COUNTY OF PLACER
Community Development/Resource Agency
Michael J. Johnson, Agency Director

PLANNING SERVICES DIVISION
Paul Thompson, Deputy Director

MEMORANDUM

TO: Honorable Board of Supervisors

FROM: Michael J. Johnson, AICP
Community Development/Resource Agency Director

DATE: June 19, 2012

SUBJECT: Revisions to County Housing Trust Fund Program Guidelines

ACTION REQUESTED

The Planning Services Division requests that the Board adopt a resolution revising the Placer County Housing Trust Fund - Program Guidelines and authorize the expenditure of $45,000 from the Housing Trust Fund for the Handyman Program for Fiscal Year 2012/2013.

BACKGROUND

The County provides several affordable housing programs to its residents and will address and expand on the County's housing plans for the future as we update the County's Housing Element over the next few months. One of the programs that has been provided is the Handyman Program. The purpose of the Handyman Program is to provide emergency improvement rehabilitation and small energy efficiency improvement services to very low, low, and moderate-income seniors and/or disabled residents who are owner-occupants of residences in unincorporated Placer County.

Costs for services and supplies under the Handyman Program are not to exceed $1,300 per rehabilitation or up to $3,000 if an accessible ramp is included in the rehabilitation. Under the Handyman Program, work in excess of $400 must be done by a licensed general contractor and services are provided at no cost to the household. The Handyman Program assists approximately 200 households in unincorporated Placer County annually at a cost of approximately $45,000 per year.
Previously, the Handyman Program was funded by the Placer County Redevelopment Agency utilizing tax increment funds. Since AB26 took effect such funds are no longer available for this program. The County Housing Trust Fund (HTF) dollars are separate from the former redevelopment agency and the successor agency, they are not under the purview of the Oversight Board or the State Department of Finance, The proposal to fund the Handyman Program is for the 2012/13 fiscal year, other funds will be sought to fund the program in future years. The proposed revision to the HTF guidelines would allow for future use of this trust fund if other funding is not secured.

In order to maintain this program, the Planning Services Division proposes adding a provision to the Housing Trust Fund Program Guidelines that would allow the County to provide funding for the Handyman Program. Currently, the Housing Program Guidelines allow for rehabilitation of owner-occupied property but only in the form of a loan to the homeowner with a minimum loan amount of $5,000. The Handyman Program does not require a qualifying homeowner to pay for the home repair services. A revision to the Guidelines is required in order to allow qualifying senior or disabled homeowners to receive the service in the form of a grant. Accordingly, staff is also requesting authorization for an expenditure of $45,000 from this fund to implement the Handyman Program over the 2012-13 fiscal year.

The County-adopted 1992 Housing Element established a trust fund for inclusionary housing assessments for projects eligible to pay a fee instead of providing 10 percent of a residential subdivision as affordable units. In 2002, the Board adopted the Housing Trust Fund-Housing Program Guidelines. The purpose of the Guidelines is to provide direction on the allocations and expenditures of the Housing Trust Fund. Staff proposes utilizing funds from the Housing Trust Fund in order to continue to offer the Handyman Program. The Housing Trust Fund balance is approximately $1 million.

The current Housing Program Guidelines allow use of Housing Trust Funds (HTF) to provide loans to "*...expand and improve the supply of decent, safe, sanitary, and affordable housing; to correct health and safety hazards in deteriorated housing, to extend the useful life of the affordable workforce housing units; and create additional affordable housing units*"..

CEQA COMPLIANCE

The requested action is exempt from environmental review based upon to California Environmental Quality Act Guidelines section 15061 (b) (3) (Review for Exemption), as the proposed amendment to the Housing Program Guidelines will not have a significant effect on the environment.

FISCAL IMPACT

There are sufficient funds in the Housing Trust Fund to provide $45,000 for continued implementation of the Handyman Program for Fiscal Year 2012/2013.

RECOMMENDATION

The Planning Services Division requests that the Board of Supervisors adopt a resolution revising the Placer County Housing Trust Fund –Program Guidelines, as contained in Attachment 1; and authorize expenditure of $45,000 from the Housing Trust Fund for the Handyman Program for the 2012-13 fiscal year.

ATTACHMENTS:

Attachment 1:	Resolution
Attachment 2:	Proposed Placer County Housing Trust Fund – Housing Program Guidelines

cc: Loren Clark, CDRA
Paul Thompson, Planning Services Division
Crystal Jacobsen, Planning Services Division
Donna Kirkpatrick, CDRA
Karin Schwab, County Counsel

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

In the matter of:
Revisions to the County Housing Trust Fund – Housing Program Guidelines and Expenditure of $45,000 from the County Housing Trust Fund

Resolution No.:____________

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

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest:
Clerk of said Board

Board of Supervisors

____
Ann Holman

____
Chair

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF PLACER, STATE OF CALIFORNIA, AS FOLLOWS:

WHEREAS, in 1992 the Placer County Housing Trust Fund (HTF) was established by the County of Placer to accept inclusionary housing assessments for projects eligible to pay a fee instead of developing affordable housing units;

WHEREAS, in 2002, the Board Adopted Housing Program Guidelines outlining the allowable uses for the revenue in the Fund;

WHEREAS, due to the elimination of the Placer County Redevelopment Agency (Agency), the availability of housing funds has been greatly diminished. One program the Agency has been funding is the Handyman Program that is administered by Seniors First. The

ATTACHMENT 1

Agency funding available for this program will end on June 30, 2012. The Handyman Program provides grants for emergency housing repairs/rehabilitation and small energy efficiency improvement services to very-low, low and moderate-income senior and disabled homeowners;

WHEREAS, the Planning Division would like to use funds from the Housing Trust Fund to continue the Handyman Program by entering into a consultant services agreement with Seniors First for the administration of the Handyman program for 2012-13. The agreement would be for $45,000 and those funds would come from the Housing Trust Fund;

WHEREAS, this action is exempt from environmental review based upon to California Environmental Quality Act Guidelines section 15061 (b) (3) (Review for Exemption), as the proposed amendment to the Housing Program Guidelines will not have a significant effect on the environment.

NOW, THEREFORE, BE IT RESOLVED, by the Placer County Board of Supervisors,

1. The Board adopts the revised *Placer County Housing Trust Fund – Housing Program Guidelines* as shown in Exhibit A, attached hereto and incorporated herein by reference;

2. The Board authorizes the expenditure of $45,000 from the Housing Trust Fund for the Handyman Program for 2012-13.

BE IT FURTHER RESOLVED: This Resolution shall take force and become effective immediately.

EXHIBIT A

Attachment "2A"

Placer County

Housing Trust Fund
Housing Program Guidelines

June 2012~~September 24, 2002~~

PLACER COUNTY
HOUSING TRUST FUND PROGRAM GUIDELINES

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PLACER COUNTY
HOUSING TRUST FUND PROGRAM GUIDELINES

The Placer County Housing Program, using Housing Trust Funds (HTF), is designed to expand and improve the supply of decent, safe, sanitary, and affordable housing, to correct health and safety hazards in deteriorated housing, to extend the useful life of the affordable workforce housing units, and create additional affordable housing units. -These funds can be loaned **or granted** to **correct immediate health and safety issues, to** achieve substantial rehabilitation and **to produce** new housing ~~production~~ with long term affordability, for **very-low,** low and moderate-income owner-occupied and tenant-occupied households in unincorporated Placer County.

I. INCOME ELIGIBILITY

A. Income Limits

In order to be eligible for HTF assistance, the cumulative gross annual income(s) for all persons occupying the residence must not exceed 120% for ownership and up to 80% for renters or in limited areas up to 120% of county median income, as published annually by The State Department of Community Development (HCD). The income limits in place at the time of loan approval will apply when determining income eligibility. All persons in residence are considered household members for purposes of income eligibility. The current HCD income limits of the County are listed in Attachment A section XIII.

B. Determining Income for Owner-Occupied Property

Eligible owner-occupied households must have title to the property and occupy the home as their principal residence. Annual income is the gross income to be received by all adults in the household during the next 12 months. Annual household income will be used to determine whether or not a particular household is above or below the published income limit.

All adult persons 18 years or older in residence are required to provide documented proof of current income. Income will be verified by reviewing any assets, tax returns, copies of wage receipts, subsidy or assistance checks, or bank statements or by written verification from the employer/benefit provider. All documentation will be kept in the participant file and held in strict confidence. All assisted owner-occupied dwellings require a 20-year regulatory agreement limiting resale and occupancy to households earning less than 120% of median **with the exception of grants provided to homeowners utilizing the County Handyman Program**.

C. Determining Income for Owner-occupied property with Multiple Persons on Title

When a property has multiple owners listed on the grant deed, for the purpose of eligibility for any rehabilitation activity, only the income of persons living within the unit will be used to determine household income.

D. Determining Income for Rental Property

Rental property owners, regardless of income, may qualify for HTF loans only if existing and future tenants in assisted properties are low-income (at or below 80% of median income) or as designated in paragraph "E" below.

The property owner must also agree to rent to eligible (low-income) households and limit rents as specified in a recorded affordability agreement.

In determining household income, all income of persons living in the unit must be added and considered as a total household income even if occupants or tenants are not related.

All owner-investors are required to provide documentation of their tenant's income. A tax return or the previous year's earnings statement will be required from all employed persons. For retired persons or persons receiving government subsidies who do not file tax returns, copies of benefit checks, benefit award letters or copies of bank statements indicating automatic deposit of benefit checks will be required. All documentation will be kept in a confidential file.

E. Affordability Covenants

All HTF assistance must be secured by deed of trust, promissory note and affordability covenant that requires up to 49% of the units in a rental property to be affordable to and occupied by low-income households for 20 years; Owner-occupied properties to be affordable to and occupied by low- and moderate-income households for 20 years. In higher cost housing areas, such as east of Blue Canyon, the Loan Committee may consider affordability covenants for up to moderate-income households (120%). In the case of moderate-income units up to 100% of units can be required to be **affordable with the exception of grants provided to homeowners utilizing the County Handyman Program**.

II. PROPERTY ELIGIBILITY

A. Eligible Applicants

Applicants can include:

Owner occupants, owner-investor, optionees, or non-profit corporations.

B. Evidence of Ownership

"Ownership" means any of the following interests in residential real property:

a. fee simple interest
b. 99-year leasehold interest in the property
c. ownership or membership in a condominium, cooperative or mutual housing project.

In addition, there cannot be any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.

C. Property Types and Activities

Eligible property types include traditional single-family housing, multifamily housing, condominiums, and modular units being placed on permanent foundation. The structures may be detached or attached. Mixed-use developments are eligible but any construction items which address shared space between the commercial and housing units will be prorated and HTF funds will be used only to pay for housing unit's share of repair costs. Loans can be made for rehabilitation, new construction, acquisition, acquisition/rehabilitation,

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affordable employee housing, infrastructure in support of affordable housing, pre-development, and conversion of non-housing to housing. Loans can be short term for construction, or as a bridge until other committed sources of permanent financing such as HOME, CDBG, or Federal Low-income Tax Credits are available.

D. Property Location

The housing structure must be located within Placer County unincorporated areas. First Priority is to sites that are within the County's Redevelopment Project Areas. For funds generated east of Blue Canyon, projects assisted shall be east of -Blue canyon with priority to the North Lake Tahoe Project Area. Next priority will be given to sites within the jurisdiction of the Tahoe Regional Planning Agency. Then priority would be to any CDBG target areas.

III. ELIGIBLE IMPROVEMENTS AND STANDARDS

A. Rehabilitation Standards

Every loan made in this program used to finance rehabilitation, which shall be to at least minimum program rehabilitation standards, and no loan can be approved which would permit a dwelling unit after rehabilitation to be out of compliance with applicable codes. Applicable codes include the Uniform Building Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical Code, and Chapters 5-10 of the Uniform Housing Code, and relevant sections of Titles 24 which pertain to disability access, and Federal Housing Quality Standards.

In addition to requiring that the building be brought into compliance with applicable codes, the Program requires specific additional upgrades in all projects. These include: upgrade of electrical equipment grounding and bonding system; GFCI replacement in kitchen, bathroom and exterior areas; fire extinguishers; smoke detector upgrade to current Uniform Building Code; and installation of carbon monoxide detectors; exterior painting shall be included where needed to extend the life of exterior materials. if needed. All work performed must comply with the Program's Rehabilitation Standards.

~~1. **Occupants of units constructed prior to 1978 will receive proper notification of Lead-Base Paint (LBP) hazards as follows subject to implementation of the Federal Lead Based Paint Regulations by HCD:**~~

> ~~a) **Proper notification to all owners will consist of the Lead Hazard Information Pamphlet published by the EPA/HUD/Consumer Product Safety Commission, will be given regardless of the cost of rehabilitation or paint test find. If lead-based paint is found through testing or if presumption is used a Notice of Lead Hazard Evaluation or Presumption will also be supplied. When Lead hazards are present, a Notice of Lead Hazard Reduction Activity and a Lead Hazard Evaluation Report will also be provided.**~~

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~~2. Units constructed prior to 1978 will also be inspected according to the following:~~

~~a) If the total amount of assistance or the total amount of rehabilitation hard cost is up to and including $5,000 the following is required:~~

~~(1) Paint testing or presume LBP;~~
~~(2) Clearance of disturbed work areas; and~~
~~(3) Notifications listed above in 1.a.~~

~~b) If the amount of assistance or the total amount of rehabilitation hard cost is more than $5,000 up to and including $25,000 the following is required:~~

~~(1) Paint testing or presume LBP;~~
~~(2) Risk assessment; and~~
~~(3) Clearance of unit.~~
~~(4) If LBP hazards are identified interim controls must be implemented. This level will also require a notice of "Abatement of Lead Hazards Notification" at least five days prior to starting work.~~
~~(5)~~

~~c) If the amount of assistance or the total amount of rehabilitation hard cost is more that $25,000 the following is required:~~

~~(1) Items i, ii and iii of 2b above;~~
~~(2) Abatement of all LBP hazards identified or produced;~~
~~(3) Use of interim controls on exterior surfaces not disrupted by rehab; and all notices listed above in 1 and 2b above.~~

<u>Lead-Based Paint (LBP) Hazard Policies:</u>

<u>All housing units built prior to 1978 are subject to the requirements of this section.</u>

<u>a) housing unit must undergo an assessment by a California Departmetn of Public Health certififed Lead Based Paint Inspection who is certified to use a X-Ray Fluorescence (XRF) spectrum analyzer to detect LBP.</u>

<u>b) deteriorated paint must be stabilized using approved work safe methods.</u>

<u>c) Clearance must be obtained after paint stabilization by a certified LBP Risk Assessor/Inspector.</u>

<u>Handyman Program:</u>

<u>This program provides for grants to homeowners for minor repairs/rehabilitation and small energy efficiency improvement services.</u>

B. Priority

Priority will be given to homes that require substantial rehabilitation as defined by the State

Redevelopment law. That is, the cost of rehabilitation must be 25% or greater of the after-rehabilitation value. Rehabilitation needs will be prioritized and addressed as follows:

1. Health and safety: Examples include correcting plumbing, electrical, structural, mechanical, septic system, and roof deficiencies, and room additions to resolve overcrowding. Lead hazard evaluation and reduction activities will be addressed under health and safety issues.

2. Energy conservation: Examples include insulation, reducing air infiltration through window and door replacement, weather-stripping and caulking, and replacing inefficient water heaters, refrigerators, ovens, furnaces, and air conditioning appliances, converting cloths dryers to gas.

3. Extension of useful life: Examples include repairing siding and sheet rock, interior and exterior painting, replacing worn flooring, cabinets, interior doors, gutters, foundation upgrades, retaining walls, and other repairs that can extend the useful life of the property.

4. Converting to current Uniform Building Code (UBC) standards: Examples include moving bathroom access to hallways or off kitchen; stairs and porch upgrades. (Overcrowded conditions will be considered to exist when parents and children must share a bedroom, when children of the opposite sex 6 years of age and older must share a bedroom, and when a disabled person is required to share a room.)

5. Properties constructed prior to 1978 will be required to comply with current Lead Based Paint abatement regulations. The basic requirements include but are not limited to the following:

    a) Notification regarding the hazards of Lead Based Paint Poisoning be provided to the occupants of the property, as well as to the property owner.
    b) Properties constructed prior to 1978 will be required to be inspected for defective paint surfaces.
    c) If defective paint surfaces are found in properties constructed prior to 1978, current HUD mitigation procedures and policies will be followed.

C. Replacement Housing

In extraordinary circumstances where health and safety repairs are insufficient to remove the most serious deficiencies, and where the cost of new construction is less than rehabilitation to UBC standards, the County may consider reconstruction replacement housing on the same site.

D. Non-eligible Improvements

General property improvements not eligible include:; security systems; television antennas; remodeling (including additions for family rooms, dens), and non-energy-efficient improvements.

E. New Construction Standards

In addition to the standards of Rehabilitation's, such as UBC, Federal Housing Quality Title 21 and Title 24, new construction shall be built to the standards of the California Housing

Finance Agency, (CHFA) Architectural Manual, unless a superior lender requires standards of equal or greater quality.

F. Prevailing Wage

Prevailing wages will be required in conformance with State law. Generally, rehabilitation of individual owner-occupied single-family dwellings will be exempt from prevailing wages.

IV. FINANCING TERMS

A. Maximum Loan Amount

In all cases, the maximum loan amount shall be **$125~~60~~,000** per owner-occupied or **$6~~3~~0,000** per rental housing unit.

The loan amount may include: the construction contract (the accepted bid price for the cost of materials and labor); a construction contingency; drafting, architectural and engineering fees, if any; appraisal and termite inspection charges; credit report review fees; permit fees and related building fees, site preparation for replacement housing; escrow, closing and recording fees; Lead Based Paint hazard mitigation; title report and title insurance, title updates and/or related costs.

In order to fully rehabilitate properties with expensive rehabilitation needs, the Loan Committee can approve, on a case-by-case basis, exceptions to exceed the maximum loan amount when the proposed rehabilitation project has expensive repairs such as: 1) Bedroom addition/relocation; 2) Bathroom addition/relocation; 3) Repair/Replace of perimeter foundation; 4) historic preservation measures; 5) reconstruction and replacement of the entire dwelling.

B. Maximum Loan-to-Value Ratio

The maximum loan amount will be limited to ninety-five percent (95%) of the property after-rehabilitated value. Upon approval of the Loan Committee, exceptions can be made on a case by case basis, allowing a maximum loan-to-value ration of up to one hundred percent (100%) for owner-occupied units.

C. Loan Security

Loans will be secured by a Deed of Trust and Promissory Note. All persons listed on the title to the property must sign the Promissory Note, Deed of Trust and other documentation pertinent to the loan transaction, including a 20-year regulatory agreement protecting affordability for owner-occupied properties. In addition, for rental properties only, a Rent Limitation and Tenancy Schedule Agreement (RLA) will be recorded against the property that will be binding to the property for 20 years. All loans which are not in first position on title will require a Notice of Default be recorded as part of the transaction.

D. Financing Terms For Eligible Owner-Occupied Property

To the extent that an amortized loan payment will not cause housing costs to exceed 30% of annual income, rehabilitation costs will be financed as a three percent (3%) simple-interest amortized loan. In order to maintain maximum housing affordability and financial flexibility, the amortization period can be extended out to thirty (30) years.

Interest-only payment terms can also be offered for a five-year period, subject to County review of household income in five years to determine borrower's eligibility for continued interest-only payment terms. The monthly payment must be a minimum of fifty ($50) dollars. At the end of five (5) years, the County will request income and housing costs documentation from the household. If, at the conclusion of any five year review, the County determines that the borrower is no longer eligible for interest-only payments (because the household is no longer low income, or is financially better able to make repayments), the County will offer amortized payments, at the original interest rate, for an amortization period that will maintain housing expenses at or below 30% of the household gross income. The County may also offer interest-only payments again for another five-year review cycle. If, during the five year period between certifications, the head of household becomes 65 years old, then the loan can convert to the elderly rates and terms listed below.

In the event the household cannot afford a fully amortized payment or interest-only payment, the balance of the rehabilitation loan will be financed at three percent (3%) simple interest with payments deferred for five (5) years. The County will reevaluate the household income in five years to determine the borrower's eligibility for continued deferred payment status. If, at the conclusion of a five-year income review, the County determines the borrower is no longer eligible for deferred payment status, the loan balance will become amortized at the original interest rate for a term to be determined that will keep housing costs affordable. This five-year reevaluation process will continue indefinitely or until paid in full. If, during the five-year period between certifications, the head of household becomes 65 years old, then the loan can convert to the elderly rates and terms listed below.

The County may choose, upon approval of the Loan Committee, to approve a split loan whereby a portion of the loan is amortized and the remainder is deferred.

The County may choose to have the Borrower exceed the 30% housing cost limit and require them to make a payment. Such cases may arise when the loan costs are over the maximum allowed, the loan-to-value ratio is high, or where the family requests to have all or some of the loan balanced amortized.

Low-income owner-occupants who are elderly (age 65 or older) or permanently disabled will be eligible for two percent (2%) simple-interest, deferred-payment loans. The loan is due upon sale of property, transfer of title, or when borrower no longer occupies the home as his/her principal residence.

E. Procedures for Single-Family Dwellings

Procedures and applications for assistance to individual, owner-occupied, single-family dwellings are the same application procedures as for the County's HOME First Time Homebuyer (FTHB) Program, rehabilitation, or CDBG rehabilitation programs.

F. Financing Terms: Owner-Investor Properties

Owner-Investors will be offered five percent (5%) simple-interest fixed rate or 2% below prime, whichever is less for loans amortized for fifteen (15) years. In order to maintain maximum housing affordability and financial flexibility, the amortization period can be extended out to thirty (30) years. To ensure that the rental units renovated with HTF funds continue to benefit targeted income households for a designated period of time, owner-investors will be required to sign 20-year Rent Limitation Agreements (RLA's). Payments can be delayed until sufficient units are occupied to meet debt service.

G. *Information Required to Consider a Request for Financial Assistance for Multiple Units:*

- Project description
- Proposed loan terms and amount of financing requested
- Proposed levels of affordability
- Qualifications of the development team and property management firm
- Form of proposed ownership [corporation, partnership, LLC, non-profit 501 c (3)]
- Project Capital Budget (sources & uses), along with projected funding submittal dates
- Thirty (30) year cash flow/operating statement
- Copies of any applications submitted to, or entitlements received from, a public agency
- Appraisal
- Developers equity contribution, (expected to be 10-20-% of capital costs)
- A Phase I Report (environmental assessment of potential contamination)
- Preliminary Title Report

H. *Loan Default & Subordination Policies*

1. Loan Default Policy

   Loans are in default and due and payable: upon sale of property, transfer of title, or when borrower no longer occupies the home as his/her principal residence. Loans are also in default when the property taxes or homeowner's insurance is not current. For all amortized loans, the County will comply with current lending practices in cases of non-payment. Because the HTF Housing Program is a loan program, the issue of defaults must be addressed. The Program must seek to reconcile two sometimes-conflicting goals: that of benefiting targeted income households and that of securing taxpayer money to recycle Program funds.

   While the policies outlined above state the conditions of default, the County can, on a case-by-case basis, accommodate crises that restrict a borrower's repayment ability. However, 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 current Loan Portfolio Policy and Procedures will be pursued.

2. Subordination Policy

   Placer County shall not subordinate its deed of trust to an increased risk/less secure position, except for exceptional/special circumstances to be determined by the County Loan Committee.

   Exceptions are defined as any action that would depart from policy and procedures stated in -these guidelines. Consideration of an exception/special circumstance may be initiated by the County or its agent. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The Loan Committee shall make a determination of the exception/special circumstances request at a regular or special meeting.

Subordination requests shall meet County requirements and policies and may include the following considerations:

a) In cases of extreme hardship, where borrowing becomes necessary to protect the health or safety of the occupants, or in the case of owner–occupants to pay health care costs for the borrowers and the borrower's immediate family.

b) The total principal of the loans senior to the County loan is unchanged or decreased and the County's security interest is not jeopardized, as determined by the County.

c) The amount of the new loan may only include the current balance of the senior debt plus debt to pay for all or a portion of the closing costs of the refinance/2nd with no cash out.

d) The new loan must not have a balloon or negative amortization features.

e) If, as a result of the new loan, the owner-occupant borrower's housing costs will be less than current housing costs.

f) If the purpose for the new loan to which the county is to be subordinate is to pay for medical expenses of a low or moderate owner-occupant, or to repair health and safety building code violations that have been documented by a qualified third-party inspector, the borrower may increase the amount of the new loan to make health and safety repairs or pay medical expenses with these funds being placed in a supervised escrow account and relevant bills are to be paid out of this account.

If the borrower and the new loan comply with the above requirements, the following information will be provided if applicable:

1. Borrower's request for subordination, including a statement of the reason for the refinance and supporting documentation of income, hardship, copy of loan application, medical expenses, etc.

2. Copy of the Lender's instructions for escrow purposes, that specifies proposed use of the borrowed funds, etc.

3. Copy of the new loan documents, i.e. Promissory Note, Deed of Trust, and Loan Disclosure to show the amount of the new loan, rate of interest and terms of the proposed refinancing. Copy of the current appraisal, credit report, and preliminary title report.

4. A completed Subordination Agreement and a Request for Notice of Default or Sale for County execution will allow us to finish processing the request in the event the subordination is approved.

V. AFFORDABILITY COVENANT AND REGULATORY AGREEMENT

A. Affordability Period

All borrowers must sign an Affordability Covenant and Regulatory Agreement that will be recorded against the property. All units assisted with HTF funds are required to remain affordable for the period stipulated in the Agreement. Units will be required to adhere to a minimum 20-year agreement for owner-occupants, and renters. The Agreement will be reconveyed upon expiration of the affordability period. An owner-occupant or owner investor can sell the unit to a buyer approved by the County to be an income eligible, subject to the Agreement. An owner investor can sell to another owner investor who agrees to rent in accordance with the Agreement.

B. Maximum Rents

Under the agreement, an investor can only increase rents in accordance with increases in County Median Income as published annually by HCD. Assisted rental units must have rents not to exceed the greater of

1. Rents established at 30% of 80% area median income, as determined by HCD for low income, 30% of 50% for very low, and 30% of 120% for moderate, minus ~~**tenant paid**~~ **utility allowance for tenant paid utilities**~~**es**~~.

C. Tenant Income Re-Certification

The Agreement requires that tenant income be re-certified annually. The household may not be evicted or given a 30-day notice due to exceeding income ineligibility, unless income exceeds 140% of area median income.

D. Binding Terms and Conditions

If an owner sells the property, conveys title, or pays off the HTF loan in full, before the Agreement term expires, the Agreement is still binding. The conditions and restrictions affecting the real property will run with the land and will be binding on all parties having or acquiring any right, title or interest in the property or any part thereof, including agents, personal representatives, mortgagors, heirs, assignors and all successors in interest. The owner must agree that reference to the Agreement will be inserted in any subsequent deeds and other legal instruments by which subject real property or any interest therein is conveyed.

E. Future Obligations and Regulatory Requirements

Developers who anticipate affordable or employee housing obligations as a result of County ordinance or General Plan Policy may build those units in advance of the development that creates the obligation, by entering into a Memorandum of Understanding with the Agency or County. Such credits may also be listed in regulatory agreements recorded against the applicable properties.

Where an inclusionary or employee housing requirement applies, assistance is limited to those units made affordable in excess of ordinance or policy requirements.

VI. LOAN PAYMENT AND ASSUMPTION POLICIES

A. Loan Payments

Loan payments will be made to:

Placer County
Planning Services Division
3091 County Center Drive, Suite 140
Auburn, CA 95603~~On Time Accounting Services~~
~~10111 Martin Luther King Jr. Hwy, Suite 110~~
~~Bowie ML, 20720~~

Loan payments will be accepted from borrowers prepaying deferred loans, from borrowers making amortized or interest only loan payments, and from borrowers making payments in full upon sale of the property or change in title. All loans are payable to: Placer County. Assumption, refinancing, transfer of title, does not change the provisions or term of the Affordability Agreement.

B. Assumption Policies: The Affect of Changes in Title and Occupancy

1. Change of title or occupancy: owner-occupant to owner-occupant

    a. If the new owner-occupant is not moderate-income or below, the loan is not assumable. The loan balance is immediately due and payable and resale to an above moderate household must follow marketing and noticing provisions of the Agreement, if sold before end of term of Affordability Agreement.

    b. If the new owner-occupant is moderate income or below, the County may allow the purchaser to either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the County's Loan Committee in accordance with the Agreement.

2. Change of title or occupancy: owner-occupant to owner-investor

    Except for a FTHB loan, which must be owner occupied, if an owner-occupant decides to rent his/her property or if the property is sold to an investor, the outstanding balance may be refinanced according to owner-investor terms and conditions with proper income and occupancy eligibility by low-income households.

3. Change of title or occupancy: owner-investor to owner-occupant

    a. If the assisted rental property is sold to a low or moderate income owner-occupant, the Agency may elect to restructure the loan according to owner-occupant terms, If the Agency determines that the buyers are income eligible first time homebuyers.

b. If the assisted rental property can not be sold to a low or moderate-income owner-occupant, the loan is immediately due and payable.

c. If the original owner-investor moves into the property and is low or moderate income, the Agency may elect to restructure the loan according to owner-occupant terms.

4. The original owner-investor may move into the property if he or she is an income eligible household

5. Change of title or occupancy: owner-investor to owner-investor

a. If the assisted rental property is sold to an owner-investor while the Agreement is in force, the terms of the Agreement will remain in force. The new owner-investor may pay the loan in full or assume all repayment obligations of the original owner-investor, subject to County approval of the written assumption request. If the new owner-investor chooses to pay off the loan, the Agreement remains in force and all terms and conditions apply to the new owner.

C. Conversion to Use other than Residential

The property cannot be converted to nonresidential use without replacement of the affordable units by the owner.

VII. LOAN COMMITTEE

A. Committee Composition

The Loan Committee shall consist of **two County managers**~~3 to 5 persons, including at least one County staff member~~.

B. Committee Role

The Loan Committee will review each application and will make decisions on the loan amount and terms to be utilized. ~~Loans that exceed $100,000 will be referred to the Board of Supervisors (BOS) for action.~~ Confidentiality of applicant's financial records shall be maintained at all times and personal financial records will not be public information.

In order to meet the needs of affordable housing in Placer County, the Loan Committee will review program guidelines annually and make recommendations for future changes.

C. Conflict of Interest Requirements

~~No member of the governing body and no official, employee or agent of the governing body, nor any other~~ No person who exercises policy or decision-making responsibilities (including members of the Loan Committee and officers, employees, and agents of the Loan Committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program. Exceptions to this policy can be made only after public disclosure and formal approval by the Board of **Supervisors** ~~Directors~~ of the County.

VIII. LOAN APPROVAL AND CONSTRUCTION PROCESS

Applications will be accepted year round until the goals of the program have been met and/or all funds have been committed. Generally, applications will be processed on a first-come-first-serve basis. When the number of applications exceeds loan funds, the County will rank them according to rehabilitation need and location. Units with the greatest rehab need will be ranked first. Then, among applicants with similar rehab need or new construction, priority will be given as specified in II-D. All ranking will be completed in compliance with Fair Housing Act standards.

A. *Outreach*

Community members are informed of the details of the program and eligibility requirements through advertisements, public meetings, private interviews, program flyers distributed throughout the county, and other fair marketing efforts. Written information is provided in English and the primary language of any significant portion of target area residents. Bilingual personnel will conduct or assist with outreach and community meetings, as needed.

B. *Loan Application*

The **Housing** ~~**Redevelopment**~~ Specialist, or housing consultant holds private interviews with families to explain program requirements, documentation, and the rehabilitation processes, and when necessary, to assist in completing the application form. Required signatures are obtained, and the unit's rehabilitation needs are discussed. Additional documents may be obtained through the mail or follow-up visits.

C. *Loan Packaging and Determining Rehabilitation Cost*

Income and property eligibility analysis is carried out by the **Housing** ~~**Redevelopment**~~ Specialist. or housing consultant. Elements include a preliminary title report to evidence ownership and existing encumbrances, property value documentation (i.e., property profile, comparable market analysis, appraisal), and income and credit verifications.

Property value will be determined by an appraisal whenever there are senior mortgages which encumber a large portion of the value. In cases where the property is owned free and clear or encumbrances are small, qualified staff at the County or County's housing consultant may use recent local sales to determine the property's after-rehabilitation value.

When the property and income eligibility has been determined, the unit is inspected. The ~~**Rehabilitation Inspector**~~ **Housing Specialist** prepares a detailed work write-up and in-house cost-estimate. A Pre-bid Conference Notice is sent out to licensed contractors on the program's Interested Contractor List. The **Housing Specialist** ~~**Rehabilitation Inspector**~~ conducts a bid walk-through, reviews bids for their completeness, and reviews the results with the owner. After the owner selects the contractor, the **Housing** ~~**Redevelopment**~~ Specialist prepares the loan recommendation.

D. *Loan Approval*

A loan package will be prepared that: confirms the applicant and property eligibility; documents the equity in and the encumbrances on the property; lists the breakdown of loan costs; and includes any other information particular to the case at hand. The package will

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then be submitted to the Loan Committee for consideration~~, or RDA management staff in the case of FTHB.~~

E. Document Signing

Upon notice that the Loan Committee has approved the loan, the borrower signs the appropriate loan documentation and the deed is recorded. The County may utilize the services of a reputable Title and Escrow Company to assist with the recording of all appropriate legal documents and issuance of title insurance.

F. Work Commencement and Progress Payments

The property owner and the contractor sign the Construction Contract. The Housing **Specialist** ~~**Inspector**~~ issues a Notice to Proceed, with a copy to the local building inspector. Work begins and a rehabilitation disbursement record is established to record all requests, disbursements, and change orders.

The Housing **Specialist**~~**Inspector**~~ reviews disbursement and change order requests with an inspection of work in place. Construction disbursement or change order funds cannot be released without the signatures of the homeowner and the contractor.

Any necessary inspections will be coordinated with the County's Building Department.

G. Change Orders

All change orders require the approval of the owner, the contractor (if a contractor is involved) and the Housing Inspector. All three parties must sign the change order form prior to commencement of the work proposed in the change order.

H. Work Completion

The Housing **Specialist** ~~**Inspector**~~ will conduct a final walk through with the owner and selected contractor to address any outstanding items. Upon completion of work and a final inspection by the local building inspector, a Notice of Completion is recorded at the County Recorder's Office.

IX. EXCEPTIONS/SPECIAL CIRCUMSTANCES

Exceptions are defined as any action, which would depart from policy and procedures, stated in the guidelines. Consideration of an exception/special circumstance may be initiated by the County or its agent. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The Loan Committee shall make a determination of the exception/special circumstances request at a regular or special meeting. The Loan Committee may consider standards of similar programs such as **CDBG and, HOME,** ~~**and Redevelopment**~~ when reviewing ~~**reviewing**~~ requests for exceptions.

X. DISPUTE RESOLUTION/APPEALS PROCEDURE

During pre-construction, construction, or post-construction periods, the applicant/borrower shall engage in the following process to have any disputes with the County or Consultant

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heard and resolved:

Any person/family applying for a loan through the HTF program has the right to appeal if their application is denied. Complaints concerning the HTF Program should be made to the County's housing consultant, or Housing **Specialist's Supervisor**~~Program Coordinator~~, first. If unresolved in this manner, the complaint or appeal shall be made in writing and sent to:

Placer County ~~Redevelopment Agency~~
Planning Services Division~~Housing Program Coordinator~~
3091 County Center Drive, Suite 140~~11493 B Avenue~~
Auburn, CA 95603

The County will then schedule a meeting with the Loan Committee. Their written response will be made within fifteen (15) working days. If the applicant is not satisfied with the Committee's decision, a final appeal may be filed with the **Community Development/Resource Agency Director**~~Deputy County Executive Officer of Redevelopment~~. This appeal must also be writing and sent to:

Placer County ~~Administrative Services~~
~~Deputy County Executive Officer~~
Community Development/Resource Agency~~2962 Richardson Drive~~
3091 County Center Drive
Auburn, CA 95603

In addition, during pre-construction, construction, or post-construction periods, the applicant/borrower has a similar right to have any disputes heard and resolved. HTF program representatives are primarily responsible to assure that the program is implemented in compliance with state and federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work write-ups, and contract documents. Program representatives attend the meeting between the homeowner and the contractor when the contract documents are signed, and facilitate in the clarification and/or corrections of proposed work so a clear understanding is established between both parties.

During and after completion of construction, the contractor's work is monitored for code compliance by the County Building Inspector and for quality and completeness by the **Housing Specialist**~~program representative's inspector~~.

The contractual obligation for rehabilitation and new construction is ultimately between the contractor and the homeowner. If a situation occurs where the two parties are in conflict, the following procedure will occur:

Stage 1: Before any intervention occurs, the homeowner or contractor shall communicate perceived problems or complaints directly to the other party. In an attempt to resolve the differences, each will give the other an opportunity to respond or correct the problem.

Stage 2: If the Stage 1 attempt fails, the homeowner or contractor may ask the program representative to informally intervene. This intervention might include telephone call(s) to the contractor or homeowner, meeting(s) at the job site or in the office, or other actions as deemed appropriate, including such things as the establishment of written working guidelines, or other post-contractual agreement.

Stage 3: Involve the County. If the HTF program representative is unable to satisfactorily resolve the homeowner-contractor differences, the homeowner, contractor, or program representative will contact the staff person responsible for the program at the County in writing, detailing the problem. In cases of building code compliance, the building inspector must also be contacted.

It must be recognized that the homeowner has other options which they may chose to utilize, including the following:

a. contacting the Contractors State Licensing Board and submitting a complaint;
b. using professional mediation or binding arbitration services;
c. taking legal action.

It is hoped that the informal intervention process outlined above will offset other contractor and/or homeowner actions, and that every attempt is made to remedy problems and resolve differences before more drastic options are necessary.
Any controversy between the parties that cannot be settled through the informal intervention process outlined above shall be settled by the owner and contractor through other options listed above.

XI. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

This program is subject to the California Relocation and shall avoid involuntary displacement except in extraordinary cases as a last resort, such as replacement of units beyond rehabilitation.

A. Temporary Relocation Assistance: Owner-occupied properties

Owner-occupants participate in the program on a voluntary basis, and therefore, will not be eligible for relocation assistance under this program. Only if an extreme situation of hardship exists, such as when the owner is elderly, financially destitute, has no friends or family to assist with housing, all alternatives have been exhausted, and the relocation is necessary for medical reasons while substantial rehabilitation is occurring. If they are required to temporarily relocate during rehabilitation of their home, owner-occupants will be eligible for up to $500.00 per household to help pay for relocation costs. The funds may be used to help pay for the rent and/or utility costs of temporary housing and/or for the cost of moving and storing furniture. Relocation costs would not be part of the loan funds advanced to the borrower, but will be paid from the **HTF** ~~loan pool~~.

B. Temporary Relocation Assistance: tenant occupied properties

1. At time of application for assistance:

The first notice will be sent as soon as a loan application is received from the owner-investor. All tenants will receive a certified notice informing them not to move, that they will not be displaced because of the construction, that they may be eligible for temporary relocation benefits, and that if they are relocated then they are entitled to first choice for moving back into their current unit. They will also be informed that their after-rehabilitation rent and utility costs will not exceed the greater of: (a) their current rent/average utility costs, or (b) 30% of their average monthly gross household income.

Upon approval of the loan, all tenants will receive a second notice by certified mail. The second notice will inform them that they will or will not need to be relocated due to construction. If they do need to be temporarily relocated due to the rehabilitation, tenants will be advised of the date and approximate duration of relocation; the addresses of suitable temporary housing; their rights to lease and occupy a suitable unit in the original building/complex after the completion of the rehabilitation project; and the financial assistance available to cover temporary relocation and moving costs.

2. During affordability period:

No tenant will be required to temporarily relocate without 90 days' advance written notice of the earliest date by which he or she may be required to move. And, the specific date for when the property must be vacated will be communicated in writing at least 30 days in advance. Lists of possible rental properties for temporary relocation will be offered.

When a rental property with an un-expired Rent Limitation Agreement is sold, and the existing tenant is required to move permanently, a 90-day notice to vacate must be provided and relocation costs must be paid to the vacating tenant(s) for the remaining period of affordability stipulated in the RLA. Relocation costs are equal to the difference between the tenant's rent under the RLA and what it will cost the tenant to rent a comparable unit in the local area.

(Contents of notices to tenants will adhere to requirements outlined in Title 25, California Code of Administrative Regulations.)

XII. CONTRACTING REQUIREMENTS

A. Role of the Local Government

Placer County is an equal opportunity, fair housing lender, providing affordable financing for housing rehabilitation performed in accordance with the adopted Program Guidelines. The County ~~Agency~~ does not warrant any construction work, or provide any insurance coverage.

B. Contracting Process

Contracting will be done on a competitive bid basis. The owner will be the responsible agent, but the local government and/or its agent will prepare and advertise the bid package and assist the owner in negotiating the contract. The owner has the right to select the contractor of their choice.

C. Approved Contractors

All contractors will be checked with HUD's federally debarred list of contractors; no award will be granted to a contractor on this list. Contractors are required to be licensed with the State of California and be active and in good standing on the Contractor's License Board list. Contractors must also have public liability insurance and when necessary, Workmen's Compensation Insurance. Contractors must agree to comply with all County regulations and guidelines.

D. *Acceptance of Work*

Final payment will be made to the contractor when the building inspector has accepted the work, as evidenced by a final sign-off on the building permit, and items on the final punch list approved by the participant and Housing Program Inspector have been completed. At the time of the request for the payment of the final 10% retention, the contractor will provide either: 1) lien releases from all subcontractors, laborers, materials and equipment rental; 2) a copy of Notice of Completion recorded 35 days prior to request.

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XIII. Current Income Limits

HCD 2012~~02~~ Income Limits
Adjusted for Family Size

PLACER COUNTY

	Number of Persons in Family							
Standard	1	2	3	4	5	6	7	8
80% of median income	42,650 ~~32,100~~	48,750 ~~36,650~~	54,850 ~~41,250~~	60,900 ~~45,850~~	65,800 ~~49,500~~	70,650~~5~~ ~~3,150~~	75,550~~5~~ ~~6,850~~	80,400 ~~60,500~~
120% of median income	63,900 ~~48,150~~	73,050 ~~55,000~~	82,150 ~~61,900~~	91,300 ~~68,750~~	98,600 ~~74,250~~	105,900 ~~79,750~~	113,200 ~~85,250~~	120,500 ~~90,750~~

The following additional provisions apply to FTHB loans:

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XIV. FIRST TIME HOME BUYER PROGRAM GUIDELINES

The First Time Homebuyer program is designed to provide "silent" second mortgages to eligible families for assistance in purchasing their first house. The program may be used on any newly constructed or older existing housing unit within the unincorporated county.

~~**Second mortgages are available for down payment and closing cost assistance financing to facilitate purchase of affordable units for low and moderate-income households.**~~

1.0 APPLICANT ELIGIBILITY

1.1 Definition of a First Time Homebuyer

"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 County 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 that 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 under-employed, 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; and

(3) an individual who owns or owned, as a principle residence during the three-year period before the purchase of a home with County assistance, a dwelling unit whose structure is:

(i) not permanently affixed to a permanent foundation in accordance with local or state regulations; or

(ii) 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.

Potential buyers will be required to provide three years of rental verification and three years of past federal income taxes to document that they have not taken any mortgage interest deductions which indicate status of a homeowner. If they fall into the exceptions listed above they must provide proper documentation as such.

1.2 Selection/Prioritization of Participants & Selection of Properties

The county shall process applications on a first-come-first-serve basis. ~~**Priority can be given to residents who live or work in Placer County. For assistance funded from the North Lake Tahoe Area, additional priority will be given to households that live or work east of Blue Canyon. If a group of qualified persons are all qualified at the same time, with the same priorities, then they will be placed on a list and entered in a lottery for homebuyer slots. A number will be chosen at random for each of the homebuyers. The applications will be processed according to the number assigned. The family below them on the list will replace any of the first applicants who drop out of the program.**~~

All outreach efforts will be done under an affirmative fair housing marketing plan. ~~**First time homebuyer seminars will be noticed and conducted by the Sacramento Home Loan Counseling Center or County Staff. Persons who have participated in local first time homebuyer seminars will be notified about the program. Local real estate agents and mortgage loan processors will also be encouraged to have their customers participate in the program.**~~

The property selection process will be market driven. Participants can submit the full package to the County including first mortgage loan package and property sales contract. The sales contract will be contingent on the family and property meeting County guidelines and receiving County and First Lender loan approval. As such, the program is open and any eligible family may work with a local Realtor to find a suitable house. The County or an administrative subcontractor will confirm that the property is within the unincorporated areas. County staff and/or Loan Committee will review all properties to ensure they meet all County criteria before funding.

1.3 Qualification for First Mortgage and Documentation of Down Payment

All applicants must be pre-approved for a first mortgage and document that they require the County's financial assistance to become homeowners. The mortgage loan officer will provide the necessary documents to show that the unit to be purchased is affordable and that the family has used all their income resources to meet the requirements of the first mortgage lender.

Eligible families must document that they have the funds necessary for down payment and closing costs as required under the participating first mortgage lender they are approved for. The County will require all buyers to provide a minimum of three percent **to the purchase transaction, personal gift funds are allowed but not funds gifted as part of the sales transaction** ~~**for down payment and the County will allow gift funds to be used**~~. This **minimum purchase contribution** ~~**down payment**~~ requirement is in place even if the first lender has lower down payment requirements. ~~**Payment of non-recurring closing costs may be considered for families who do not have cash reserves after close of escrow.**~~ The level of subsidy will be determined during underwriting of the County's second mortgage. Only fixed rate mortgages will be allowed under the program.

1.4 Credit and Education Requirements

All program participants must attend **an in-person** homebuyer education class. Upon completion, the participants will receive a certificate of completion to be submitted to the County. The County will review the participant's credit history~~, including rent payments~~. ~~**Any negative credit items must be explained and justified. If a family has a poor credit history, the County may require them to attend credit and budgeting seminars and/or mortgage default counseling at the Sacramento Consumer Credit Counseling Center.**~~

2.0 PROPERTY ELIGIBILITY

2.1 Location and Unit Characteristics

Properties eligible include any home within the unincorporated limits of Placer County which is: single-family detached **or** condominium~~**, or replacement of an existing mobile home on a single-family lot with new factory built house or new conventional construction placed on permanent foundation. Units must be in compliance with local zoning ordinances, etc.**~~

2.2 Tenancy of Eligible Properties

All owner occupied properties will be eligible for the program. To avoid displacing existing tenants-in-good standing, no occupied rental properties will be eligible under the program. If a tenant is currently occupying a property and wishes to purchase it for their primary residence, then it can be eligible. Vacant units will only be considered if documentation is supplied proving that the unit **had been vacant for a minimum of three months and** was not occupied when the property was offered for sale, and any previous tenant was not displaced due to the anticipation of a~~n~~ County assisted FTHB loan. Eligible buyers must occupy all assisted units as their principle residence.

2.3 Maximum Subsidy and Appraised Value of Properties

The appraised value of the property at time of title transfer, must not exceed the purchase price limits for the county as determined by and published annually by the County. The property must not have deed restrictions or covenants, which are in conflict with funding source regulations. The maximum subsidy provided to any eligible property shall not exceed the annual subsidy limits published by the County. If the County has not published subsidy and price units, then those used in the Federal HOME program shall apply. ~~**Exceptions may be made by the Loan Committee for properties East of Blue Canyon, where appraisal documentation for comparable units is provided.**~~

2.4 Condition of Units

Eligible housing units must not have code-related deficiencies at time of occupancy or, as in the case of using a~~n~~ FHA 203K mortgage, must be clear of any deficiencies within six months of close of escrow. Housing inspections of each property will be conducted before commitment of County funds. Any units which are required to have repairs done will be re-inspected before close of escrow to ensure that all repairs have

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been completed. County funds will not be used to assist a family if doing so will create overcrowding conditions. Priority will be given to units constructed after 1978 to avoid lead-base paint abatement costs.

If a property is eligible for the program and was built before 1978, then the buyer will receive and sign a notice of lead-base paint disclosure. A certified lead-base<u>d</u> paint inspector will be used to evaluate the unit and ensure that all federal lead-base<u>d</u> paint procedures, including any abatement are followed. Any requirement for lead-base<u>d</u> paint testing and/or required abatement must be completed before investment of County funds.

2.5 Proper Notification and Disclosures

Upon selection of a property, a qualified seller and buyer must be given the necessary disclosures for the program. The borrower must have read and signed all program disclosure forms. Any and all property disclosures must be reviewed and signed by the buyer and seller.

All property owners who wish to sell their properties must receive an acquisition notice prior to submission of the buyer's original offer. This notice will be included in the contract and must be signed by all owners on title. The disclosure must contain:

1. that the purchaser is receiving funds from the County as part of the transaction, the buyer has no power of eminent domain and therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and
2. an estimate of the fair market value of the property. This estimate may be made by the buyer's agent based on their knowledge of local real estate market. If such notice not given to seller prior to the purchase offer, then this will be attached as a rider to the purchase agreement after the fair market value is provided and the seller has the ability to cancel the sales transaction based on the information disclosed.

3.0 LOAN TERMS HOME SECOND MORTGAGE

3.1 Loan Amount

Maximum loan amount for second mortgages available to eligible homebuyers will be **$<u>125</u>~~60~~,000. ~~Leverage funds may be employed to cover mortgage subsidy costs that exceed this maximum funding amount.~~** The minimum County loan will be $5,000 per unit. All families being assisted with County funds must obtain a first mortgage within the affordability parameters of these guidelines.

The Second Mortgage gap financing may include: amount of funds which, when combined with the first mortgage and down payment will enable the family to purchase the house. **~~On a case-by-case basis, non-recurring closing costs for up to three percent (3%) of the purchase price may be included in the County loan. 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 paid.~~**

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~~3.2~~ Rates and Terms for Second Mortgage

The second mortgage will be financed as a **shared net appreciation loan**~~three percent (3%) interest 30-year deferred-payment loan. The interest on the second mortgage will, starting at year twenty of the loan, be decreased by 10% per year until all interest is fully forgiven at year 30 and only the principle remains as due and payable. This will encourage homebuyers to use the unit as their primary residence.~~ **The County's share of appreciation shall be equal to the percentage that the County's loan was at the time of purchase of the property.**

Loans are due upon sale or transfer of title or when borrower no longer occupies the home as his/her principal residence. The loan will be in default if the borrower fails to maintain required fire, flood insurance, or fails to pay property taxes.

~~3.3~~3.2 Affordability Agreement

All County funded loans will have an affordability agreement recorded on the title. This agreement will run with the land for the period of affordability, 20 years. The agreement will ensure that the program participant complies with County regulations during the term of affordability as required by State law. It will provide an incentive to participants to stay in their homes while at the same time giving the County and owner the flexibility of allowing a loan assumption by future buyer who meets County requirements.

The affordability agreement will require the borrower to comply with minimum acceptable exterior property maintenance standards, including landscaping maintenance standards of any local CC&R's. These standards shall not be unduly prohibitive. Borrowers shall be expected to maintain the unit to local code and zoning compliance as well as health and safety standards. Failure to comply with these standards, after sufficient warnings, shall be considered a violation of the Agreement, and the County shall retain the right to accelerate the loan.

~~**Under the affordability agreement, if the unit is sold to a moderate-income homebuyer, then the second mortgage can be assumed using the same rates and terms. Deed restrictions will require that the owner sell the property to an County eligible low-income or moderate-income homebuyer. (See Section 5, below for discussion of loan assumptions.) The County must be notified of any sales contract. Resales must comply with the Affordability covenants recorded against the property.**~~

3.4 Loan Security and Underwriting Standards

Deeds of Trust and Promissory Notes will secure both the first mortgage and second mortgage. A combination of the first loan and the second loan should not exceed 97% of the value of the property. The County may assist a household where total loans exceed 97% if the first lender is in agreement, and/or proper compensating factors are documented up to 100% of value. Value will be determined by an appraisal based on the current market value of similar property in the area.

At time of closing escrow, all participants must have sufficient fire insurance (and flood insurance, if required by location in a flood plain) to cover all encumbrances. Households will be required to have impound accounts for insurance and taxes to assure they will stay current. All persons listed on the title to the property must sign the Promissory Note and Deed of Trust, and affordability covenants.

4.0 LOAN REPAYMENT

All loans will be initially deferred because the borrowers will have their repayment ability fully utilized under the first mortgage. ~~**Households**~~**Household's** voluntary monthly payments at any time, upon notification and approval of the county.

5.0 LOAN PROCESSING AND APPROVAL PROCESS

5.1 Initial Application and Underwriting

All interested participants or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. They must submit a complete application packet with all the County's program documents executed as well as all the information from the first mortgage lender. The first lender must submit: 1) accepted property sales contract with proper seller notification; 2) mortgage application with good faith estimates and first mortgage disclosures; 3) full mortgage credit report and rent verification; 4) current third party income verifications and verifications of assets; %) home ownership education certificate; 6) three years of past federal income tax returns. Staff will work with local lenders to ensure qualified participants receive maximum benefit from the County's program, for example in many cases the first mortgage lender will not require mortgage insurance with the county's second in place.

5.2 First Time Homebuyer Underwriting and Determination of Subsidy Amount

After initial review of the qualified first time homebuyer's application packet, the County or administrative subcontractor will request any additional documents needed. Documents may be faxed but originals must be received through the mail before funds are committed. Based on receipt and review of the final documents, the reviewer will do an income certification (using Section 8 procedures), and first time homebuyer certification (review of past three years income taxes). Documentation of affordability will then be verified.

The County's application and disclosure forms will contain a summary of the loan qualifications of the borrower with and without County assistance. Housing ratios with and without County assistance will also be outlined. Information on the County's application will be documented with the remaining documents in the file. For example, the sales contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite, and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The mortgage loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The first lender approval letter and estimated closing cost statement should reflect all the information in the mortgage package and show any contingencies of loan funding. Reviewing first mortgage loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the County loan. By reviewing and cross checking all the lender information, the final County loan amount approved will fall within the affordability parameters of the program.

5.3 Affordability Parameters for Buyers

The maximum housing cost ratio for the family will not exceed the allowable rate under the first mortgage lender or a maximum of 35% which ever is less. The family's combined gross monthly income and estimated housing cost (principle, interest, taxes, insurance, and homeowner's association dues or bond payments, etc.) will be used to calculate this ratio when using County funds.

The minimum housing cost ratio for the family will not in any case be below 25% of gross monthly income. Whenever the housing ratio drops below 28%, there must be compensation factors or documentation of need. By restricting the subsidy to lower housing cost ratios, the County will be ensured of not subsidizing borrower debt or over subsidizing first mortgage.

By limiting the assistance to housing ratio parameters listed above, the County will be assured that each borrower is receiving only the assistance needed to allow them to become home owners and keep their housing costs affordable.

5.4 Construction Inspection and Determining Need for Repairs

The County or administrative subcontractor will work closely with local Realtors to explain the program requirement for eligible properties. Once the County or the subcontractor has underwritten an eligible participant, the County or construction inspector will walk through the property and identify any code violations, which need to be corrected. A list of code related repair items would be given to the buyer and their Realtor to be negotiated with the seller.

If the house is pre-1978 then the buyer will receive and sign a lead based paint disclosure. A certified lead base paint inspector will inspect for defective paint surfaces. If defective paint surfaces are found, a specific cost estimate for lead base paint abatement by a certified contractor will be included in the list of correction items given to the buyer for negotiation on the property.

The County will require a clear pest inspection report with each unit. Smoke detectors **and a carbon monoxide detector** will be installed if there are none in place. Any zoning violations will need to be removed before close of escrow. The County will encourage each buyer to secure a homeowner's warranty policy as part of the purchase of a resale property.

Upon completion of all work required by the construction inspector, a final inspection would be conducted prior to close of escrow. The inspector will review the unit and sign off on all construction work assuring that each unit receiving County assistance is in compliance with local codes at the time of purchase.

5.5. Completion of Underwriting and Approval of Second Loan

When all the income and property eligibility items have been resolved, **~~the subcontractor will submit a request for loan approval to the County. County staff will review the request and may approve it with or without conditions. Exceptions can be considered in accordance with Section IX. If underwriting is completed by~~** **The Housing Specialist will prepare a loan approval package to be** **~~County staff, the application can be~~** reviewed by the Loan Committee prior to approval. Upon approval, a final closing date for escrow is set and County funds are accessed for the buyer.

The local lender carries out first mortgage loan packaging after the property and program participants have been qualified and the project is determined to be feasible. The County subcontractor is responsible for preparing all necessary second mortgage loan documents for escrow closing.

5.6 First and Second Mortgage Document Signing

A complete loan package is produced containing the first and second mortgage documents. The package will: detail participant income eligibility and repayment ability; document the total amount of the County loan and the total amount of the first mortgage; list the breakdown of loan costs; include final home inspection sign off; and any other information particular to the case. (All private financing commitments must be in place prior to consideration by County staff.) The first time homebuyer signs both promissory notes and deeds of trust, affordability covenants, and other statutory lending notices (right of rescission, truth in lending, etc.); the deeds are recorded with the County Clerk/Recorder at the same time.

5.7 **DISPUTE RESOLUTION/APPEALS PROCEDURE**

Any household member ~~person/family~~ applying for the first time homebuyer program has the right to appeal if their application is denied. The appeal must be made in writing in accordance with Section IX.

5.8 **ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**

This program will make all attempts to avoid displacing any persons. The county does have a relocation plan in effect for this and other publicly funded activities that will be used only when all other methods to avoid displacement have been exhausted.

Attachment "2"

Placer County

Housing Trust Fund
Housing Program Guidelines

June 2012

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ATTACHMENT 2

PLACER COUNTY
HOUSING TRUST FUND PROGRAM GUIDELINES

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PLACER COUNTY
HOUSING TRUST FUND PROGRAM GUIDELINES

The Placer County Housing Program, using Housing Trust Funds (HTF), is designed to expand and improve the supply of decent, safe, sanitary, and affordable housing, to correct health and safety hazards in deteriorated housing, to extend the useful life of the affordable workforce housing units, and create additional affordable housing units. These funds can be loaned **or granted** to **correct immediate health and safety issues, to** achieve substantial rehabilitation and **to produce** new housing with long term affordability, for **very-low,** low and moderate-income owner-occupied and tenant-occupied households in unincorporated Placer County.

I. INCOME ELIGIBILITY

A. Income Limits

In order to be eligible for HTF assistance, the cumulative gross annual income(s) for all persons occupying the residence must not exceed 120% for ownership and up to 80% for renters or in limited areas up to 120% of county median income, as published annually by The State Department of Community Development (HCD). The income limits in place at the time of loan approval will apply when determining income eligibility. All persons in residence are considered household members for purposes of income eligibility. The current HCD income limits of the County are listed in Attachment A section XIII.

B. Determining Income for Owner-Occupied Property

Eligible owner-occupied households must have title to the property and occupy the home as their principal residence. Annual income is the gross income to be received by all adults in the household during the next 12 months. Annual household income will be used to determine whether or not a particular household is above or below the published income limit.

All adult persons 18 years or older in residence are required to provide documented proof of current income. Income will be verified by reviewing any assets, tax returns, copies of wage receipts, subsidy or assistance checks, or bank statements or by written verification from the employer/benefit provider. All documentation will be kept in the participant file and held in strict confidence. All assisted owner-occupied dwellings require a 20-year regulatory agreement limiting resale and occupancy to households earning less than 120% of median **with the exception of grants provided to homeowners utilizing the County Handyman Program**.

C. Determining Income for Owner-occupied property with Multiple Persons on Title

When a property has multiple owners listed on the grant deed, for the purpose of eligibility for any rehabilitation activity, only the income of persons living within the unit will be used to determine household income.

D. Determining Income for Rental Property

Rental property owners, regardless of income, may qualify for HTF loans only if existing and future tenants in assisted properties are low-income (at or below 80% of median income) or as designated in paragraph "E" below.

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The property owner must also agree to rent to eligible (low-income) households and limit rents as specified in a recorded affordability agreement.

In determining household income, all income of persons living in the unit must be added and considered as a total household income even if occupants or tenants are not related.

All owner-investors are required to provide documentation of their tenant's income. A tax return or the previous year's earnings statement will be required from all employed persons. For retired persons or persons receiving government subsidies who do not file tax returns, copies of benefit checks, benefit award letters or copies of bank statements indicating automatic deposit of benefit checks will be required. All documentation will be kept in a confidential file.

E. Affordability Covenants

All HTF assistance must be secured by deed of trust, promissory note and affordability covenant that requires up to 49% of the units in a rental property to be affordable to and occupied by low-income households for 20 years; Owner-occupied properties to be affordable to and occupied by low- and moderate-income households for 20 years. In higher cost housing areas, such as east of Blue Canyon, the Loan Committee may consider affordability covenants for up to moderate-income households (120%). In the case of moderate-income units up to 100% of units can be required to be **affordable with the exception of grants provided to homeowners utilizing the County Handyman Program**.

II. PROPERTY ELIGIBILITY

A. Eligible Applicants

Applicants can include:

Owner occupants, owner-investor, optionees, or non-profit corporations.

B. Evidence of Ownership

"Ownership" means any of the following interests in residential real property:

a. fee simple interest
b. 99-year leasehold interest in the property
c. ownership or membership in a condominium, cooperative or mutual housing project.

In addition, there cannot be any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.

C. Property Types and Activities

Eligible property types include traditional single-family housing, multifamily housing, condominiums, and modular units being placed on permanent foundation. The structures may be detached or attached. Mixed-use developments are eligible but any construction items which address shared space between the commercial and housing units will be prorated and HTF funds will be used only to pay for housing unit's share of repair costs. Loans can be made for rehabilitation, new construction, acquisition, acquisition/rehabilitation, affordable employee housing, infrastructure in support of affordable housing, pre-development, and conversion of non-housing to housing. Loans can be short term for construction, or as a bridge until other committed sources of permanent financing such as HOME, CDBG, or Federal Low-income Tax Credits are available.

D. Property Location

The housing structure must be located within Placer County unincorporated areas. First Priority is to sites that are within the County's Redevelopment Project Areas. For funds generated east of Blue Canyon, projects assisted shall be east of Blue canyon with priority to the North Lake Tahoe Project Area. Next priority will be given to sites within the jurisdiction of the Tahoe Regional Planning Agency. Then priority would be to any CDBG target areas.

III. ELIGIBLE IMPROVEMENTS AND STANDARDS

A. Rehabilitation Standards

Every loan made in this program used to finance rehabilitation, which shall be to at least minimum program rehabilitation standards, and no loan can be approved which would permit a dwelling unit after rehabilitation to be out of compliance with applicable codes. Applicable codes include the Uniform Building Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical Code, and Chapters 5-10 of the Uniform Housing Code, and relevant sections of Titles 24 which pertain to disability access, and Federal Housing Quality Standards.

In addition to requiring that the building be brought into compliance with applicable codes, the Program requires specific additional upgrades in all projects. These include: upgrade of electrical equipment grounding and bonding system; GFCI replacement in kitchen, bathroom and exterior areas; fire extinguishers; smoke detector upgrade to current Uniform Building Code; and installation of carbon monoxide detectors; exterior painting shall be included where needed to extend the life of exterior materials. if needed. All work performed must comply with the Program's Rehabilitation Standards.

Lead-Based Paint (LBP) Hazard Policies:

All housing units built prior to 1978 are subject to the requirements of this section.

a) **housing unit must undergo an assessment by a California Departmetn of Public Health certififed Lead Based Paint Inspection who is certified to use a X-Ray Fluorescence (XRF) spectrum analyzer to detect LBP.**

b) **deteriorated paint must be stabilized using approved work safe methods.**

c) **Clearance must be obtained after paint stabilization by a certified LBP Risk Assessor/Inspector.**

Handyman Program:

This program provides for grants to homeowners for minor repairs/rehabilitation and small energy efficiency improvement services.

B. Priority

Priority will be given to homes that require substantial rehabilitation as defined by the State Redevelopment law. That is, the cost of rehabilitation must be 25% or greater of the after-rehabilitation value. Rehabilitation needs will be prioritized and addressed as follows:

1. Health and safety: Examples include correcting plumbing, electrical, structural, mechanical, septic system, and roof deficiencies, and room additions to resolve overcrowding. Lead hazard evaluation and reduction activities will be addressed under health and safety issues.

2. Energy conservation: Examples include insulation, reducing air infiltration through window and door replacement, weather-stripping and caulking, and replacing inefficient water heaters, refrigerators, ovens, furnaces, and air conditioning appliances, converting cloths dryers to gas.

3. Extension of useful life: Examples include repairing siding and sheet rock, interior and exterior painting, replacing worn flooring, cabinets, interior doors, gutters, foundation upgrades, retaining walls, and other repairs that can extend the useful life of the property.

4. Converting to current Uniform Building Code (UBC) standards: Examples include moving bathroom access to hallways or off kitchen; stairs and porch upgrades. (Overcrowded conditions will be considered to exist when parents and children must share a bedroom, when children of the opposite sex 6 years of age and older must share a bedroom, and when a disabled person is required to share a room.)

5. Properties constructed prior to 1978 will be required to comply with current Lead Based Paint abatement regulations. The basic requirements include but are not limited to the following:

   a) Notification regarding the hazards of Lead Based Paint Poisoning be provided to the occupants of the property, as well as to the property owner.
   b) Properties constructed prior to 1978 will be required to be inspected for defective paint surfaces.
   c) If defective paint surfaces are found in properties constructed prior to 1978, current HUD mitigation procedures and policies will be followed.

C. Replacement Housing

In extraordinary circumstances where health and safety repairs are insufficient to remove the most serious deficiencies, and where the cost of new construction is less than rehabilitation to UBC standards, the County may consider reconstruction replacement housing on the same site.

D. Non-eligible Improvements

General property improvements not eligible include:; security systems; television antennas;

remodeling (including additions for family rooms, dens), and non-energy-efficient improvements.

E. New Construction Standards

In addition to the standards of Rehabilitation's, such as UBC, Federal Housing Quality Title 21 and Title 24, new construction shall be built to the standards of the California Housing Finance Agency, (CHFA) Architectural Manual, unless a superior lender requires standards of equal or greater quality.

F. Prevailing Wage

Prevailing wages will be required in conformance with State law. Generally, rehabilitation of individual owner-occupied single-family dwellings will be exempt from prevailing wages.

IV. FINANCING TERMS

A. Maximum Loan Amount

In all cases, the maximum loan amount shall be **$125,000** per owner-occupied or **$60,000** per rental housing unit.

The loan amount may include: the construction contract (the accepted bid price for the cost of materials and labor); a construction contingency; drafting, architectural and engineering fees, if any; appraisal and termite inspection charges; credit report review fees; permit fees and related building fees, site preparation for replacement housing; escrow, closing and recording fees; Lead Based Paint hazard mitigation; title report and title insurance, title updates and/or related costs.

In order to fully rehabilitate properties with expensive rehabilitation needs, the Loan Committee can approve, on a case-by-case basis, exceptions to exceed the maximum loan amount when the proposed rehabilitation project has expensive repairs such as: 1) Bedroom addition/relocation; 2) Bathroom addition/relocation; 3) Repair/Replace of perimeter foundation; 4) historic preservation measures; 5) reconstruction and replacement of the entire dwelling.

B. Maximum Loan-to-Value Ratio

The maximum loan amount will be limited to ninety-five percent (95%) of the property after-rehabilitated value. Upon approval of the Loan Committee, exceptions can be made on a case by case basis, allowing a maximum loan-to-value ration of up to one hundred percent (100%) for owner-occupied units.

C. Loan Security

Loans will be secured by a Deed of Trust and Promissory Note. All persons listed on the title to the property must sign the Promissory Note, Deed of Trust and other documentation pertinent to the loan transaction, including a 20-year regulatory agreement protecting affordability for owner-occupied properties. In addition, for rental properties only, a Rent Limitation and Tenancy Schedule Agreement (RLA) will be recorded against the property that will be binding to the property for 20 years. All loans which are not in first position on title will require a Notice of Default be recorded as part of the transaction.

D. Financing Terms For Eligible Owner-Occupied Property

To the extent that an amortized loan payment will not cause housing costs to exceed 30% of annual income, rehabilitation costs will be financed as a three percent (3%) simple-interest amortized loan. In order to maintain maximum housing affordability and financial flexibility, the amortization period can be extended out to thirty (30) years.

Interest-only payment terms can also be offered for a five-year period, subject to County review of household income in five years to determine borrower's eligibility for continued interest-only payment terms. The monthly payment must be a minimum of fifty ($50) dollars. At the end of five (5) years, the County will request income and housing costs documentation from the household. If, at the conclusion of any five year review, the County determines that the borrower is no longer eligible for interest-only payments (because the household is no longer low income, or is financially better able to make repayments), the County will offer amortized payments, at the original interest rate, for an amortization period that will maintain housing expenses at or below 30% of the household gross income. The County may also offer interest-only payments again for another five-year review cycle. If, during the five year period between certifications, the head of household becomes 65 years old, then the loan can convert to the elderly rates and terms listed below.

In the event the household cannot afford a fully amortized payment or interest-only payment, the balance of the rehabilitation loan will be financed at three percent (3%) simple interest with payments deferred for five (5) years. The County will reevaluate the household income in five years to determine the borrower's eligibility for continued deferred payment status. If, at the conclusion of a five-year income review, the County determines the borrower is no longer eligible for deferred payment status, the loan balance will become amortized at the original interest rate for a term to be determined that will keep housing costs affordable. This five-year reevaluation process will continue indefinitely or until paid in full. If, during the five-year period between certifications, the head of household becomes 65 years old, then the loan can convert to the elderly rates and terms listed below.

The County may choose, upon approval of the Loan Committee, to approve a split loan whereby a portion of the loan is amortized and the remainder is deferred.

The County may choose to have the Borrower exceed the 30% housing cost limit and require them to make a payment. Such cases may arise when the loan costs are over the maximum allowed, the loan-to-value ratio is high, or where the family requests to have all or some of the loan balanced amortized.

Low-income owner-occupants who are elderly (age 65 or older) or permanently disabled will be eligible for two percent (2%) simple-interest, deferred-payment loans. The loan is due upon sale of property, transfer of title, or when borrower no longer occupies the home as his/her principal residence.

E. Procedures for Single-Family Dwellings

Procedures and applications for assistance to individual, owner-occupied, single-family dwellings are the same application procedures as for the County's HOME First Time Homebuyer (FTHB) Program, rehabilitation, or CDBG rehabilitation programs.

F. Financing Terms: Owner-Investor Properties

Owner-Investors will be offered five percent (5%) simple-interest fixed rate or 2% below prime, whichever is less for loans amortized for fifteen (15) years. In order to maintain maximum housing affordability and financial flexibility, the amortization period can be extended out to thirty (30) years. To ensure that the rental units renovated with HTF funds continue to benefit targeted income households for a designated period of time, owner-investors will be required to sign 20-year Rent Limitation Agreements (RLA's). Payments can be delayed until sufficient units are occupied to meet debt service.

G. Information Required to Consider a Request for Financial Assistance for Multiple Units:

- Project description
- Proposed loan terms and amount of financing requested
- Proposed levels of affordability
- Qualifications of the development team and property management firm
- Form of proposed ownership [corporation, partnership, LLC, non-profit 501 c (3)]
- Project Capital Budget (sources & uses), along with projected funding submittal dates
- Thirty (30) year cash flow/operating statement
- Copies of any applications submitted to, or entitlements received from, a public agency
- Appraisal
- Developers equity contribution, (expected to be 10-20-% of capital costs)
- A Phase I Report (environmental assessment of potential contamination)
- Preliminary Title Report

H. Loan Default & Subordination Policies

1. Loan Default Policy

   Loans are in default and due and payable: upon sale of property, transfer of title, or when borrower no longer occupies the home as his/her principal residence. Loans are also in default when the property taxes or homeowner's insurance is not current. For all amortized loans, the County will comply with current lending practices in cases of non-payment. Because the HTF Housing Program is a loan program, the issue of defaults must be addressed. The Program must seek to reconcile two sometimes-conflicting goals: that of benefiting targeted income households and that of securing taxpayer money to recycle Program funds.

   While the policies outlined above state the conditions of default, the County can, on a case-by-case basis, accommodate crises that restrict a borrower's repayment ability. However, 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 current Loan Portfolio Policy and Procedures will be pursued.

2. Subordination Policy

   Placer County shall not subordinate its deed of trust to an increased risk/less secure position, except for exceptional/special circumstances to be determined by the County Loan Committee.

Exceptions are defined as any action that would depart from policy and procedures stated in these guidelines. Consideration of an exception/special circumstance may be initiated by the County or its agent. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The Loan Committee shall make a determination of the exception/special circumstances request at a regular or special meeting.

Subordination requests shall meet County requirements and policies and may include the following considerations:

a) In cases of extreme hardship, where borrowing becomes necessary to protect the health or safety of the occupants, or in the case of owner–occupants to pay health care costs for the borrowers and the borrower's immediate family.

b) The total principal of the loans senior to the County loan is unchanged or decreased and the County's security interest is not jeopardized, as determined by the County.

c) The amount of the new loan may only include the current balance of the senior debt plus debt to pay for all or a portion of the closing costs of the refinance/2nd with no cash out.

d) The new loan must not have a balloon or negative amortization features.

e) If, as a result of the new loan, the owner-occupant borrower's housing costs will be less than current housing costs.

f) If the purpose for the new loan to which the county is to be subordinate is to pay for medical expenses of a low or moderate owner-occupant, or to repair health and safety building code violations that have been documented by a qualified third-party inspector, the borrower may increase the amount of the new loan to make health and safety repairs or pay medical expenses with these funds being placed in a supervised escrow account and relevant bills are to be paid out of this account.

If the borrower and the new loan comply with the above requirements, the following information will be provided if applicable:

1. Borrower's request for subordination, including a statement of the reason for the refinance and supporting documentation of income, hardship, copy of loan application, medical expenses, etc.

2. Copy of the Lender's instructions for escrow purposes, that specifies proposed use of the borrowed funds, etc.

3. Copy of the new loan documents, i.e. Promissory Note, Deed of Trust, and Loan Disclosure to show the amount of the new loan, rate of interest

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and terms of the proposed refinancing. Copy of the current appraisal, credit report, and preliminary title report.

4. A completed Subordination Agreement and a Request for Notice of Default or Sale for County execution will allow us to finish processing the request in the event the subordination is approved.

V. AFFORDABILITY COVENANT AND REGULATORY AGREEMENT

A. Affordability Period

All borrowers must sign an Affordability Covenant and Regulatory Agreement that will be recorded against the property. All units assisted with HTF funds are required to remain affordable for the period stipulated in the Agreement. Units will be required to adhere to a minimum 20-year agreement for owner-occupants, and renters. The Agreement will be reconveyed upon expiration of the affordability period. An owner-occupant or owner investor can sell the unit to a buyer approved by the County to be an income eligible, subject to the Agreement. An owner investor can sell to another owner investor who agrees to rent in accordance with the Agreement.

B. Maximum Rents

Under the agreement, an investor can only increase rents in accordance with increases in County Median Income as published annually by HCD. Assisted rental units must have rents not to exceed the greater of

1. Rents established at 30% of 80% area median income, as determined by HCD for low income, 30% of 50% for very low, and 30% of 120% for moderate, minus **utility allowance for tenant paid utilit**.

C. Tenant Income Re-Certification

The Agreement requires that tenant income be re-certified annually. The household may not be evicted or given a 30-day notice due to exceeding income ineligibility, unless income exceeds 140% of area median income.

D. Binding Terms and Conditions

If an owner sells the property, conveys title, or pays off the HTF loan in full, before the Agreement term expires, the Agreement is still binding. The conditions and restrictions affecting the real property will run with the land and will be binding on all parties having or acquiring any right, title or interest in the property or any part thereof, including agents, personal representatives, mortgagors, heirs, assignors and all successors in interest. The owner must agree that reference to the Agreement will be inserted in any subsequent deeds and other legal instruments by which subject real property or any interest therein is conveyed.

E. Future Obligations and Regulatory Requirements

Developers who anticipate affordable or employee housing obligations as a result of County ordinance or General Plan Policy may build those units in advance of the development that creates the obligation, by entering into a Memorandum of Understanding with the Agency or

County. Such credits may also be listed in regulatory agreements recorded against the applicable properties.

Where an inclusionary or employee housing requirement applies, assistance is limited to those units made affordable in excess of ordinance or policy requirements.

VI. LOAN PAYMENT AND ASSUMPTION POLICIES

A. Loan Payments

Loan payments will be made to:

Placer County
Planning Services Division
3091 County Center Drive, Suite 140
Auburn, CA 95603

Loan payments will be accepted from borrowers prepaying deferred loans, from borrowers making amortized or interest only loan payments, and from borrowers making payments in full upon sale of the property or change in title. All loans are payable to: Placer County. Assumption, refinancing, transfer of title, does not change the provisions or term of the Affordability Agreement.

B. Assumption Policies: The Affect of Changes in Title and Occupancy

1. Change of title or occupancy: owner-occupant to owner-occupant

    a. If the new owner-occupant is not moderate-income or below, the loan is not assumable. The loan balance is immediately due and payable and resale to an above moderate household must follow marketing and noticing provisions of the Agreement, if sold before end of term of Affordability Agreement.

    b. If the new owner-occupant is moderate income or below, the County may allow the purchaser to either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the County's Loan Committee in accordance with the Agreement.

2. Change of title or occupancy: owner-occupant to owner-investor

    Except for a FTHB loan, which must be owner occupied, if an owner-occupant decides to rent his/her property or if the property is sold to an investor, the outstanding balance may be refinanced according to owner-investor terms and conditions with proper income and occupancy eligibility by low-income households.

3. Change of title or occupancy: owner-investor to owner-occupant

   a. If the assisted rental property is sold to a low or moderate income owner-occupant, the Agency may elect to restructure the loan according to owner-occupant terms, If the Agency determines that the buyers are income eligible first time homebuyers.

   b. If the assisted rental property can not be sold to a low or moderate-income owner-occupant, the loan is immediately due and payable.

   c. If the original owner-investor moves into the property and is low or moderate income, the Agency may elect to restructure the loan according to owner-occupant terms.

4. The original owner-investor may move into the property if he or she is an income eligible household

5. Change of title or occupancy: owner-investor to owner-investor

   a. If the assisted rental property is sold to an owner-investor while the Agreement is in force, the terms of the Agreement will remain in force. The new owner-investor may pay the loan in full or assume all repayment obligations of the original owner-investor, subject to County approval of the written assumption request. If the new owner-investor chooses to pay off the loan, the Agreement remains in force and all terms and conditions apply to the new owner.

C. Conversion to Use other than Residential

The property cannot be converted to nonresidential use without replacement of the affordable units by the owner.

VII. LOAN COMMITTEE

A. Committee Composition

The Loan Committee shall consist of **two County managers.**

B. Committee Role

The Loan Committee will review each application and will make decisions on the loan amount and terms to be utilized. . Confidentiality of applicant's financial records shall be maintained at all times and personal financial records will not be public information.

In order to meet the needs of affordable housing in Placer County, the Loan Committee will review program guidelines annually and make recommendations for future changes.

C. Conflict of Interest Requirements

No person who exercises policy or decision-making responsibilities (including members of the Loan Committee and officers, employees, and agents of the Loan Committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program. Exceptions to this policy can be made only after public disclosure and formal approval by the Board of **Supervisors** of the County.

VIII. LOAN APPROVAL AND CONSTRUCTION PROCESS

Applications will be accepted year round until the goals of the program have been met and/or all funds have been committed. Generally, applications will be processed on a first-come-first-serve basis. When the number of applications exceeds loan funds, the County will rank them according to rehabilitation need and location. Units with the greatest rehab need will be ranked first. Then, among applicants with similar rehab need or new construction, priority will be given as specified in II-D. All ranking will be completed in compliance with Fair Housing Act standards.

A. Outreach

Community members are informed of the details of the program and eligibility requirements through advertisements, public meetings, private interviews, program flyers distributed throughout the county, and other fair marketing efforts. Written information is provided in English and the primary language of any significant portion of target area residents. Bilingual personnel will conduct or assist with outreach and community meetings, as needed.

B. Loan Application

The **Housing** Specialist, or housing consultant holds private interviews with families to explain program requirements, documentation, and the rehabilitation processes, and when necessary, to assist in completing the application form. Required signatures are obtained, and the unit's rehabilitation needs are discussed. Additional documents may be obtained through the mail or follow-up visits.

C. Loan Packaging and Determining Rehabilitation Cost

Income and property eligibility analysis is carried out by the **Housing** Specialist. or housing consultant. Elements include a preliminary title report to evidence ownership and existing encumbrances, property value documentation (i.e., property profile, comparable market analysis, appraisal), and income and credit verifications.

Property value will be determined by an appraisal whenever there are senior mortgages which encumber a large portion of the value. In cases where the property is owned free and clear or encumbrances are small, qualified staff at the County or County's housing consultant may use recent local sales to determine the property's after-rehabilitation value.

When the property and income eligibility has been determined, the unit is inspected. The **Housing Specialist** prepares a detailed work write-up and in-house cost-estimate. A Pre-bid Conference Notice is sent out to licensed contractors on the program's Interested Contractor List. The **Housing Specialist** conducts a bid walk-through, reviews bids for their completeness, and reviews the results with the owner. After the owner selects the contractor, the **Housing** Specialist prepares the loan recommendation.

D. Loan Approval

A loan package will be prepared that: confirms the applicant and property eligibility; documents the equity in and the encumbrances on the property; lists the breakdown of loan costs; and includes any other information particular to the case at hand. The package will then be submitted to the Loan Committee for consideration

E. Document Signing

Upon notice that the Loan Committee has approved the loan, the borrower signs the appropriate loan documentation and the deed is recorded. The County may utilize the services of a reputable Title and Escrow Company to assist with the recording of all appropriate legal documents and issuance of title insurance.

F. Work Commencement and Progress Payments

The property owner and the contractor sign the Construction Contract. The Housing **Specialist** issues a Notice to Proceed, with a copy to the local building inspector. Work begins and a rehabilitation disbursement record is established to record all requests, disbursements, and change orders.

The Housing **Specialist** reviews disbursement and change order requests with an inspection of work in place. Construction disbursement or change order funds cannot be released without the signatures of the homeowner and the contractor.

Any necessary inspections will be coordinated with the County's Building Department.

G. Change Orders

All change orders require the approval of the owner, the contractor (if a contractor is involved) and the Housing Inspector. All three parties must sign the change order form prior to commencement of the work proposed in the change order.

H. Work Completion

The Housing **Specialist** will conduct a final walk through with the owner and selected contractor to address any outstanding items. Upon completion of work and a final inspection by the local building inspector, a Notice of Completion is recorded at the County Recorder's Office.

IX. EXCEPTIONS/SPECIAL CIRCUMSTANCES

Exceptions are defined as any action, which would depart from policy and procedures, stated in the guidelines. Consideration of an exception/special circumstance may be initiated by the County or its agent. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The Loan Committee shall make a determination of the exception/special circumstances request at a regular or special meeting. The Loan Committee may consider standards of similar programs such as **CDBG and, HOME,** when reviewing requests for exceptions.

X. DISPUTE RESOLUTION/APPEALS PROCEDURE

During pre-construction, construction, or post-construction periods, the applicant/borrower shall engage in the following process to have any disputes with the County or Consultant heard and resolved:

Any person/family applying for a loan through the HTF program has the right to appeal if their application is denied. Complaints concerning the HTF Program should be made to the County's housing consultant, or Housing **Specialist's Supervisor**, first. If unresolved in this manner, the complaint or appeal shall be made in writing and sent to:

Placer County
Planning Services Division
3091 County Center Drive, Suite 140
Auburn, CA 95603

The County will then schedule a meeting with the Loan Committee. Their written response will be made within fifteen (15) working days. If the applicant is not satisfied with the Committee's decision, a final appeal may be filed with the **Community Development/Resource Agency Director**. This appeal must also be writing and sent to:

Placer County
Community Development/Resource Agency
3091 County Center Drive
Auburn, CA 95603

In addition, during pre-construction, construction, or post-construction periods, the applicant/borrower has a similar right to have any disputes heard and resolved. HTF program representatives are primarily responsible to assure that the program is implemented in compliance with state and federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work write-ups, and contract documents. Program representatives attend the meeting between the homeowner and the contractor when the contract documents are signed, and facilitate in the clarification and/or corrections of proposed work so a clear understanding is established between both parties.

During and after completion of construction, the contractor's work is monitored for code compliance by the County Building Inspector and for quality and completeness by the **Housing Specialist.**

The contractual obligation for rehabilitation and new construction is ultimately between the contractor and the homeowner. If a situation occurs where the two parties are in conflict, the following procedure will occur:

Stage 1: Before any intervention occurs, the homeowner or contractor shall communicate perceived problems or complaints directly to the other party. In an attempt to resolve the differences, each will give the other an opportunity to respond or correct the problem.

Stage 2: If the Stage 1 attempt fails, the homeowner or contractor may ask the program representative to informally intervene. This intervention might include telephone call(s) to the contractor or homeowner, meeting(s) at the job site or in the office, or other actions as deemed appropriate, including such things as the establishment of written working guidelines, or other post-contractual agreement.

Stage 3: Involve the County. If the HTF program representative is unable to satisfactorily resolve the homeowner-contractor differences, the homeowner, contractor, or program representative will contact the staff person responsible for the program at the County in writing, detailing the problem. In cases of building code compliance, the building inspector must also be contacted.

It must be recognized that the homeowner has other options which they may chose to utilize, including the following:

a. contacting the Contractors State Licensing Board and submitting a complaint;
b. using professional mediation or binding arbitration services;
c. taking legal action.

It is hoped that the informal intervention process outlined above will offset other contractor and/or homeowner actions, and that every attempt is made to remedy problems and resolve differences before more drastic options are necessary.
Any controversy between the parties that cannot be settled through the informal intervention process outlined above shall be settled by the owner and contractor through other options listed above.

XI. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

This program is subject to the California Relocation and shall avoid involuntary displacement except in extraordinary cases as a last resort, such as replacement of units beyond rehabilitation.

A. Temporary Relocation Assistance: Owner-occupied properties

Owner-occupants participate in the program on a voluntary basis, and therefore, will not be eligible for relocation assistance under this program. Only if an extreme situation of hardship exists, such as when the owner is elderly, financially destitute, has no friends or family to assist with housing, all alternatives have been exhausted, and the relocation is necessary for medical reasons while substantial rehabilitation is occurring. If they are required to temporarily relocate during rehabilitation of their home, owner-occupants will be eligible for up to $500.00 per household to help pay for relocation costs. The funds may be used to help pay for the rent and/or utility costs of temporary housing and/or for the cost of moving and storing furniture. Relocation costs would not be part of the loan funds advanced to the borrower, but will be paid from the HTF.

B. Temporary Relocation Assistance: tenant occupied properties

1. At time of application for assistance:

The first notice will be sent as soon as a loan application is received from the owner-investor. All tenants will receive a certified notice informing them not to move, that they will not be displaced because of the construction, that they may be eligible for temporary relocation benefits, and that if they are relocated then they are entitled to first choice for moving back into their current unit. They will also be informed that their after-rehabilitation rent and utility costs will not exceed the greater of: (a) their current rent/average utility costs, or (b) 30% of their average monthly gross household income.

Upon approval of the loan, all tenants will receive a second notice by certified mail. The second notice will inform them that they will or will not need to be relocated due to construction. If they do need to be temporarily relocated due to the rehabilitation, tenants will be advised of the date and approximate duration of relocation; the addresses of suitable temporary housing; their rights to lease and occupy a suitable unit in the original building/complex after the completion of the rehabilitation project; and the financial assistance available to cover temporary relocation and moving costs.

2. During affordability period:

No tenant will be required to temporarily relocate without 90 days' advance written notice of the earliest date by which he or she may be required to move. And, the specific date for when the property must be vacated will be communicated in writing at least 30 days in advance. Lists of possible rental properties for temporary relocation will be offered.

When a rental property with an un-expired Rent Limitation Agreement is sold, and the existing tenant is required to move permanently, a 90-day notice to vacate must be provided and relocation costs must be paid to the vacating tenant(s) for the remaining period of affordability stipulated in the RLA. Relocation costs are equal to the difference between the tenant's rent under the RLA and what it will cost the tenant to rent a comparable unit in the local area.

(Contents of notices to tenants will adhere to requirements outlined in Title 25, California Code of Administrative Regulations.)

XII. CONTRACTING REQUIREMENTS

A. Role of the Local Government

Placer County is an equal opportunity, fair housing lender, providing affordable financing for housing rehabilitation performed in accordance with the adopted Program Guidelines. The County does not warrant any construction work, or provide any insurance coverage.

B. Contracting Process

Contracting will be done on a competitive bid basis. The owner will be the responsible agent, but the local government and/or its agent will prepare and advertise the bid package and assist the owner in negotiating the contract. The owner has the right to select the contractor of their choice.

C. Approved Contractors

All contractors will be checked with HUD's federally debarred list of contractors; no award will be granted to a contractor on this list. Contractors are required to be licensed with the State of California and be active and in good standing on the Contractor's License Board list. Contractors must also have public liability insurance and when necessary, Workmen's Compensation Insurance. Contractors must agree to comply with all County regulations and guidelines.

D. Acceptance of Work

Final payment will be made to the contractor when the building inspector has accepted the work, as evidenced by a final sign-off on the building permit, and items on the final punch list approved by the participant and Housing Program Inspector have been completed. At the time of the request for the payment of the final 10% retention, the contractor will provide either: 1) lien releases from all subcontractors, laborers, materials and equipment rental; 2) a copy of Notice of Completion recorded 35 days prior to request.

XIII. Current Income Limits

HCD 2012 Income Limits
Adjusted for Family Size

PLACER COUNTY

	Number of Persons in Family							
Standard	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
80% of median income	**42,650**	**48,750**	**54,850**	**60,900**	**65,800**	**70,650**	**75,550**	**80,400**
120% of median income	**63,900**	**73,050**	**82,150**	**91,300**	**98,600**	**105,900**	**113,200**	**120,500**

The following additional provisions apply to FTHB loans:

XIV. FIRST TIME HOME BUYER PROGRAM GUIDELINES

The First Time Homebuyer program is designed to provide "silent" second mortgages to eligible families for assistance in purchasing their first house. The program may be used on any newly constructed or older existing housing unit within the unincorporated county.

1.0 APPLICANT ELIGIBILITY

1.1 Definition of a First Time Homebuyer

"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 County 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 that 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 under-employed, 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; and

(3) an individual who owns or owned, as a principle residence during the three-year period before the purchase of a home with County assistance, a dwelling unit whose structure is:

(i) not permanently affixed to a permanent foundation in accordance with local or state regulations; or
(ii) 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.

Potential buyers will be required to provide three years of rental verification and three years of past federal income taxes to document that they have not taken any mortgage interest deductions which indicate status of a homeowner. If they fall into the exceptions listed above they must provide proper documentation as such.

1.2 Selection/Prioritization of Participants & Selection of Properties

The county shall process applications on a first-come-first-serve basis. .

All outreach efforts will be done under an affirmative fair housing marketing plan.

The property selection process will be market driven. Participants can submit the full package to the County including first mortgage loan package and property sales contract. The sales contract will be contingent on the family and property meeting County guidelines and receiving County and First Lender loan approval. As such, the program is open and any eligible family may work with a local Realtor to find a suitable house. The County or an administrative subcontractor will confirm that the property is within the unincorporated areas. County staff and/or Loan Committee will review all properties to ensure they meet all County criteria before funding.

1.3 Qualification for First Mortgage and Documentation of Down Payment

All applicants must be pre-approved for a first mortgage and document that they require the County's financial assistance to become homeowners. The mortgage loan officer will provide the necessary documents to show that the unit to be purchased is affordable and that the family has used all their income resources to meet the requirements of the first mortgage lender.

Eligible families must document that they have the funds necessary for down payment and closing costs as required under the participating first mortgage lender they are approved for. The County will require all buyers to provide a minimum of three percent **to the purchase transaction, personal gift funds are allowed but not funds gifted as part of the sales transaction** . This **minimum purchase contribution** requirement is in place even if the first lender has lower down payment requirements. The level of subsidy will be determined during underwriting of the County's second mortgage. Only fixed rate mortgages will be allowed under the program.

1.4 Credit and Education Requirements

All program participants must attend **an in-person** homebuyer education class. Upon completion, the participants will receive a certificate of completion to be submitted to the County. The County will review the participant's credit history. .

2.0 PROPERTY ELIGIBILITY

2.1 Location and Unit Characteristics

Properties eligible include any home within the unincorporated limits of Placer County which is: single-family detached **or** condominium.

2.2 Tenancy of Eligible Properties

All owner occupied properties will be eligible for the program. To avoid displacing existing tenants-in-good standing, no occupied rental properties will be eligible under the program. If a tenant is currently occupying a property and wishes to purchase it for their primary residence, then it can be eligible. Vacant units will only be considered if documentation is supplied proving that the unit **had been vacant for a minimum of three months and** was not occupied when the property was offered for sale, and any previous tenant was not displaced due to the anticipation of a County assisted FTHB loan. Eligible buyers must occupy all assisted units as their principle residence.

2.3 Maximum Subsidy and Appraised Value of Properties

The appraised value of the property at time of title transfer, must not exceed the purchase price limits for the county as determined by and published annually by the County. The property must not have deed restrictions or covenants, which are in conflict with funding source regulations. The maximum subsidy provided to any eligible property shall not exceed the annual subsidy limits published by the County. If the County has not published subsidy and price units, then those used in the Federal HOME program shall apply. .

2.4 Condition of Units

Eligible housing units must not have code-related deficiencies at time of occupancy or, as in the case of using a FHA 203K mortgage, must be clear of any deficiencies within six months of close of escrow. Housing inspections of each property will be conducted before commitment of County funds. Any units which are required to have repairs done will be re-inspected before close of escrow to ensure that all repairs have been completed. County funds will not be used to assist a family if doing so will create overcrowding conditions. Priority will be given to units constructed after 1978 to avoid lead-base paint abatement costs.

If a property is eligible for the program and was built before 1978, then the buyer will receive and sign a notice of lead-base paint disclosure. A certified lead-based paint inspector will be used to evaluate the unit and ensure that all federal lead-based paint procedures, including any abatement are followed. Any requirement for lead-based paint testing and/or required abatement must be completed before investment of County funds.

2.5 Proper Notification and Disclosures

Upon selection of a property, a qualified seller and buyer must be given the necessary disclosures for the program. The borrower must have read and signed all program disclosure forms. Any and all property disclosures must be reviewed and signed by the buyer and seller.

All property owners who wish to sell their properties must receive an acquisition notice prior to submission of the buyer's original offer. This notice will be included in the contract and must be signed by all owners on title. The disclosure must contain:

1. that the purchaser is receiving funds from the County as part of the transaction, the buyer has no power of eminent domain and therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and
2. an estimate of the fair market value of the property. This estimate may be made by the buyer's agent based on their knowledge of local real estate market. If such notice not given to seller prior to the purchase offer, then this will be attached as a rider to the purchase agreement after the fair market value is provided and the seller has the ability to cancel the sales transaction based on the information disclosed.

3.0 LOAN TERMS HOME SECOND MORTGAGE

3.1 Loan Amount

Maximum loan amount for second mortgages available to eligible homebuyers will be **$125,000.** . The minimum County loan will be $5,000 per unit. All families being assisted with County funds must obtain a first mortgage within the affordability parameters of these guidelines.

The Second Mortgage gap financing may include: amount of funds which, when combined with the first mortgage and down payment will enable the family to purchase the house. Rates and Terms for Second Mortgage

The second mortgage will be financed as a **shared net appreciation loan. The County's share of appreciation shall be equal to the percentage that the County's loan was at the time of purchase of the property.**

Loans are due upon sale or transfer of title or when borrower no longer occupies the home as his/her principal residence. The loan will be in default if the borrower fails to maintain required fire, flood insurance, or fails to pay property taxes.

3.2 Affordability Agreement

All County funded loans will have an affordability agreement recorded on the title. This agreement will run with the land for the period of affordability, 20 years. The agreement will ensure that the program participant complies with County regulations during the term of affordability as required by State law. It will provide an incentive to participants to stay in their homes while at the same time giving the County and owner the flexibility of allowing a loan assumption by future buyer who meets County requirements.

The affordability agreement will require the borrower to comply with minimum acceptable exterior property maintenance standards, including landscaping maintenance standards of any local CC&R's. These standards shall not be unduly prohibitive. Borrowers shall be expected to maintain the unit to local code and zoning compliance as well as health and safety standards. Failure to comply with these standards, after sufficient warnings, shall be considered a violation of the Agreement, and the County shall retain the right to accelerate the loan.

3.4 Loan Security and Underwriting Standards

Deeds of Trust and Promissory Notes will secure both the first mortgage and second mortgage. A combination of the first loan and the second loan should not exceed 97% of the value of the property. The County may assist a household where total loans exceed 97% if the first lender is in agreement, and/or proper compensating factors are documented up to 100% of value. Value will be determined by an appraisal based on the current market value of similar property in the area.

At time of closing escrow, all participants must have sufficient fire insurance (and flood insurance, if required by location in a flood plain) to cover all encumbrances. Households will be required to have impound accounts for insurance and taxes to assure they will stay current. All persons listed on the title to the property must sign the Promissory Note and Deed of Trust, and affordability covenants.

4.0 LOAN REPAYMENT

All loans will be initially deferred because the borrowers will have their repayment ability fully utilized under the first mortgage. **Household's** voluntary monthly payments at any time, upon notification and approval of the county.

5.0 LOAN PROCESSING AND APPROVAL PROCESS

5.1 Initial Application and Underwriting

All interested participants or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. They must submit a complete application packet with all the County's program documents executed as well as all the information from the first mortgage lender. The first lender must submit: 1) accepted property sales contract with proper seller notification; 2) mortgage application with good faith estimates and first mortgage disclosures; 3) full mortgage credit report and rent verification; 4) current third party income verifications and verifications of assets; %) home ownership education certificate; 6) three years of past federal income tax returns. Staff will work with local lenders to ensure qualified participants receive maximum benefit from the County's program, for example in many cases the first mortgage lender will not require mortgage insurance with the county's second in place.

5.2 First Time Homebuyer Underwriting and Determination of Subsidy Amount

After initial review of the qualified first time homebuyer's application packet, the County or administrative subcontractor will request any additional documents needed. Documents may be faxed but originals must be received through the mail before funds are committed. Based on receipt and review of the final documents, the reviewer will do an income certification (using Section 8 procedures), and first time homebuyer certification (review of past three years income taxes). Documentation of affordability will then be verified.

The County's application and disclosure forms will contain a summary of the loan qualifications of the borrower with and without County assistance. Housing ratios with and without County assistance will also be outlined. Information on the County's application will be documented with the remaining documents in the file. For example, the sales contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite, and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The mortgage loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The first lender approval letter and estimated closing cost statement should reflect all the information in the mortgage package and show any contingencies of loan funding. Reviewing first mortgage loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the County loan. By reviewing and cross checking all the lender information, the final County loan amount approved will fall within the affordability parameters of the program.

5.3 Affordability Parameters for Buyers

The maximum housing cost ratio for the family will not exceed the allowable rate under the first mortgage lender or a maximum of 35% which ever is less. The family's combined gross monthly income and estimated housing cost (principle, interest, taxes, insurance, and homeowner's association dues or bond payments, etc.) will be used to calculate this ratio when using County funds.

The minimum housing cost ratio for the family will not in any case be below 25% of gross monthly income. Whenever the housing ratio drops below 28%, there must be compensation factors or documentation of need. By restricting the subsidy to lower housing cost ratios, the County will be ensured of not subsidizing borrower debt or over subsidizing first mortgage.

By limiting the assistance to housing ratio parameters listed above, the County will be assured that each borrower is receiving only the assistance needed to allow them to become home owners and keep their housing costs affordable.

5.4 Construction Inspection and Determining Need for Repairs

The County or administrative subcontractor will work closely with local Realtors to explain the program requirement for eligible properties. Once the County or the subcontractor has underwritten an eligible participant, the County or construction inspector will walk through the property and identify any code violations, which need to be corrected. A list of code related repair items would be given to the buyer and their Realtor to be negotiated with the seller.

If the house is pre-1978 then the buyer will receive and sign a lead based paint disclosure. A certified lead base paint inspector will inspect for defective paint surfaces. If defective paint surfaces are found, a specific cost estimate for lead base paint abatement by a certified contractor will be included in the list of correction items given to the buyer for negotiation on the property.

The County will require a clear pest inspection report with each unit. Smoke detectors **and a carbon monoxide detector** will be installed if there are none in place. Any zoning violations will need to be removed before close of escrow. The County will encourage each buyer to secure a homeowner's warranty policy as part of the purchase of a resale property.

Upon completion of all work required by the construction inspector, a final inspection would be conducted prior to close of escrow. The inspector will review the unit and sign off on all construction work assuring that each unit receiving County assistance is in compliance with local codes at the time of purchase.

5.5. Completion of Underwriting and Approval of Second Loan

When all the income and property eligibility items have been resolved, **The Housing Specialist will prepare a loan approval package to be** reviewed by the Loan Committee prior to approval. Upon approval, a final closing date for escrow is set and County funds are accessed for the buyer.

The local lender carries out first mortgage loan packaging after the property and program participants have been qualified and the project is determined to be feasible. The County subcontractor is responsible for preparing all necessary second mortgage loan documents for escrow closing.

5.6 First and Second Mortgage Document Signing

A complete loan package is produced containing the first and second mortgage documents. The package will: detail participant income eligibility and repayment ability; document the total amount of the County loan and the total amount of the first mortgage; list the breakdown of loan costs; include final home inspection sign off; and any other information particular to the case. (All private financing commitments must be in place prior to consideration by County staff.) The first time homebuyer signs both promissory notes and deeds of trust, affordability covenants, and other statutory lending notices (right of rescission, truth in lending, etc.); the deeds are recorded with the County Clerk/Recorder at the same time.

5.7 DISPUTE RESOLUTION/APPEALS PROCEDURE

Any household member applying for the first time homebuyer program has the right to appeal if their application is denied. The appeal must be made in writing in accordance with Section IX.

5.8 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

This program will make all attempts to avoid displacing any persons. The county does have a relocation plan in effect for this and other publicly funded activities that will be used only when all other methods to avoid displacement have been exhausted.