



M E M O R A N D U M
COMMUNITY DEVELOPMENT RESOURCE AGENCY
COMMUNITY DEVELOPMENT SERVICES DIVISION
County of Placer

TO: Honorable Board of Supervisors **DATE:** November 11, 2021

FROM: Steve Pedretti, Director, Community Development Resource Agency

BY: Shawna Purvines, Deputy Director
Devin McNally, Associate Planner

SUBJECT: CalHome Funding Application, and the Approval of Placer County's CalHome Reuse Plan and Loan Servicing Guidelines

ACTIONS REQUESTED

1. Adopt a resolution authorizing the Community Development Resource Agency Director ("Director") to submit on behalf of the County of Placer an application to the California State Department of Housing and Community Development ("HCD") for grant funding under the CalHome program in the amount of \$770,000 and if awarded grant funds, authorizing the Director to execute any necessary documents, including but not limited to a grant funding agreement, and amendments thereto, as required by HCD for the County's participation in the CalHome Program.
2. Adopt a resolution approving the County of Placer's Reuse Plan and Loan Servicing Guidelines and authorizing Community Development Resource Agency Staff to make revisions and changes to the documents as required by HCD to comply with CalHome Program Regulations.

BACKGROUND

On September 21, 2021, the State of California Department of Housing and Community Development issued a Notice of Funding Availability for its CalHome program with competitive applications due November 22, 2021. Staff requests authority from the Board of Supervisors to apply on behalf of County of Placer for \$770,000 for First-Time Homebuyer Mortgage Assistance Activities which will be used to fund County of Placer's First-Time Homebuyer Program. These funds will be used to provide second loans to low-income homebuyers (less than 80% of the Area Median Income) to lower the monthly mortgage payment.

As part of the CalHome Application, the County must submit a plan for reuse of funds when repaid to the County and a Loan Servicing Plan that complies with the CalHome Regulations. The reuse plan proposes to utilize the funds paid back from loans from the program be used for new First Time Homebuyer Assistance loans or for loans for Accessory Dwelling Unit construction. The Loan Servicing Guidelines set out the policies for CalHome loans regarding monitoring, payoffs, subordinations, and defaults. The resolution (Attachment B) would approve these documents and authorize staff to make updates as needed to comply with State guidelines for the CalHome Program.

ENVIRONMENTAL IMPACT

This action is for an application to seek state funds from the CalHome program for First-Time Homebuyer Mortgage assistance and is not a project under CEQA.

FISCAL IMPACT

CalHome does not require matching funds from the County's General Fund. If the department is successful in this application, grant funds will be directed toward the First-Time Homebuyer Program.

ATTACHMENTS

Attachment A: Resolution authorizing the Community Development Resource Agency Director ("Director") to submit on behalf of the County of Placer an application to the California State Department of Housing and Community Development ("HCD") for grant funding under the CalHome program in the amount of \$770,000 and if awarded grant funds, authorizing the Director to execute any necessary documents, including but not limited to a grant funding agreement, and amendments thereto, as required by HCD for the County's participation in the CalHome Program.

Attachment B: Resolution approving the County of Placer's Reuse Plan and Loan Servicing Guidelines and authorizing Community Development Resource Agency Staff to make revisions and changes to the documents as required by HCD to comply with CalHome Program Regulations

ATTACHMENT A

Before the Board of Supervisors County of Placer, State of California

In the matter of: AUTHORIZING THE COMMUNITY DEVELOPMENT RESOURCE AGENCY DIRECTOR (“DIRECTOR”) TO SUBMIT ON BEHALF OF THE COUNTY OF PLACER AN APPLICATION TO THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (“HCD”) FOR GRANT FUNDING UNDER THE CALHOME PROGRAM IN THE AMOUNT OF \$770,000 AND IF AWARDED GRANT FUNDS, AUTHORIZING THE DIRECTOR TO EXECUTE ANY NECESSARY DOCUMENTS, INCLUDING, BUT NOT LIMITED TO A GRANT FUNDING AGREEMENT, AND AMENDMENTS THERETO, AS REQUIRED BY HCD FOR THE COUNTY’S PARTICIPATION IN THE CALHOME PROGRAM.

Resolution No.: _____

The following Resolution was duly passed by the Board of Supervisors of the County of Placer
at a regular meeting held on _____, by the following vote:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, the County of Placer wishes to apply for and receive an allocation of funds through the CalHome Program; and

WHEREAS, the California Department of Housing and Community Development (hereinafter referred to as “HCD”) has issued a Notice of Funding Availability (“NOFA”) on September 21,

2021 for the CalHome program established by Chapter 84, Statutes of 2000 (SB 1656 Alarcon), and codified in Chapter 6 (commencing with Section 50650) of Part 2 of Division 31 of the Health and Safety Code (the "statute"). Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature to the CalHome program, subject to the terms and conditions of the statute and the CalHome Program Regulations adopted by HCD in April 2004; and

WHEREAS the County of Placer wishes to submit an application to HCD for grant funding under the CalHome program in the amount of \$770,000.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF PLACER that,

1. The County of Placer shall submit to HCD an application to participate in the CalHome Program in response to the NOFA issued on September 21, 2021 which will request a funding allocation for the following activities:

Mortgage Assistance - \$770,000

Located in Unincorporated Placer County.

2. If the application for funding is approved, the County of Placer hereby agrees to use the CalHome funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program regulations cited above. The application in full is incorporated as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the application are enforceable through the Standard Agreement. County of Placer acknowledges and agrees that it may be required to execute any and all other instruments necessary or required by HCD for participation in the CalHome Program.
3. The County of Placer authorizes the Director of the Community Development Resource Agency to execute in the name of the County of Placer the application, the Standard Agreement, and any subsequent amendments or modifications thereto, as well as any other documents required by HCD for participation in the CalHome Program, and any amendments thereto.

BE IT FURTHER RESOLVED that this Resolution shall take full force and effect immediately.

ATTACHMENT B

Before the Board of Supervisors County of Placer, State of California

In the matter of: APPROVING THE CALHOME LOAN SERVICING GUIDELINES AND REUSE PLAN PERSUANT TO THE CALHOME APPLICATION FOR THE SEPTEMBER 21, 2021 NOTICE OF FUND AVAILABILITY AND AUTHORIZING COMMUNITY DEVELOPMENT RESOURCE AGENCY STAFF TO MAKE REVISIONS AND CHANGES TO THE DOCUMENTS AS REQUIRED BY HCD TO COMPLY WITH CALHOME PROGRAM REGULATIONS.

Resolution No.: _____

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held on _____, by the following vote:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, the County of Placer wishes to apply for and receive an allocation of funds through the CalHome Program; and

WHEREAS, the California Department of Housing and Community Development (hereinafter referred to as "HCD") has issued a Notice of Funding Availability ("NOFA") on September 21, 2021 for the CalHome program establish by Chapter 84, Statutes of 2000 (SB 1656 Alarcon), and codified in Chapter 6 (commencing with Section 50650) of Part 2 of Division 31 of the Health and Safety Code (the "statute"). Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature to the CalHome

program, subject to the terms and conditions of the statute and the CalHome Program Regulations adopted by HCD in April 2004; and

WHEREAS the County of Placer wishes to submit an application to obtain from HCD an allocation of CalHome Funds in the amount of \$770,000; and

WHEREAS the CalHome Program requires Program Guidelines as part of the application; and

WHEREAS the CalHome Program requires a Reuse Plan as part of the application.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF PLACER that the Board hereby adopts the Placer County CalHome Program Loan Servicing Guidelines as shown in Exhibit 1, attached hereto and incorporated herein by reference.

BE IT FURTHER RESOLVED that the Board authorizes the Community Development Resource Agency to make updates and revisions to the Placer County CalHome Program Loan Servicing Guidelines in order to comply with CalHome Regulations.

BE IT FURTHER RESOLVED that the Board hereby adopts the Placer County CalHome Reuse Plan as shown in Exhibit 2, attached hereto and incorporated herein by reference.

BE IT FURTHER RESOLVED that the Board authorizes the Community Development Resource Agency to make updates and revisions to the Placer County CalHome Reuse Plan in order to comply with CalHome Regulations.

BE IT FURTHER RESOLVED that this resolution shall take full force and effect immediately.

Exhibit 1: Placer County CalHome Program Loan Servicing Guidelines

Exhibit 2 Placer County CalHome Reuse Plan

Attachment B, Exhibit 1

LOAN SERVICING POLICIES AND PROCEDURES FOR PLACER COUNTY

The Sponsor, Placer County (the “County”), hereinafter called the “Lender” has adopted these policies and procedures in order to preserve its financial interest in properties that have been assisted with public funds. The Lender shall 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. Lender will perform all loan servicing as part of its ongoing program and loan monitoring.

The policies and procedures are broken down into the following areas: 1) Annual Occupancy Restrictions and Certifications; 2) Annual Review Hazard and Flood Insurance; 3) Payment of Property Taxes and Insurance; 4) Accounting for Repayment of CalHome Program Loans 5) Calculating Payoffs; 6) Requests for Payoffs; 7) Reconveyance; 8) Required Request for Notice of Default; 9) Process for Loan Foreclosure; 10) Permitted Transfers; 11) Assumables; 12) Requests for Subordination .

1. Annual Occupancy Restrictions and Certifications:

Lender will perform annual occupancy certifications for every loan in its loan portfolio, as required by the program funding source. As part of the certification, homebuyers will be required to provide proof of residency that can include a utility bill, drivers license or homeowners insurance policy. Additionally, Lender will require all homeowners to complete an annual certification notice that will be included in all ongoing program monitoring.

2. Annual Review Hazard and Flood 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 will be required at close of escrow. The Lender will verify the insurance on an annual basis.

When a property is located in a high or very high fire area, the Borrower will be required to carry the necessary fire insurance. A certificate of insurance for fire and for standard property insurance will be required at close of escrow. The Lender will verify the insurance on an annual basis.

3. 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 as an additional insured. If Borrower fails to maintain the necessary insurance, the Lender may take out forced place insurance 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.

Homebuyers will be required to have impounded taxes and insurance as part of any CalHome program funds. For loans that don't require the primary lender to impound, property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Current primary lending practices require all borrowers to have impound accounts set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.

4. Accounting for Repayment of CalHome Program Loans

Lender will accept voluntary lump sum payments on the loan. Loan payments will be credited to the interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

5. Calculating Payoffs

Payoffs will be calculated to the estimated date of closing. The final calculation will include any necessary fees to record a reconveyance and release on the property.

6. Requests for Payoffs

Payoff demands requests should be addressed to the Lender. When the Lender receives a demand letter from a Borrower or a Borrower's representative, such as a title company, lender or legal representative, the Lender will calculate the payoff amount in accordance with the provisions of the Loan Documents, as defined in the Program Guidelines. Within 21 days of receipt of the demand letter, Lender will issue a written payoff demand, including a daily calculation of interest and any other amounts due, depending on the terms of the Promissory Note.

7. Reconveyance

Release of Lien upon receipt of payment in full, the County will execute such documents as necessary for release or reconveyance of the Lender's lien. Borrower shall be responsible for payment of any fees charged by the Lender for preparing the reconveyance or release documents.

8. 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.

9. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non payment; 2) lack of insurance or property tax payment; 3) violation of rent limitation agreement; 4) change in title or use without approval; 5) 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 County 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 Borrower 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 below market interest rate current or pay off a deferred payment loan).

At the end of thirty days, the Lender shall 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 may determine the best use of the property at the time of sale.

10. Permitted Transfers:

Lender shall require borrower to occupy the Property as Borrower's principal place of residence during the term of the Note. The following transfers shall not be deemed to be a default under the Note or this Deed of Trust:

- (a) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (b) A transfer of the Property where the spouse becomes an owner of the property;
- (c) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.

11. Assumable:

Should borrower determine they want to sell their home, Lender will verify a new Borrower's eligibility upon receipt of Borrower's application. In the event that the new borrower is eligible for CalHome or any other down payment assistance program, a new loan will be made to a new Borrower. No loan will be assumable.

12. Requests for Subordinations:

The County loan may be subordinated to a refinanced loan if it meets one of the following conditions. First, the refinanced loan amount does not exceed the current outstanding balance of the first mortgage plus reasonable closing costs (2%). Second, if the new loan is greater than the current outstanding balance, the new loan and the County loan must not exceed eighty percent (80%) of the value of the home and the equity taken out must be put towards eligible improvements to the property. These include reroofing, siding, water, electrical repairs, and other improvements approved in advance by the County. The term of the new senior lien must be at least for the period of time remaining on the CalHome loan. The new first mortgage must adhere to the First Mortgage Guidelines. The term of the new senior loan must mature concurrently with/or after the CalHome loan. The new first mortgage must collect impounds to ensure that taxes and insurance will be paid in a timely manner.

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

Attachment B, Exhibit 2

County of Placer Cal Home Program Reuse Account Plan

I. Introduction

All repayments of loan principal and any loan interest shall be deposited to a separately maintained CalHome Reuse Account governed by this Reuse Plan.

II. CalHome Requirements

- A. Placer County Accounting Department will continue to operate a segregated CalHome Account separated from all other sources of funds. Homeownership Department will receive regular updates of the Reuse Account and will incorporate a tracking system to ensure that all subsequent reuses of funds are for activities described below. This system will include the borrower name, loan number, grant award number and a breakdown of principal and interest accruals for each loan.
- B. The Reuse Account will be subject to standard auditing by independent auditors.
- C. The Reuse Account will be set up so as to be able to generate reports detailing funds deposited into the account, accrued interest on the account and use of funds re-used from the account.
- D. Funds in the Reuse Account will be readily available for processing of new loans or other uses as outlined below.

III. Uses of Funds

Funds in the Reuse Account shall only be used for the following:

- A. Loans to individual homeowners or homebuyers as allowed pursuant to CalHome regulations.
- B. The cost of Homebuyer Education provided pursuant to CalHome regulations for each first-time homebuyer receiving mortgage assistance from the account.
- C. Loan processing fees in accordance with CalHome Program requirements. These fees will not be charged to the homebuyers. Up to 5% of the funds will be used to offset the costs of loan servicing.
- D. Loans to individual homeowners for the construction of a Accessory Dwelling Unit (ADU) or Junior Accessory Dwelling Unit (JADU) in accordance with CalHome Program requirements.

IV. Resale and Mailing List Procedures

Placer County has established procedures included in the CalHome Program manual for the resale of homes to subsequent eligible borrowers. Placer County maintains an interest list of prospective buyers and when a home is available for purchase, there are specific steps that are taken to ensure equity and fairness. When sufficient funds

accumulate in the Reuse Account to assist an eligible homebuyer, the Homeownership Department will rely on the mailing list and follow its resale program procedures to identify a new, eligible homebuyer.

V. Accumulation of funds in Reuse Account

Homeownership Department will establish thresholds for use of accumulated funds in the account. If less than \$ 100,000.00 has accumulated, Placer County can elect to retain those funds in the account until there are sufficient funds to assist an eligible first time homebuyer.

