunity to assume the loan under the same terms as the original loan, provided the heir meets all of the current eligible criteria for the Program, already occupies the home, and/or provides evidence of their intent to occupy the home as a primary residence. If the heir does not meet the Program eligibility criteria, including income and first-time homebuyer status, the balance of the loan shall be due and payable upon transfer of title to the heir. If the heir does not intend to occupy the property as a primary residence, regardless of income eligibility, the loan shall not be assumable and shall be due and payable upon transfer to the heir. **Assumption of the Program loan shall not be allowed if the home is to be used as a rental property, vacation home, or any type of non-residential use (commercial, office space).**

In the case of an eligible heir, the loan assumption request shall be reviewed and approved or denied by the lender, and if approved, the loan assumption agreement and a new deed of trust shall be prepared by the Agency's legal counsel, executed by Lender and heir(s) and recorded in the Official Records. The loan servicing staff shall be provided with the contact information for the new Borrower on the loan and a copy of the assumption documents.

#### 6. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must submit a written subordination request to the Lender. The Lender will consider subordinating the Program loan only when there is no "cash out" to the Borrower as part of the refinance, and when the proposed refinance loan meets all of the requirements for a Primary loan, as set forth in the Program Guidelines. No cash out means that there are no additional charges on the transaction other than customary loan and escrow closing fees. Third-party debts may not be paid off with proceeds from the refinance loan, and the total dollar amount of encumbrances on the property (LTV) may not be increased, other than to allow for reasonable loan closing costs. Furthermore, the refinance should lower the monthly housing cost of the household with a lower interest rate, and the total indebtedness on the property should not exceed the current market value.

Also, provisions of Section 5.2 and 5.3 of these Guidelines still apply, which state that the loan must:

- a) be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
- b) not have a temporary interest rate buy-down;
- c) have a term "all due and payable" in no fewer than 30 years; and;
- d) not have a balloon payment due before the maturity date of the Program loan
- e) not have any prepayment penalties or any form of negative amortization.

Upon receiving the proper documentation from the refinance lender, the request will be considered by the Agency for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

#### Other Types of Refinancing (Home Equity Loans):



Borrowers may not encumber the property with additional liens, such as a home equity loan, line of credit, or other new loans junior to the Program loan, without first notifying the Agency of the proposed new encumbrance (loan) and receiving written Agency approval, if possible, of the proposed refinance. In general, any refinance loan other than a refinance of the first mortgage will constitute a “transfer of interest” that will trigger the maturity date on the Program loan, thereby making the Program loan due and payable upon close of escrow on the new loan. Failure to notify the Agency in writing prior to encumbering the property will constitute a default under the Program loan, and will be noticed as such to the Borrower.

#### 7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; 4) default on senior loans, the Lender will send out a letter to the Borrower notifying them of the default situation. If the default situation continues then the Lender may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. Lender must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case then the Lender may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

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

If the Lender decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the Lender fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the Lender determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the Lender's lien may be eliminated due to insufficient sales proceeds.

#### Lender as Senior Lien holder

When the Lender is first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner





until loan payments have reached 90 days in arrears, at which time the Lender may consider foreclosure. Lender's staff will consider the following factors before initiating foreclosure:

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

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

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

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

#### 8. Reconveyances for Loans:

Upon receipt of a request for payment demand, where payment in full is due or voluntary payment in full is offered by borrower, the City shall instruct the title company to record a Reconveyance (or Lien Satisfied form for personal property loans) upon close of escrow.



## ATTACHMENT D-1

### CITY OF HOLLISTER REUSE PLAN FOR HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) FUNDS

The City of Hollister shall open and maintain an account exclusively for the deposit of repaid HOME funds including repayment income and matching funds provided by the City of Hollister for use in the HOME program. These funds shall be kept separate and shall not be co-mingled with any other funds. The use of the HOME grant funds and matching funds shall only be used as directed by the Department of Housing and Urban Development (HUD) and the State of California Department of Housing and Community Development (HCD) program guidelines which provide for the benefit of Targeted Income Groups (TIG) as defined by the grant application and contract. The account shall be an interest bearing account in a financial institution insured by the Federal Deposit Insurance Corporation (FDIC).

The City's plan for reuse of the repayment income resulting from the operation of the HOME program operated by the the City of Hollister as follows:

- 1) The funds can be used to assist Targeted Income Groups, private entities or qualified local non-profit affordable housing developers with projects, programs and activities for homebuyer down payment assistance, homeowner rehabilitation, rental development (new construction or rehab) and tenant-based rental assistance (rental subsidy).
- 2) The assistance can be in the form of loans (interest, no interest, payments, no payments), grants, interest subsidies, equity investments and loan guarantees to Targeted Income Groups, private entities or qualified local non-profit affordable housing developers.
- 3) The funds may be used for eligible project and program activities, which may include acquisition, acquisition/rehabilitation, new construction, lease-purchase option, new construction, site improvements, demolition, conversion and relocation.
- 4) The funds can be used to assist Targeted Income Group homeowners to maintain the health and safety standards of their homes by issuing rehabilitation loans. These loans can be a 1<sup>st</sup> or 2<sup>nd</sup> or under special conditions, third mortgages and only be used to provide the funds required to complete the rehabilitation work on the homes of low and very low-income households, thereby helping to maintain and preserve existing stock of low-income housing.
- 5) The funds can be used to assist local non-profits in their efforts to provide affordable, healthy, safe and decent housing for the benefit of TIGs. This assistance can be in the form of mortgages for the purchase and ownership by the non-profit of affordable rental housing which will provide affordable housing benefiting TIG households; and/or rehabilitation loans for the repair and maintenance of rental housing owned by the non-profit.
- 6) The funds may be used for eligible administrative costs, matching contributions, services, public information, fair housing, compliance requirements, activity delivery funds and planning costs.
- 7) The funds may also be combined with other eligible sources of funds that support projects, programs and activities benefiting Targeted Income Groups as approved by HCD and the City of Hollister.

Loan terms for eligible projects, programs and activities such as interest rate, length of loan, payment type and lien position will be based according to approved guidelines.



# ATTACHMENT E

## SELLERS LEAD-BASED PAINT DISCLOSURE Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards Lead Warning Statement

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

### Seller's Disclosure

- (a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):
  - (i) \_\_\_ Known lead-based paint and/or lead-based paint hazards are present in the housing (explain). \_\_\_\_\_
  - (ii) \_\_\_ Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.
- (b) Records and reports available to the seller (check (i) or (ii) below):
  - (i) \_\_\_ Seller has provided the purchaser with all available records and reports pertaining to Lead-based paint and/or lead-based paint hazards in the housing (list documents below).  
\_\_\_\_\_
  - (ii) \_\_\_ Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

### Purchaser's Acknowledgment (initial)

- (c) \_\_\_ Purchaser has received copies of all information listed above.
- (d) \_\_\_ Purchaser has received the pamphlet Protect Your Family from Lead in Your Home.
- (e) \_\_\_ Purchaser has (check (i) or (ii) below):
  - (i) \_\_\_ received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or
  - (ii) \_\_\_ waived the opportunity to conduct a risk assessment or inspection for the presence of Lead-based paint and/or lead-based paint hazards. (NOT PERMISSIBLE FOR HOME PROGRAM).

### Agent's Acknowledgment (initial)

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

### Certification of Accuracy

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

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



## ATTACHMENT F

### Homebuyer Assistance Program Lead-Based Paint Contract Contingency Language

#### Required for Homes built prior to 1979

This contract is contingent upon a risk assessment or inspection of the property for the presence of lead-based paint and/or lead-based paint hazards at the Purchaser's expense until 9 p.m. on the tenth calendar-day after ratification. This ending date is: \_\_\_\_\_. [Insert date 10 days after contract ratification or a date mutually agreed upon]. (Intact lead-based paint that is in good condition is not necessarily a hazard. See the EPA pamphlet "Protect Your Family From Lead in Your Home" for more information.)

This contingency will terminate at the above predetermined deadline unless the Purchaser (or Purchaser's agent) delivers to the Seller (or Seller's agent) a written contract addendum listing the specific existing deficiencies and corrections needed, together with a copy of the inspection and/or risk assessment report.

The Seller may, at the Seller's option, within 10 days after Delivery of the addendum, elect in writing whether to correct the condition(s) prior to settlement. If the Seller will correct the condition, the Seller shall furnish the Purchaser with certification from a risk assessor or inspector demonstrating that the condition has been remedied before the date of the settlement. If the Seller does not elect to make the repairs, or if the Seller makes a counteroffer, the Purchaser shall have 10 days to respond to the counter-offer or remove this contingency and take the property in "as is" condition or this contract shall become void. The Purchaser may remove this contingency at any time without cause.

Seller Name: \_\_\_\_\_ Date: \_\_\_\_\_

Purchaser: \_\_\_\_\_ Date: \_\_\_\_\_

Property Address: \_\_\_\_\_



**ATTACHMENT G**

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

**DECLARATION**

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

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

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

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

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

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

Sincerely,

\_\_\_\_\_  
Title

\_\_\_\_\_  
*Buyer*

\_\_\_\_\_  
Date

\_\_\_\_\_  
*Buyer*

\_\_\_\_\_  
Date

Form continues on next page with Seller's Acknowledgment



## Disclosure to Seller with Voluntary, Arm's Length Purchase Offer (Page 2)

### Acknowledgement

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

As the Seller, I/we understand that in order for the buyer to receive assistance from the City's Program, the property must be currently owner-occupied, vacant for four months at the time of submission of purchase offer, new (never occupied), or renter purchasing the unit. I/we hereby certify that the property is:

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

*I/we hereby certify that I have read and understand this "Declaration" and  a copy of said Notice was given to me prior to the offer to purchase. If received after presentation of the purchase offer, I/We choose  to withdraw or  not to withdraw, from the Purchase Agreement.*

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date



## ATTACHMENT H

### INSTRUCTIONS TO HOME BUYER

- A. Participant works with lender of choice to obtain the primary lender's pre-qualification letter.
- B. Participant works with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller. Preference will be given to vacant or owner occupied homes rather than tenant occupied.
- C. Participant selects home and enters into a purchase contract (contingent upon receiving Program loan approval). Lender provides the Agency with a copy of:
  - real estate sales contract
  - residential loan application
  - credit report
  - verified income documentation
  - disclosure statement
  - proof of personal funds for participation in program
  - breakdown of closing costs
  - structural pest control clearance
  - appraisal with photos
  - escrow instructions
  - preliminary title report
- D. Agency reviews paper work to determine program eligibility and financing affordability for participant etc.
- F. Agency staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and home ownership responsibilities.
- F. Agency has home inspected (if necessary) to meet HQS or code compliance (dependent upon the program). Notice of any deficiencies or needed corrections are given to participant's real estate agent, with recommended course of action.
- G. Agency staff requests loan approval. Following loan approval, the Agency prepares Deed of Trust, Promissory Note, Notice of Default, Grant Agreement, Owner Occupant Agreement with the City of Hollister, requests checks and deposits same into escrow.
- H. Escrow company furnishes Agency with proof of documents to be recorded, and any escrow close out information. After receipt of recorded loan documents, HUD I, Insurance Loss Payee Certification and Final Title Insurance Policy (Program Operator) closes out the loan file.

# ATTACHMENT I

## LEAD-BASED PAINT

### VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM

<b>Section 1: Background Information</b>			
Property Address:		No LBP found or LBP exempt <input type="checkbox"/>	
Select one:	Visual Assessment <input type="checkbox"/>	Presumption <input type="checkbox"/>	Hazard Reduction <input type="checkbox"/>

<b>Section 2: Visual Assessment.</b> Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.	
Visual Assessment Date:	Report Date:
Check if no deteriorated paint found <input type="checkbox"/>	
Attachment A: Summary where deteriorated paint was found.	

<b>Section 3: Notice of Presumption.</b> Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.	
Date of Presumption Notice:	
Lead-based paint is presumed to be present <input type="checkbox"/> and/or Lead-based paint <i>hazards</i> are presumed to be present <input type="checkbox"/>	
Attachment B: Summary of Presumption:	

<b>Section 4: Notice of Lead-Based Paint Hazard Reduction Activity.</b> Fill out Sections 1, 4, 5, and 6. Provide to occupant w/in 15 days of after work completed.	
Date of Hazard Reduction Notice:	
Initial Hazard Reduction Notice? Yes <input type="checkbox"/> No <input type="checkbox"/>	Start & Completion Dates:
If "No", dates of previous Hazard Reduction Activity Notices:	
Attachment C: Activity locations and types.	
Attachment D: Location of building components with <u>lead-based paint remaining</u> in the rooms, spaces or areas where activities were conducted.	
Attachment E: Attach clearance report(s), using DHS form 8552 (and 8551 for abatement activities)	

<b>Section 5: Resident Receipt of Notice for Presumption or Lead-Based Paint Hazard Reduction Activity</b>		
Printed Name:	Signature:	Date:

<b>Section 6: Contact Information</b>		Organization:	
Contact Name:		Contact Signature:	
Date:	Address:	Phone:	



## ATTACHMENT J

### Homebuyer Program Lead Compliance Document Checklist

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

<b>Document Name</b>	<b>Purpose</b>	✓
Lead Safe Housing Rule Screening Sheet	Documents exemptions	
Physical inspection form (HQS or equivalent)	Documents visual assessment results	
Seller Certification	Seller certifies that paint was stabilized by qualified workers and that safe work practices were followed during paint stabilization	
Clearance Report and Clearance Review Worksheet	Documents that unit passed clearance	
Disclosure Form	Documents that buyer received disclosure and pamphlet.	
Lead Hazard Reduction Notice	Documents that buyer received required lead hazard reduction notification.	

This was taken from the HUD Website at:

<http://www.hud.gov/offices/cpd/affordablehousing/training/leadsafe/usefulforms/index.cfm#crosscutting>