BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF YUBA

RESOLUTION TO ADOPT AMENDED)
"CDBG HOMEBUYER ASSISTANCE)
LOAN PROGRAM GUIDELINES")

RESOLUTION NO. 2020-22

WHEREAS, the "Community Development Block Grant (CDBG) Program Homebuyer Assistance Loan Program Guidelines", were amended and approved by the Board of Supervisors in April 2013; and September 2015; and

WHEREAS, the California Department of Housing and Community Development (HCD) has recently approved a Waiver, authorizing the use of CDBG Program Income to fund the Homebuyer Assistance Program; and

WHEREAS, current guidelines, have been amended, to describe the specific terms of the Jurisdiction's Homebuyer Assistance Loan Program; and

WHEREAS, pursuant to CDBG regulations, the public has been invited to comment on the proposed Guidelines during a noticed public hearing, as well as to submit written comments; and

NOW, THEREFORE, BE IT RESOLVED, the Yuba County Board of Supervisors hereby declare:

Section 1. That the above recitals are all true and correct.

Section2. That the "CDBG" Program Homebuyer Assistance Loan Program Guidelines", attached hereto as Exhibit A, which is hereby adopted.

Section 3. This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED at a regular meeting of the Board of Supervisors of the County of Yuba, State of California on the 25 day of February , 2020 by the following vote:

AYES: Supervisors Vasquez, Leahy, Lofton, Bradford, Fletcher

NOES: None

ABSENT: None

ABSTAIN: None

Chairman

ATTEST:

RACHEL FERRIS
CLERK OF THE BOARD OF SUPERVISORS

APPROVED AS TO FORM:

By: FOR
MICHAEL J. CICCOZZI
YUBA COUNTY COUNSEL

EXHIBIT "A"

YUBA COUNTY

Homebuyer Assistance Program Guidelines

For:

Community Development Block Grant (CDBG) Program

EQUAL HOUSING OPPORTUNITY

Revised 12/03/19

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ATTACHMENTS

YUBA COUNTY

HOMEBUYER ASSISTANCE PROGRAM GUIDELINES

1.0. GENERAL

The County of Yuba, hereinafter referred to as the "Sponsor," has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer one or more HCD-funded homebuyer assistance programs. The homebuyer assistance program described herein (the "Program") is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as "housing units", located within the Program's eligible area, as described in Section 3.1.A. The Program provides this assistance in the form of deferred payment loans, as "Gap" financing, toward the purchase price and/or closing costs of affordable housing units that will be occupied by the homebuyers as their primary residence. The Program will be administered by The COUNTY OF YUBA.

1.1. PROGRAM OUTREACH AND MARKETING

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

A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program's eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.

B. The Program Operator will work with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Program.

C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Sponsor will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

1.2. APPLICATION PROCESS AND SELECTION

A. The Sponsor maintains a waiting list of applicants. Each applicant is asked to complete an application form, which asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for Program participation. Completed applications are processed on a first-come-first-served basis. Applications are deemed complete only if all information is completed, the application is signed and dated, and a primary lender's pre-qualification letter is attached to the application. Incomplete applications are returned to the applicant and will not be date/time stamped until complete. Preferences for Applications received, within any given month, shall be given in the following order:

1. Low and Extremely Low Income applicants,
2. Current Residents of Yuba County,
3. Individuals employed by businesses in Yuba County.

B. Once the applicant's name comes to the top of the waiting list, their Program eligibility is confirmed and they are invited to a briefing regarding participation in the Program. At the briefing, the application is reviewed and the potential homebuyer is given a "Preliminary Eligibility Letter" for the Program along with the following forms: Program Brochure, Attachment (G) Instructions to Home, Attachment (E) Sellers Lead-Based Paint Disclosure and the EPA Booklet (Protect Your Family from Lead in Your Home) and (F) Notice to Seller.

If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there is income, asset, household composition, or other important questions that cannot be resolved, the Sponsor reserves the right to deny assistance to the household. In this case, the applicant may re-apply after three months have elapsed from the time of written assistance denial.

C. The potential homebuyer is given 60 days in order to find a qualified home and begin securing a primary loan for the housing unit. If during the 60-day period, the potential homebuyer is unable to purchase a home, an extension may be given. However, if it appears the potential homebuyer cannot participate in the Program, the reservation of funds expires and the next person on the waiting list is given an opportunity to participate in the Program.

1.3. THE HOME PURCHASE PROCESS

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

DEBT SERVICE
FOR A FAMILY OF FOUR EARNING $3,388 PER MONTH

HOUSING PAYMENTS		**TOTAL OVERALL PAYMENTS**	
Principal & Interest Payment	$ 978	$1,293	Housing
Insurance	82	+300	Other Debt Service
Taxes	233	$1,593	Total Debt Service
Total Housing Expense	$1,293	(Overall debt service per month is 47% of $3,388)	
		(PITI is 38% of $3,388)	

OTHER HOUSEHOLD DEBT SERVICE

Car Payment	$ 250
Credit Card Payment	50
Total Other Debt	$ 300

A $978.28 per month loan payment equates to borrowing $212,800 at 3.69% for a 30-year term.

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

Purchase Price of Property	$ 266,000
Less Primary loan amount **80%**	**212,800**
Other financing	
Less down payment of 5%	13,200
Equals **"GAP"**	**$ 40,000**
Plus estimated allowable settlement charges	______
Equals **Total Subsidy**	**$ 40,000**

B. The housing unit selection process will be conducted by the homebuyers. Prior to making an offer to purchase an eligible housing unit (see Section 3.0), homebuyer shall provide seller with a disclosure containing the following provisions:

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

3. The housing unit will be subject to inspection. The housing unit must comply with local codes at the time of purchase and local health and safety standards.
4. All housing units built prior to January 1, 1978 will require a lead paint disclosure to be signed by both the homebuyer and Seller (Attachment E);
5. Since the purchase would be voluntary, the seller would not be eligible for relocation payments or other relocation assistance;
6. The seller understands that the housing unit must be either: currently owner-occupied, newly constructed, or vacant for three months prior to submission of the purchase offer.
7. If the seller is not provided with a statement of the above six provisions prior to the purchase offer, the seller may withdraw from the agreement after this information is provided.

C. Applicant submits executed standard form purchase and sale agreement and primary lender prequalification letter to Program Operator. The purchase and sale agreement will be contingent on the household and housing unit meeting Program eligibility requirements and receiving Program loan approval. Program Operator verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.

D. If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household composition, or other important questions that cannot be resolved, the Program Operator reserves the right to deny assistance to the household. In this case, the Applicant may re-apply after three months have elapsed from the time of written assistance denial.

E. Upon completion of the loan paperwork, the Building Department will conduct an inspection of the property to confirm eligibility and acceptability of the property for participation in the Program. The inspection will be documented on an Inspection Form, including measurements and relevant observations and special conditions with potential cost consequences.

F. Program Operator will prepare a loan request on behalf of the Applicant. The Loan Review Committee will review the loan request and approve or deny the loan. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the Applicant in writing.

G. When Primary Lender requirements are met, and Program loan is approved, the Program Operator will proceed to work with the title company. Program funds will be deposited into escrow, with required closing instructions and loan documents.

H. At the time of escrow closing, the Sponsor shall be named as an additional loss payee on fire, flood (if required), and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit. A policy of Title Insurance naming the Sponsor as insured is also required.

1.4. HOMEBUYER COSTS

A. Eligible households must document that they have the funds necessary for down payment and closing costs as required by the Primary Lender and the Sponsor. The Program's down payment requirement (below) is in place even if the Primary Lender has a lower down payment requirement. If the Primary Lender has a higher down payment requirement, there is no additional down payment requirement required by the Program.

B. Homebuyer funds shall be used in the following order:

1. Down payment – must contribute a minimum down payment of five percent (5%) of the purchase price, but may contribute more if desired.

2. To the extent possible after satisfying 1), above, appraisal fee; cost of credit report; loan origination fee; discount points customary, homebuyer closing costs; homebuyer's customary portions of the escrow fees; title insurance, and the establishment of impounds accounts for property taxes and insurance.

3. After 1 and 2), above are satisfied, any balance of homebuyer funds may be applied either to the purchase price or to reduce the interest rate of the primary loan as necessary.

C. Sponsor will not provide more than fifty percent (50%), or up to a maximum amount of $40,000, (based upon 20% of purchase price) of the down payment required by the primary lender (CDBG requirement). Sponsor may also provide sufficient assistance, as Program loan principal, to reduce the monthly payment for PITI to an affordable level of household income. The subsidy will write down the cost of the primary lender's loan so that the payments of PITI are within approximately 30 to 35% of the gross household income. The Program Operator will determine the level of subsidy and affordability during underwriting of the Program's loan to make sure that it conforms to the requirements of the HCD funding Program.

1.5. HOMEBUYER EDUCATION

Buying a home can be one of the most confusing and complicated transactions anyone can make. Providing the future homebuyer with informative homebuyer education training, can bring success to the Sponsor, Program Operator, the Program and most importantly, the homebuyer. It has been documented that first-time homebuyers that have had homebuyer education have the ability to handle problems that occur with homeownership. All First Time Homebuyers are required to attend a Sponsor-approved homebuyer education class. The homebuyer education class will cover such topics as the following: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; impact of refinancing and loan servicing. Methods of homebuyer counseling and education may include, but are not limited to: one-on-one counseling between homebuyer, counselor and family/individual and/or group workshops and informational sessions. Tools of instruction may include fliers, brochures, power point presentations, worksheets, etc.

Note: Jurisdictions with CDBG-funded programs may assist eligible homebuyers who are not "first-time" homebuyers, which would not be required to attend a Sponsor-approved homebuyer education class.

1.6. CONFLICT OF INTEREST REQUIREMENTS

When the Sponsor's program contains Federal funds, the following shall be addressed: in accordance with title 24, Section 570.611 of the Code of Federal Regulations, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, 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 governing body of the locality.

1.7. NON-DISCRIMINATION REQUIREMENTS

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

2.0 APPLICANT QUALIFICATIONS

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

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

2019 Median Family Income for Yuba County

Number of Persons in Household								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
80% of AMI	$36,300.	$41,500.	$46,700.	$51,850.	$56,000.	$60,150.	$64,300.	$68,450.

Household: Means one or more persons who will occupy a housing unit. Unborn children do not count in family size determination.

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

2.2. INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. Income qualification criteria, as shown in the most recent HCD program-specific guidance at http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html, will be followed to independently determine and certify the household's annual gross income. The Program Operator should compare this annual gross income to the income the Primary Lender used when qualifying the household. The Primary Lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Program. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third-party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

A. HOUSEHOLD INCOME DEFINITION:

Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used. Two types of income that are not considered would be income of minors and live-in aides.

Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

The link to Annual Income Inclusions and Exclusions is:
http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixBAnnualIncomeInclusionsExclusions.doc
See Attachment A: 24 CFR Part 5 Annual Income Inclusions and Exclusions

NOTE: Non-occupant co-signers will not be required to submit income and asset documentation. Co-signers will not be included in the household income determination. Co-signers are acceptable as long as their names do not appear on the Grant Deed or Deed of Trust.

B. ASSETS:

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

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

The Link to Asset Inclusions and Exclusions is:
http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixCAnnualIncomeAssetInclusionsExclusions.doc
See Attachment B: Part 5 Annual Income Net Family Asset Inclusions and Exclusions

2.3. DEFINITION OF AN ELIGIBLE HOMEBUYER

A. An eligible homebuyer is an individual or individuals or an individual and his or her spouse who meets the income eligibility requirements and is/are not currently on title to real property. Persons may be on title of a manufactured home unit, who are planning to sell the unit as part of buying a home located on real property. Documentation of homebuyer status will be required for all homebuyers.

Note: Jurisdictions with CDBG-funded programs may assist eligible homebuyers who are not "first-time" homebuyers.

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

1. A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

2. A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or

3. An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or state regulations; or not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

3.0. HOUSING UNIT ELIGIBILITY

3.1. LOCATION AND CHARACTERISTICS

A. Housing units to be purchased must be located within the eligible area. The eligible area is described as follows: "Within the boundaries of the Yuba County area, including the Marysville city limits."

Housing unit types eligible for the homebuyer Program are new or previously owned single-family residences; condominiums; or manufactured homes on a single-family lot and placed on a permanent foundation system.

B. All housing units must be in compliance with State and local codes and ordinances.

C. Housing units located within a 100-year flood zone will be required to provide proof of flood insurance with an endorsement naming the County of Yuba as loss payee in order to close escrow.

3.2. CONDITIONS

A. Housing unit size shall be sufficient to meet the needs of the homebuyer household, without overcrowding. Generally, this means not more than two persons per bedroom or living room.

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

1. The Program Operator's building inspector will walk through the housing unit, determine if it is structurally sound, and identify any code related and health and safety deficiencies that need to be corrected. A list of code related repair items will be given to the homebuyers and their Realtor to be negotiated with the seller.

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

3. A clear pest inspection report will be required for each housing unit. Smoke detectors will be installed if there are none in place. The Program Operator will encourage each homebuyer to secure a homeowner's warranty policy as part of the purchase of a resale-housing unit.

C. When a home is purchased using Federal funds, such home shall not be eligible for Funds from the Sponsor's housing rehabilitation program, for the relevant period of affordability.

D. Lead-Based Paint Hazards: All housing units built prior to 1978, for which CDBG funding is anticipated, are subject to the requirements of this section 3.2.C. Such homes must undergo a visual assessment by a person who has taken HUD's online Visual assessment course. Deteriorated paint must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a DHS certified LBP Risk Assessor/Inspector. CDBG general administrative and activity delivery funds may be used to pay for lead-based paint visual assessments, and if lead mitigation and clearance costs are incurred, these programs may incorporate the costs into the calculation of Program assistance.

The following requirements must be met:

1. **Notification**: a) Prior to homebuyer's obligation to purchase a pre-1978 home, the Buyer will be given the most recent copy of and asked to read the EPA pamphlet "*Protect Your Family From Lead in Your Home*" (EPA 747-K-94-001). A signed receipt of the pamphlet will be kept in the Sponsor's homebuyer file; b) A notice to residents is required following a risk assessment/inspection using form DHS 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) a notice to residents is required following lead-based paint mitigation work using Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction form, LBP – 1 (Attachment H.).

2. **Disclosure:** Prior to the homebuyer's obligation to purchase a pre-1978 housing unit, the HUD disclosure (Attachment E), "Seller's Lead-based Paint Disclosure" notice must be provided by the seller to the homebuyer.

3. **Inspections:** The Inspector shall conduct a "Visual Assessment" of all the dwelling unit's painted surfaces in order to identify deteriorated paint. All deteriorated paint will be stabilized in accordance with CFR 35.1330 (a) and (b); and a Clearance shall be made in accordance with CFR 35.1340.

4. **Mitigation:** If stabilization is required, the contractor performing the mitigation work must use appropriately trained workers. Prior to the contractor starting mitigation work the Program Operator shall obtain copies of the contractor's and workers' appropriate proof of LBP training, as applicable to the job in order to assure that only qualified contractors and workers are allowed to perform the mitigation.

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

3.3 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes will be those that are currently owner-occupied or have been vacant for three months prior to the acceptance of a contract to purchase. A unit is ineligible if its purchase would result in the displacement of a tenant. It is not anticipated that the implementation of the Program will result in the displacement of any persons, households, or families.

3.4. PROPER NOTIFICATION AND DISCLOSURES

A. Upon selection of a housing unit, a qualified seller and homebuyer will be given the necessary disclosures for the Program. The homebuyer must have read and signed all Program disclosure forms. Any and all property disclosures must be reviewed and signed by the homebuyer and seller.

B. All owners who wish to sell their housing units must receive an acquisition notice (Attachment F) prior to submission of the homebuyer's original offer. This notice will be included in the contract and must be signed by all owners on title. The disclosure must contain the items listed in 1.3.B. (required for federally funded programs).

4.0. PURCHASE PRICE LIMITS

The purchase price limits for this Program by number of units are as follows:

- Single-family residence, currently $ 266,000 or 95 % of the area median purchase price.
- Single-family new construction, currently $284,000.00 or 95 % of the area median purchase price.

(https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml).
April 15, 2019

Attachment C: MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMITS
*Sponsor will update these limits annually as HCD provides new information.

5.0. THE PRIMARY LOAN

Prior to obtaining a loan from the Sponsor, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the "primary loan").

A. QUALIFYING RATIOS

Primary loans underwritten by FHA, USDA Rural Development, Fannie Mae, Freddie Mac, or CalHFA will be acceptable to establish creditworthiness, repayment ability, and dependability of income: Note: If none of the above primary loans are used, it will be up to the Sponsors to establish the front-and back-end rations that will be allowable in their program. The ratios are calculated on the borrower's fixed monthly expenses to the household's gross monthly income.

Front-End Ratios

28-40%. The front-end ratio is comprised of the homebuyer's total monthly mortgage payment (PITI – principal, interest, taxes, insurances and HOA dues) divided by the total monthly gross income. This figure represents the percentage of the homebuyer's gross monthly income that will be used for housing payments.

Back -End Ratios

37-50%. The back-end ratio is calculated by adding the total monthly housing payment to the homebuyer's other on-going debt obligations such as revolving credit, installment accounts (that have more than 10 months left to pay on), child support and alimony. This figure is divided by the total monthly gross income.

The Program Administrator may allow the ratios to exceed the normal range where significant compensating factors exist. The Program Administrator judges the overall merits of the loan application; and will determine what compensating factors apply and the extent to which ratios may be exceeded. When exceeding the County's standard criteria, the Loan Review Committee will be the controlling factor when making underwriting exceptions. This decision shall be documented in the file.

The following compensating factors are some of the more common ones:

- The prospective homebuyer has successfully demonstrated, over a minimum 12-month period, the ability to pay housing costs equal to or greater than the proposed monthly housing costs for the property being purchased. This means successfully handling housing costs plus any other household debt. If the homebuyer has met their housing obligations as well as all other debts, there should be little reason to doubt the homebuyer's ability to continue to do so.

- The prospective homebuyer is a limited user of credit <u>and</u> they show a history of being able to save money.

- The prospective borrower has substantial non-taxable income. Special consideration to regular sources of income that are non-taxable such as child support, disability payments, retirement payments, workers compensation benefits, social security and VA benefits which are to continue should be "grossed up". Nontaxable income is worth more than taxable income because the borrower does not have to pay taxes on it. To "gross up" means the Recipient needs to determine the amount of tax savings the borrower receives. Most non-taxable income is "grossed up" by 15%. This means that the Recipient takes the amount of income x 0.15 = "the amount of tax savings". This is added to the income for a new total income.

- Previous credit history shows that the prospective borrower has the ability to devote a greater portion of income to housing expenses. This means that the borrower is a limited credit user or may not use credit at all, thus having more income to devote towards housing.

- There will be no more than a 5% increase in the prospective homebuyer's housing expense.

B. INTEREST RATE

Local program guidelines determine and direct the interest rate utilized for CDBG financing. Once local guidelines have been established and approved, any changes will require re-approval from the State.

The County's Loan Review Committee has determined that all loans will contain a simple fixed interest rate of three percent (3%) per annum for the full term of loan, with the option of interest forgiveness based on the following criteria:

An interest rate reduction will be applied to the loan terms, pursuant to the schedule below; providing borrower continues to meet the following required criteria:

- borrower maintains continuous residence at the property
- no outstanding non-compliance violations on property
- property taxes are paid current
- homeowners' insurance and/or flood insurance are paid current
- all property insurance policies name County of Yuba as loss payee

If at any time during a sequenced rate reduction phase, borrower fails to meet the above criteria, a rate reduction will not be considered for that phase; however, borrower will be extended the opportunity to correct defaulted elements and participate in future reduction reductions.

<u>Interest Rate Reduction Schedule</u>

3.00% Owner-occupied borrowers, with total income less than 80% of the County median income, who qualify for the CDBG program, will receive a simple interest rate of 3% per annum; with interest beginning on the day Deed of Trust is recorded as a lien on the property.

2.5% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 2.5%; Starting year 6 through end of year 10, following the recording of the deed of trust.

2.00% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 2.0%; Starting year 11 through end of year 15, following end of year 15, following the recording of the deed of trust.

1.50% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 1.5%; Starting year 16 through end of year 20, following the recording of the deed of trust.

1.00% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 1.0%; Starting year 21 through end of year 25, following the recording of the deed of trust.

0.50% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 1.0%; Starting year 26 through end of year 30, following the recording of the deed of trust.

0.00% Upon repayment of the Program loan, on or before the expiration of the original 30-year term, County shall forgive all deferred accrued interest due.

NOTE: The reduced rate will be retroactive from the original date of the recorded Deed of Trust;

If the borrower is unable to repay loan in full, at the maturity date of the original 30-year Term due to a hardship (as defined below in Section E), County may exercise one or more of the following modification options to cure the default.

- Reduce interest rate to 0%
- Extend loan term, up to an additional 10 year period
- Modify loan term from deferred to amortized monthly principal payments

In the event of default, principal balance and all accrued interest, at the rate of 3% per annum, shall be due and payable.

C. LOAN TYPE AND TERM

The program loan shall be have deferred payments and have a term "all due and payable" in no fewer than 30 years. There shall not be a balloon payment due before the maturity date of the Program loan. The following housing expense ratio will be applied:

D. IMPOUND ACCOUNT

All households will be required to have impound accounts (with 1st mortgage lender) for the payment of taxes and insurance, to ensure they remain current.

E. HARDSHIP

Hardship is defined as changes in borrower's health, family circumstances, or financial status, that limits or restricts their repayment ability, such as loss of job, loss of spouse, or co-borrower, or serious illness.

6.0. THE PROGRAM LOAN

A. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE

The amount of Program assistance available to a homebuyer toward purchase of a home shall have a minimum loan amount of no less than $ 15,000 and a maximum loan amount of no more than $40,000. Any approved amount for lead-based paint evaluation, buyer's non-recurring closing costs, reduction activities or relocation assistance shall be included in this amount.

Note: The CDBG Program does not have a specific subsidy limit, therefore the Sponsor has established a minimum and maximum subsidy limit for the local Program. The loan amount may be lower than the County's HUD-published limits.

Attachment D: HOME SUBSIDY LIMITS PER UNIT – SECTION 221(d) (3)

B. NON-RECURRING CLOSING COSTS

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

C. AFFORDABILITY PARAMETERS FOR HOMEBUYERS

The actual amount of a buyer's Program subsidy shall be computed according to the housing ratio parameters, specified in Section 5.A. Each borrower shall receive only the subsidy needed to allow them to become homeowners ("the Gap"); while keeping their housing costs affordable (up to the maximum Program assistance stated in Section 6.A). The primary lender will use the "front-end ratio" of housing-expense-to-income to determine the amount of the primary loan and, ultimately, the Program subsidy amount required; bridging the gap between the acquisition cost (purchase price plus closing costs) less down payment, and the amount of the primary loan.

D. RATE AND TERMS FOR PROGRAM LOAN

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

1. The Program loan term shall be a maximum of 30 years and shall not extend beyond the maturity of the loan; an exception would be if primary lender is a USDA loan, with a loan term up to 42 years, than program loan term will be extended to match that of the superior financing.

2. The interest rate shall be up to a maximum of 3%, as stated in Section 5.B. All Program loan payments shall be deferred payments, with interest accruing from the date of recording of the Deed of Trust. All Program loan payments shall be

deferred because the borrowers will have their repayment ability fully utilized under the primary loan.

3. The following housing expense ratio will be applied:

    * 50% or less: Applicants spending 50% or less of their income on housing expenses will be offered a term of 30 years. However, the Loan Review Committee retains the option to extend an exception, based on the total debt-to-income-ratio of applicants who spend more than 50% of their income on housing expenses, as stated in Section 5.0.

    This ratio is calculated by adding up all housing expenses (mortgage payments, property insurance, and taxes, gas, electricity, water, garbage and other utilities) and dividing the total by the applicant's gross income.

E. LOAN-TO-VALUE RATIO

The loan-to-value ratio for a Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent (100%) of the sales price plus a maximum of up to 3 percent of the sales price to cover actual closing costs.

7.0. PROGRAM LOAN REPAYMENT

7.1. PAYMENTS ARE VOLUNTARY

Borrowers may begin making voluntary payments at any time. A borrower may pay a portion of or the entire deferred payment loan amount at any time without a prepayment penalty.

Although payments are not required during the loan term, loan will continue to accrue interest from date of the recording of the Deed of Trust.

7.2. RECEIVING LOAN PAYMENTS

A. Program loan payments will be made to:

County of Yuba
Community Development Department
915 8th Street, Suite 123
Marysville, CA 95901

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

7.3. DUE UPON SALE, TRANSFER, DEFAULT

A. All loan principal and any interest due, shall be due and payable in full, upon sale or transfer of title (unless assumable as in D below) or when borrower no longer occupies home as his/her principal residence or upon loan maturity date.

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

C. Borrowers must maintain the property in good condition for the term of the loan. Should the property not be maintained in accordance with the Agreement, the loan shall be considered in default and will become due and payable. If necessary, foreclosure proceedings will be initiated.

D. Program loans may or may not be assumable according to the HCD program and the loan documents. Sponsor elects to offer assumablility of loan to a borrower's heir, providing heir can meet the income requirements to assume remaining term of loan, and maintains continuous occupancy of property for the remainder of the loan term. Loan assumptions must be approved by the Loan Review Committee.

7.4. LOAN SERVICING POLICIES AND PROCEDURES

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

7.5. LOAN MONITORING PROCEDURES

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

A. Owner-occupancy
B. Property tax payment
C. Hazard insurance coverage
D. Good standing on Primary loans
E. General upkeep of housing units

8.0. PROGRAM LOAN PROCESSING AND APPROVAL

A. Loan Processing

All homebuyers or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. They should submit a complete application packet with all the Sponsor's Program loan documents executed as well as all the information from the Primary Lender. The Primary Lender should 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; 5) homeownership education certificate, if applicable; and 6) signed underwriting transmittal summary and final signed loan application, both from primary lender. Staff will work with local lenders to ensure qualified participants receive only the benefit from the Sponsor's Program needed to purchase the housing unit and that leveraged funds will be used when possible.

B. Creditworthiness

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

Poor credit alone is not generally a valid reason for denying a loan. Many of the applicants who qualify for this program have poor credit or no credit. A credit report indicates the borrower's creditworthiness with previous mortgages, shows undisclosed debts, revolving accounts, installment accounts and any judgments, garnishments, liens and/or bankruptcies that are a matter of public record. A homeowner who has made payments on previous or current obligations in a timely manner represents a reduced risk to a lender.

C. Documents from Primary Lender

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

D. Disclosure of Program and Loan Information to Homebuyers

The Program's application and disclosure forms will contain a summary of the loan qualifications of the borrower with and without Program assistance. Housing ratios with and without Program assistance are also outlined in these guidelines. Information on the Program's application will be documented with third party verifications in the file. For example, the sales contact 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 inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The Primary Lender's approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the Primary Lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Program loan. By reviewing and crosschecking all the Primary Lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN

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

8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING

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

8.3. ESCROW PROCEDURES

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

9.0. SUBORDINATE FINANCING

With today's high costs, in order for a low-income household to obtain a home, several funding sources might be required. Subordinate loans may be used to cover mortgage subsidy costs that exceed the Program maximum loan amount. All subordinate liens must have the payments deferred and the term must be for at least as long as the term of the Program loan.

Requests for Subordination

When a Borrower wishes to refinance the property, they must make a subordination request to the Lender. The Lender will only subordinate their loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt payoffs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtness on the property should not exceed the current market value.

Upon receiving the proper documentation from the refinance lender, the request will be considered by the loan review committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender. The County will not provide any funds for the subordination escrow process.

The Lender will only subordinate a fixed rate loan at current market rates. Loan duration must be equal to or greater than the period remaining on borrower's primary mortgage.

10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

10.1. DEFINITION OF EXCEPTION

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

10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES

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

C. The Sponsor shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the Sponsor's loan review committee and/or governing body for a decision.

11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

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

12.0 AFFORDABILITY PERIOD AND ELIGIBILITY FOR FUTURE HOME ASSISTANCE

Program loan will not incorporate an affordability period; however, affordability terms may be applicable should other financing sources make it a condition of financing. Sponsor will not provide additional home assistance until the expiration of any affordability period.

ATTACHMENT A

24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

Part 5 Inclusions

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

General Category	(Last Modified: January 2005)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3).
6. Welfare Assistance	Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income: • Qualify as assistance under the TANF program definition at 45 CFR 260.31; and • Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of: • the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; **plus**: • the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

Part 5 exclusions

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

General Category	(Last Modified: January 2005)

1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR5.403).
6. Income from a Disabled Member	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set side for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving s a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of $480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion: ▸ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977; ▸ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);

- Payments received under the Alaskan Native Claims Settlement Act;
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- Income derived from certain sub marginal land of the United States that is held in trust for certain Indian tribes;
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps).
- Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;
- Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

ATTACHMENT B

PART 5 ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS

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

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

Inclusions

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

Exclusions

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

ATTACHMENT C

MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMIT FOR YUBA COUNTY
(HOME Value Limits as of 4/15/2019)

COUNTY NAME	One-Family
YUBA	$284,000

INCOME LIMITS FOR YUBA COUNTY*
(Limits are effective 6/28/19)

	Number of Persons in Household							
	1	2	3	4	5	6	7	8
80% of AMI	$36,300	$41,500	$46,700	$51,850	$56,000	$60,150	$64,300	$68,450

*Sponsor will insert the limits for the county in which the Program is located, and will update the income limits annually as HCD provides new information. The link to the official, HCD-maintained, income limits is:
http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html

ATTACHMENT D

LOAN SERVICING POLICIES AND PROCEDURES FOR YUBA COUNTY

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

The policies and procedures are broken down into the following areas: 1) originating loan; 2) loan monitoring; 3) making required monthly payments or voluntary payments on a loan's principal and interest; 4) required payment of property taxes and insurance; 5) required Request for Notice of Default on all second mortgages; 6) loans with annual occupancy restrictions and certifications 7) required noticing and limitations on any changes in title or use of property; 8) processing payoff demand; 9) account of payoff; 10) required noticing and process for requesting a Subordination during a refinance; 11) process for senior loan foreclosure; 12) foreclosure process when Lender is senior lien holder; 13) Modification to cure Default; 14) process of Reconveyance to remove lien.

1. Originating Loan:

The Yuba County Loan Committee must approve all loans. In order to obtain financing, applicants must meet all property and income eligibility guidelines in effect at the time of loan approval (depends on HCD program). Applicants will be provided written notification of approval or denial. Reason for denial will be provided to applicants in writing. A Note and Deed of Trust, reflecting loan amount and terms of loan, will secure all approved loans. Deed of Trust must be recorded as a lien against Borrower's property. When the amount of loan funds used, is less than the funds borrowed on an Owner-Occupied Rehabilitation loan, unused loan funds will be applied to the Borrower's loan to reduce principal balance.

2. Loan Monitoring:

Upon loan origination, the Lender will enter borrower's demographics, loan terms, grant funds utilized to fund loan and personal information into the Loan Portfolio Management System, referred to as GMS. Program will accurately calculate and apply loan payments and/or loan payoffs to principle and/or interest, per terms of Note, and generate a loan statement that includes; funds applied to principal and/or interest, interest paid through date, next payment due date, remaining loan balance and balance of accrued interest due on loan. GMS will compile daily, monthly and yearly reports; by payments, payoff, past due loans, balance of all outstanding loans (by grant that provided financing) within the County's loan portfolio, and prepare IRS 1098 forms to report loan interest paid by borrowers.

3. Loan Repayments:

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

4. Payment of Property Taxes and Insurance:

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

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

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

5. Required Request for Notice of Default:

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

6. Annual Occupancy Verification and Certifications:

On owner-occupant loans, the Lender will require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. Lender will annually verify type of insurance (owner occupied or rental) and mailing address on insurance renewals and tax bills to be that of the property address. Borrower will also be require to complete an annual occupancy certification.

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

In all cases where there is a change in title or occupancy or use, the Borrower must notify the Lender in writing of any change. Lender and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions, such that it remains either owner-occupied or available as an affordable home for low-income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction. In some cases, the Borrower may move and turn the property into a rental unit without notifying the Lender. Although, some grant programs may require owner-occupancy for the term of the loan, others may require changes in title or occupancy to keep with the objective of benefit to low-income households (below 80 percent of AMI). Regardless, changes in title or occupancy must remain in compliance, with original Grant Program terms and conditions stipulated at time of loan, for the term of loan.

Typically, an owner-occupant loan is to remain owner-occupied for the full term of loan, and is not assumable. Transfer of ownership or tenure from owner-occupied to rental, would require repayment of all principal and interest due. However, the following transfers of interest shall not require the repayment of loan (depends on the HCD program).

a) transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;

b) a transfer, in which the transferee is a person who occupies or will occupy the property, which is:

   i. a transfer where the spouse becomes an owner of the property;

   ii. a transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; of

   iii. a transfer into an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property;

Change from owner-occupant to owner-occupant occurs at a sale. When a new owner-occupant is not low-income, the loan is not assumable and the loan balance is immediately due and payable. If the new owner-occupant qualifies as low-income, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the Lender's Loan Committee (depends on the HCD program).

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir is income eligible. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable. If the heir intends to act as an owner-investor, the balance of the loan may be converted to an owner/investor interest rate and loan term and a rent limitation agreement is signed and recorded on title. All such changes are subject to the review and approval of the Lender's Loan Committee.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the assisted property, or if the property is sold to an investor. If the owner converts any assisted unit from owner-occupied to rental, the loan is due in full.

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

8. Processing payoff demands:

Upon request for payoff balance, Lender will provide a payoff statement to Borrower or third party requesting the payoff statement, upon providing Lender with a signed borrower authorization. Anticipated payoff date is entered into the Loan Portfolio Management Program (GMS) plus any fees due for preparing and/or recording of reconveyance. GMS will generate a payoff statement with interest paid to anticipated date of payoff, including a per diem interest amount, if payoff exceeds anticipated payoff date. Lender will provide a payoff statement to Borrower and/or third party, and a copy of statement will be placed in Borrower's loan file.

9. Accounting for loan repayment:

Once Lender receives Loan payoff funds, the amount and date Loan funds received are entered into GMS, so interest stops on date of payoff. In the event an overpayment of Loan funds are received, overpayment will be refunded to Borrower. If Loan payoff is short, immediate action will be taken to collect any additional funds due, so that Loan is paid in full and Borrower is not charged unwarranted interest. Loan Status, is then changed from active loan to payoff in GMS. This will remove Loan from outstanding Loan balance report in the County's Loan Portfolio Management Program, but will retain all Loan history in GMS program.

10. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must present a subordination request to the Lender. The Lender will subordinate their loan only when there is no "cash out" as part of the refinance. No cash out means that there are no additional charges on the transaction above loan and escrow closing fees. There can be no third-party debt payoffs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate, and the total indebtedness on the property should not exceed the current market value.

Also, provisions of Section 5.0.B and 5.0.C of these guidelines still apply, which state that the loan must:

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

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

11. Process for Senior Loan Foreclosure:

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

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

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

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

12. <u>Foreclosure process when Lender is Senior Lien holder:</u>

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

a) can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?

b) can the Borrower refinance with a private lender and pay off the Lender?

c) can the Borrower sell the property and pay off the Lender?

d) does the balance warrant foreclosure? (If the balance is under $5,000, the expense to foreclose may not be worth pursuing.)

e) will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure.

<u>Thirty (30) and sixty (60) day delinquencies.</u> The County shall send the borrower a letter noting the amount of delinquent or performance default.
This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL). This letter shall be followed by a telephone call reminding the borrower of the loan amount and due date or performance default.

<u>Ninety (90) day delinquency.</u> The County shall send a certified letter noting the amount delinquent or performance default. In this letter, a date and tie shall be set for a meeting between the borrower and a member of County staff. At this meeting, the following will be discussed.

a) reason for delinquency or default
b) any changes in borrower's health, family circumstances or financial status that limits their repayment ability
c) amounts in arrears

At the conclusion of this meeting, the following will be determined:

a) how and when the amount in arrears will be paid
b) how performance defaults will be remedied
c) if a personal emergency (loss of job, loss of spouse or co-borrower, serious illness) has restricted repayment ability

13. <u>Modification to cure default:</u>

If, because of such an emergency, the Borrower cannot fulfill the term(s) of the loan or afford to repay the loan due to a hardship, the County may exercise one or more of the following options (Depends on the HCD program):

a) amend the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at 0% additional interest), this may be offered one time, or;
b) converting the debt at loan maturity, that is the original principal balance and any accrued interest, to an amortized loan, repayable in 15 years at 0% additional interest.

If the borrower does not appear for the 90-day delinquency meeting, and does not contact the County to reschedule the meeting, staff may immediately begin foreclosure proceedings. Any borrower who participates in the process outlined above and then becomes 90 days delinquent within two years of renegotiating their loan terms may be subject to immediate foreclosure.

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

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

14. Process for Reconveyance:

Once the loan has been paid in full, the Lender has an obligation to reconvey the deed of trust in a timely manner. The following outlines the process:

a) the Title Company or realtor will send written request for payoff to the Lender.
b) the Lender provides a disclosure of the repayment payoff amount
c) the title company issues a repayment check to the Lender.
d) when the Lender has received payment in full, the necessary forms will be initiated

e) The trustee will remove the lien upon receipt of a signed request for Reconveyance submitted with original Note and Deed of Trust. The Lender however, prefers to prepare a Substitution of Trustee and Deed of Reconveyance (substituting the County in as trustee). When prepared this way the potential of losing the original legal documents is diminished.

f) If there is a sale transaction opened with a Title company, then the Substitution of Trustee and Deed of Reconveyance is prepared by Lender, and submitted to title to record when the ownership of the property is transferred.

g) If the borrower pays off the loan, and no sale is involved, then Lender will prepare the Substitution of Trustee and Deed of Reconveyance and send to Borrower, with instructions to record the Reconveyance. Original Note and Deed of Trust, will be stamped "Paid in Full", and returned to Borrower.

CDBG LOAN COMMITTEE GUIDELINES
OWNER-OCCUPIED HOMEBUYER ASSISTANCE PROGRAM
COUNTY OF YUBA
Revised 12/03/2019

BACKGROUND

The County of Yuba has developed a housing program to provide direct homebuyer assistance to low- and moderate-income households. A primary source of funding for the County's program is the Community Development Block Grant (CDBG) program funded by the California Department of Housing and Community Development (HCD).

To assist the County in implementing its housing homebuyer program, the County has established a Loan Committee. The purpose of this document is to provide guidance to the Committee as it conducts its activities.

The task of producing quality loans is a balance between the "science" of gathering information and analyzing risk, and the "art" of making a judgment that gives the borrower every possible consideration. When that balance is maintained, the County can provide quality loans that meet borrowers' needs for home financing, without imposing excessive financial burdens

OBJECTIVES OF CDBG PROGRAM

The three (3) principal and overriding objectives of the CDBG program are:

1. To provide down payment assistant.
2. To pay reasonable closing costs.
3. To benefit low- and moderate-income households.

All activities undertaken with CDBG financial assistance must support and promote one of the above national objectives. It is important for the Loan Committee to understand that to achieve the above objectives, it is often necessary for the County to act as a lender of last resort. In this regard, the County cannot apply the conventional underwriting criteria, which would be applied by a private lender. To do so will often result in the denial of applications for a variety of reasons. For example, if the County denies financial assistance to an owner of a deteriorated property because of the owner's poor credit condition, that denial can be interpreted as the County turning its back on all three of the national objectives.

CRITERIA FOR ASSISTANCE

To be eligible to participate in the program borrowers and property must meet the following criteria:

1. Total household income must be at or below 80-percent of the area medium income

2. Meet the U.S. Department of Housing and Urban Development (HUD) income limits (updated 2019)

3. Owner-Occupant – Must continue to live in the home after purchase. When home is no longer owner-occupied, loan will be due and payable.

4. Housing units must meet local buildings codes and be free from health and safety defects at time of purchase.

5. The purchase price limits for this Program by number of units, are as follows:

   - Single-family the greater of $ 266,000 or 95 percent of the area median purchase price.
   - Single-family new construction, currently $284,000 or 95% of the area median purchase price.

   (www.hcd.ca.gov/grant-funding/income-limits/state-and-federal-incomelimits.shtml)
   April 15, 2019

STANDARDS FOR ASSISTANCE

In evaluating requests for financial assistance, Loan Review Committee should observe the following mandated criteria:

1. Will the assistance being requested promote the objective?

2. Can the County provide the financial assistance being requested in a manner that is consistent with the application approved by HCD and the regulations governing the CDGE program? For example, if the applicant is seeking a grant, does the County have the authority to make a grant, or must all assistance be in the form of a loan?

3. Are the terms of the financial assistance consistent with the County's Program Guidelines? For example, if a borrower is requesting a 40-year deferred period, does the County Program Guidelines allow for such a term?

4. When the County denies an application for assistance, the basis for denial must be clear and easily translatable. In addition, whatever the basis for denial happens to be, the County must be prepared to go public, if the need arises, with the action that is taken. For example, if an applicant and property meet all established criteria, but is denied because of a credit history that does meet the threshold of the Loan Committee, the Committee must be prepared to provide the reason at a meeting of the Board of Supervisors in the event an applicant chooses to appeal a decision of the Committee. The Program Administrator and staff must also communicate the Committees' reason in writing. The Committee cannot deny for an undisclosed reason. There is nothing that can be more harmful to the perception of fairness of a program than to have an applicant receive conflicting information about why an application was denied or to receive inadequate or vague

5. Although members of the Loan Committee serve an extremely valuable role of bringing familiarity with local conditions to the housing homebuyer assistance program, it is critical that members of the Committee not allow personal observations to overshadow other program objectives. For example, there may be occasions, when a Committee member will have personal knowledge about an applicant, which may not be known to other members of the Committee or to the Program Administrator or staff. The relevance of this information, however, must be constantly evaluated. Making determinations about whether one's neighbor should receive a loan is, at best, a difficult assignment. This problem is complicated even more and is made considerably more subjective when personal criteria which is not part of the formal Program Guidelines is applied to the decision-making process.

UNDERWRITING GUIDELINES

Some of the guidelines outlined below have been approved by the State as part of the CDBG application process and are not subject to change without formal approval of the State. These guidelines are identified as such. The rest of the guidelines should be used as a flexible yardstick by which to measure applicants. The Loan Committee reserves the right to vary from these guidelines whenever necessary to achieve the program objectives.

1. LOAN PROGRAM

The CDBG Program does not have a specific subsidy limit; therefore, the Sponsor has established a minimum and maximum subsidy limit for the local Program, which is approved by the loan review committee. The loan amount may be lower than the County's HUD-published limits.

A. Loan amount

The amount of Program assistance available to a homebuyer toward purchase of a home shall have a minimum loan amount of no less than $ 15,000 and a maximum loan amount of no more than $40,000.

Any approved amount for lead-based paint evaluation, buyer's non-recurring closing costs, reduction activities or relocation assistance shall be included in the maximum loan amount.

B. Interest Rate

The CDBG program has established an interest rate up to 3% per annum, as stated in HCD's regulations; however, local program guidelines determine and direct the interest rate utilized. Once local guidelines have been establishment and approved, any changes will require re-approval from the State. The County's Loan Review Committee has determined that all loans will contain a simple interest rate of three percent (3%) per annum, beginning on the day that the Deed of Trust is recorded.

An interest rate reduction will be applied to the loan terms, pursuant to the schedule below; providing borrower continues to meet the following required criteria:

- borrower maintains continuous residence at the property
- no outstanding non-compliance violations on property
- property taxes are paid current
- homeowners' insurance and/or flood insurance are paid current
- all property insurance policies name County of Yuba as loss payee

If at any time during a sequenced rate reduction schedule, borrower fails to meet the above criteria, a rate reduction will not be considered for that phase; however, borrower will be extended the opportunity to correct defaulted elements and participate in future reductions.

<u>Interest Rate Reduction Schedule</u>

3.00% Owner-occupied borrowers, with total income less than 80% of the County median income, who qualify for the CDBG program, will receive a simple interest rate of 3% per annum; with interest beginning on the day Deed of Trust is recorded as a lien on property.

2.5% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 2.5%; Starting year 6 through end of year 10, following the recording of the deed of trust.

2.0% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 2.0%; Starting year 11 through end of year 15, following the recording of the deed of trust.

1.5% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 1.5%; Starting year 16 through end of year 20, following the recording of the deed of trust.

1.0% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 1.0%; Starting year 21 through end of year 25, following the recording of the deed of trust.

0.5% Providing borrower meets the required criteria, interest will be reduced to a new per annum rate of 1.0%; Starting year 26 through end of year 30, following the recording of the deed of trust.

0.0% Upon repayment of the Program loan, on or before the expiration of the original 30-year term, County shall forgive all deferred accrued interest due.

NOTE: The reduced rate will be retroactive from the original date of the recorded Deed of Trust;

If the borrower is unable resolve the full repayment of a deferred payment loan at maturity date, due to hardship (see Section F below); the Program Operator, with Loan Review Committee approval, will address the hardship by applying the following modification:

- Reduce interest rate to 0%
- Extend loan term, up to an additional 10 year period
- Modify loan term from deferred to amortized monthly principal payments

In the event of default (not defined as hardship), principal balance and all accrued interest, at the rate of 3% per annum, shall be due and payable.

C. Terms

CDBG regulation state loans financed under the CDBG program will be for a maximum term of 30 years, allowing the County's local program guidelines to determine the loan term. The Loan Review Committee has instituted that program loans shall be deferred and have a term "all due and payable" in no fewer than 30 years; an exception would be if primary lender is a USDA loan, with a loan term up to 42 years, than program loan term will be extended to match that of the superior financing. There shall not be a balloon payment due before the maturity date of the Program loan. The following housing expense ratio will be applied:

- 50% or less: Applicants spending 50% or less of their income on housing expenses will be offered a term of 30 years. However, the Loan Review Committee retains the option to extend an exception; based on the total debt-to-income ratio of applicants who spend more than 50% of their income on housing expenses.

This ratio is calculated by adding up all housing expenses (mortgage payments, property insurance, and taxes, gas, electricity, water, garbage and other utilities) and dividing the total by the applicant's gross income.

D. Payments

All loans financed under the CDBG program will be deferred payment loans. However, a borrower may pay a portion of, or the entire deferred loan amount at any time without a prepayment penalty.

Although payments are not required during the loan term, loan will continue to accrue interest from date of the recording of the Deed of Trust.

Borrowers must maintain the property in good condition for the term of the loan. Should the property not be maintained in accordance with the Agreement, the loan shall be considered in default and will become due and payable. If necessary, foreclosure proceedings will be initiated.

E. Impound Account

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

F. Hardship

Hardship is defined as changes in borrower's health, family circumstances, or financial status, that limits or restricts their repayment ability; such as loss of job, loss of spouse or co-borrower, or serious illness.

2. OWNER-OCCUPANTS

A. Ability To Make Existing Mortgage Payments

In considering this issue, the Committee must examine applicant's ability to make the payments on existing mortgages as well as their ability to make payments on the proposed loan. If the applicant is having difficulty making payments on existing loans and his/her income is unlikely to change, there is a high possibility that they might default on the existing loans.

The following issues must be addressed when considering ability to pay:

i Income

Because of the nature of this program, owner-occupant income is not an underwriting consideration. However, all sources of income will be verified. Staff will use the appropriate methods as indicated below.

- Taxes: The most recent two (2) years federal income taxes are reviewed (when available).
- Wages: Wages are verified in writing by the employer and/or by obtaining copies of the applicants, most recent two (2) month check stubs showing year-to-date earnings.
- Government Assistance: Social Security, Unemployment Benefits, AFDC, SSI and other forms of government assistance are verified in writing by the appropriate agency.
- Interest: Interest income is verified by recent bank statements.
- Other: All other sources of income will be verified.

ii Housing Expenses to Gross Income Ratio

The Housing Expenses ratio, as defined in Section 1.C. is an important underwriting criteria because this ratio has a direct bearing on the applicant's ability to make payments on existing mortgages. If, for example, the applicant is spending 75% of their income on housing expenses, there is a high possibility that an unexpected financial crisis cause applicant to default on their mortgage.

Applicants who spend in excess of 50% of their incomes on housing expenses will only be given a loan if they have a credit score acceptable to the first mortgage lender (see attached credit score range), a good mortgage/rent payment history, and can show at least 10% equity in the property. (see section 2.B. below). Approval will require Loan Review Committee to approve exception.

iii Credit

Poor credit alone is not generally a valid reason for denying a loan. Many of the applicants who qualify for this program have poor credit or no credit. A credit report indicates the borrower's creditworthiness with previous mortgages, shows undisclosed debts, revolving accounts, installment accounts and any judgments, garnishments, liens and/or bankruptcies that are a matter of public record. A homeowner who has made payments on previous or current obligations in a timely manner represents a reduced risk to a lender.

Credit reports will be obtained for all loan applicants. However, if applicant has an approved loan with the United Stated Department of Agriculture (USDA), or another lender who has already attained a credit report, a new credit report will not be required to establish credit worthiness. Program Administrator will determine if a new credit report will be obtained, or if the County will be accept an existing report from the first mortgage lender.

iv Mortgage Payment History

This information is used to supplement income and credit information. Applicants with poor credit or no credit, low income, and a high housing cost income to ratio may still be given a loan if they have a good prior mortgage payment history.

Written verification of prior payment and loan balance may be obtained either from the lender or from the credit report for all existing mortgages.

v. Title Report

Aside from providing information about Trust Deeds, the Preliminary Title Report also provided information on liens and judgments, which are not listed in the credit report. Liens placed on the applicants' property by the local jurisdiction because of an inability to make property tax or utility payments are very important. Before a loan can be recorded, either these liens must be paid or the applicant must be in the process of making regular payments to retire the debt.

B. Loan Security

In all cases, the security for the loan is the property. For this reason, it is important to determine the value of the property so that the jurisdiction will know in advance the security upon which the loan will be based. This value is determined by estimating the actual value of the property, calculating the Loan-to- Value Ratio, and determining in what position the loan will be.

i. Value Determination

Although, the equity position that the jurisdiction would take in any given loan is usually derived from the current property value; the CDBG program describes the property value as being the purchase price value; which cannot exceed 95% of the current median sales price of a single-family home in Yuba County, which is:

- Single-family the greater of $ 266,000 or 95 percent of the area median purchase price.
- Single-family new construction, currently $284,000 or 95% of the area median purchase price.

(www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/) April 15, 2019

Appraisal: This is the most reliable and most expensive method. Because of the high cost, appraisals are rarely done and may be shared between first mortgage lender and Sponsor.

ii. Loan-to-Value Ratio

The Loan-to-Value Ratio is the primary method of determining the jurisdiction's equity position and is calculated by dividing the total outstanding loans, liens, and judgments (including the proposed CDBG loan) by the value of the property after purchase. For example, if an applicant has $90,000 in outstanding debt and a property value of $100,000, the property would have a 90% loan-to-value ratio.

The loan-to-value ratio for an owner-occupied homebuyer assistance loan, when combined with all other indebtedness secured by the property, shall not exceed 100% of the median sales price in the county in which the property is located.

iii Loan Position

The secondary consideration in determining the jurisdiction's equity position is the number of loans, liens, and judgments that appear ahead of the jurisdiction's loan. A loan in fourth position, in which the owner's remaining equity is merely 20%, is not as secure as a loan in second position with the same amount of equity.

The CDBG lien should be the first deferred payment loan recorded behind any performing/amortized loans. Exceptions may be made on a case-by case basis, approved the Loan Review Committee.

No financing, junior or senior to the CDBG loan, may have a balloon payment due before the maturity date of the CDBG loan.

All subordinate financing shall defer all principal and interest payments for the term of the CDBG Program loan.

iv Loan-to-Value Guidelines

- 100%: This typically will be the maximum ratio and will only be allowed when the owner has good credit, good rental/prior mortgage payment history (no late payments in the last 12 months), a clean title report, a housing expenses ratio of less than 50%, and the loan must be no lower than third position.

- 95%: This will be the maximum allowed for the typical applicant with the medium risk level (i.e.: a fair credit history) with a housing expenses ratio of not more than 55% The loan must not be in a position lower than third.

- 90%: This will be the maximum allowed for applicants with fair credit, good rental/prior mortgage payment history, a housing expense ratio of not more than 60 %, and the loan must be no lower than third position.

3. <u>DEBT-TO-INCOME RATIO</u>

Most first mortgage lenders generally use a front-end ratio ranging between 28-38% and a back-end ratio ranging from 41-46%. The Fannie Mae standards are 28-40% front end and 37-50% back-end. The CDBG Program does not impose these ratios; therefore, the Program Administrator has established local criteria. Loan Committee will treat each loan as a separate and unique transaction. There may be other factors, aside from only the ratios, that can demonstrate the borrower's ability and willingness to repay loan by the end of loan term. The primary lender is responsible for adequately analyzing the probability that the borrower will be able to repay the mortgage obligation in accordance with the terms of the loan. The Program Administrator must underwrite for the CDBG loan, and may not rely only on the primary lender's assessment.

i. Front-End Ratios

- 28-40%. The front-end ratio is comprised of the homebuyer's total monthly mortgage payment (PITI – principal, interest, taxes, insurances and HOA dues) divided by the total monthly gross income. This figure represents the percentage of the homebuyer's gross monthly income that will be used for housing payments.

ii. Back -End Ratios

- 37-50%. The back-end ratio is calculated by adding the total monthly housing payment to the homebuyer's other on-going debt obligations such as revolving credit, installment accounts (that have more than 10 months left to pay on), child support and alimony. This figure is divided by the total monthly gross income.

The Program Administrator could allow the ratios to exceed the normal range where significant compensating factors exist. The Program Administrator judges the overall merits of the loan application; and will determine what compensating factors apply and the extent to which ratios may be exceeded. When exceeding the County's standard criteria, the Loan Review Committee will be the controlling factor when making underwriting exceptions. This decision shall be documented in the file.

The following compensating factors are some of the more common ones:

➢ The prospective homebuyer has successfully demonstrated over a minimum 12-month period that ability to pay housing costs equal to or greater than the proposed monthly housing costs for the property being purchased. This means successfully handling housing costs plus any other household debt. If the homebuyer has met their housing obligations as well as all other debts, there should be little reason to doubt the homebuyer's ability to continue to do so.

➢ The prospective homebuyer is a limited user of credit <u>and</u> they show a history of being able to save money.

➢ The prospective borrower has substantial non-taxable income. Special consideration to regular sources of income that are non-taxable such as child support, disability payments, retirement payments, workers compensation benefits, social security and VA benefits which are to continue should be "grossed up". Nontaxable income is worth more than taxable income because the borrower does not have to pay taxes on it. To "gross up" means the Recipient needs to determine the amount of tax savings the borrower receives. Most non-taxable income is "grossed up" by 15%. The means that the Recipient takes the amount of income x 0.15 = "the amount of tax savings". This is added to the income for a new total income.

➢ Previous credit history shows that the prospective borrower has the ability to devote a greater portion of income to housing expenses. This means that the borrower is a limited credit user or may not use credit at all, thus having more income to devote towards housing.

➢ There will be no more than a 5% increase in the prospective homebuyer's housing expense.

4. <u>Due Upon Sale, Transfer, or Default</u>

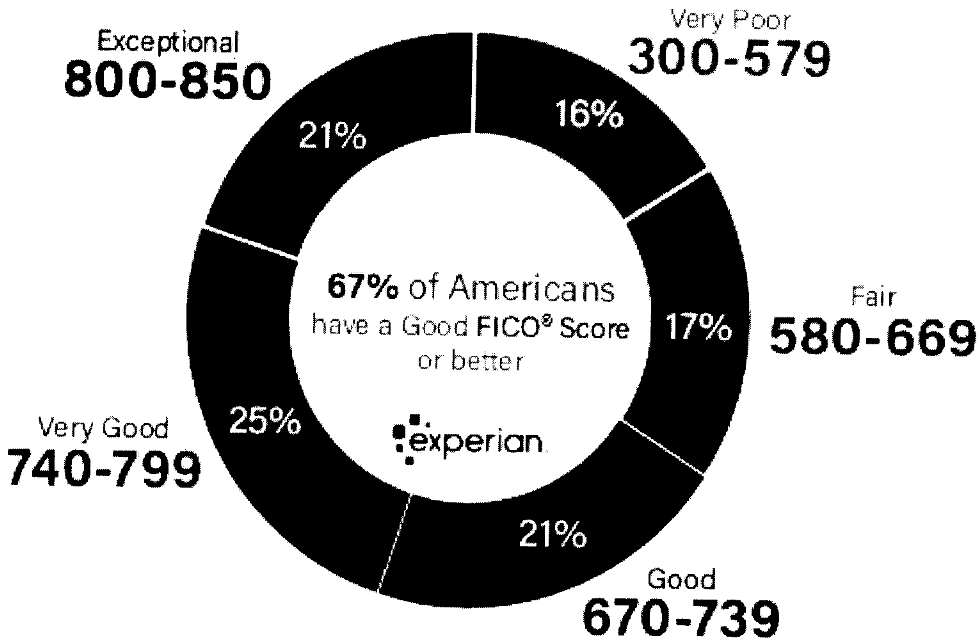
1. All loan principal and any interest due, shall be due and payable in full upon sale or transfer of title (unless assumable as stated in 4 below) or when borrower no longer occupies home as his/her principal residence or upon loan maturity date.

2. The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes.

3. Borrowers must maintain the property in good condition for the term of the loan. Should the property not be maintained in accordance with the Agreement, the loan shall be considered in default and will become due and payable. If necessary, foreclosure proceedings will be initiated.

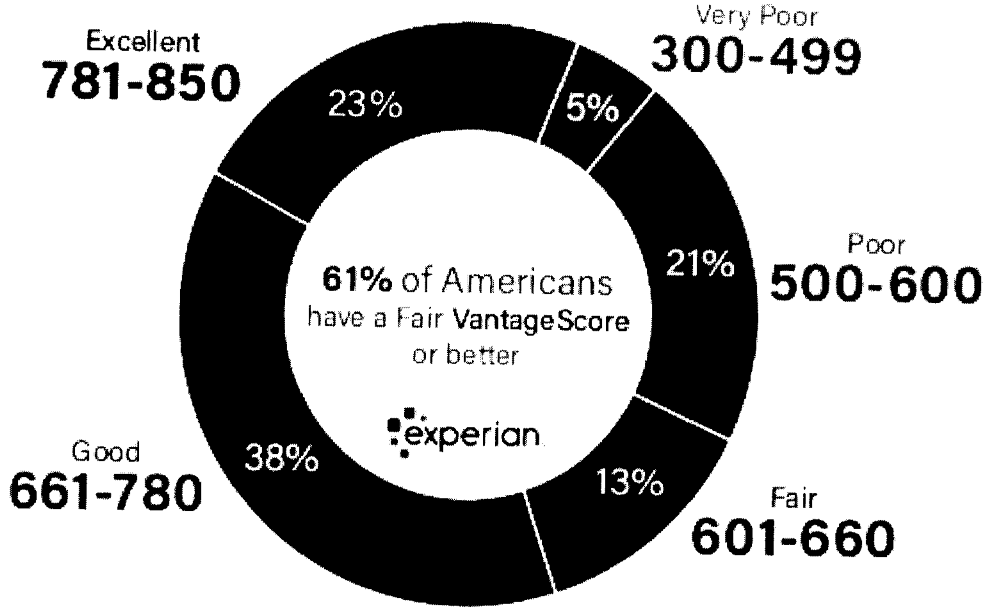
4. Program loans may or may not be assumable according to the HCD program and the loan documents. The County of Yuba elects to offer assumablility of a loan to a borrower's heir, providing heir can meet the income requirements to assume remaining term of loan and maintains continuous occupancy of property. Loan assumptions must be approved by the Loan Review Committee.

FICO® Score Ranges:



Credit Score	Rating	% of People	Impact
300-579	Very Poor	16%	Credit applicants may be required to pay a fee or deposit, and applicants with this rating may not be approved for credit at all.
580-669	Fair	17%	Applicants with scores in this range are considered to be subprime borrowers.
670-739	Good	21%	Only 8% of applicants in this score range are likely to become seriously delinquent in the future.
740-799	Very Good	25%	Applicants with scores here are likely to receive better than average rates from lenders.
800-850	Exceptional	21%	Applicants with scores in this range are at the top of the list for the best rates from lenders.

Vantage Score Ranges:



Credit Score	Rating	% of People	Impact
300-499	Very Poor	5%	Applicants will not likely be approved for credit.
500-600	Poor	21%	Applicants may be approved for some credit, though rates may be unfavorable and with conditions such as larger down payment amounts.
601-660	Fair	13%	Applicants may be approved for credit but likely not at competitive rates.
661-780	Good	38%	Applicants likely to be approved for credit at competitive rates.
781-850	Excellent	23%	Applicants most likely to receive the best rates and most favorable terms on credit accounts.

Why Credit Scores Matter

Credit scores are decision-making tools that lenders use to help them anticipate how likely you are to repay your loan on time. Credit scores are also sometimes called risk scores because they help lenders assess the risk that you won't be able to repay the debt as agreed.

However, credit scores are usually not the only things lenders will look at when deciding to extend you credit or offer you a loan. Your credit report also contains details which could be taken into consideration, such as the total amount of debt you have, the types of credit in your report, the length of time you have had credit accounts and any derogatory marks you may have. Other than your credit report and credit scores, lenders may also consider your total expenses against your monthly income (known as your debt-to-income ratio), depending on the type of loan you're seeking.

FICO® Score Factors:

- Most influential: Payment history on loans and credit cards
- Highly influential: Total debt and amounts owed
- Moderately influential: Length of credit history
- Less influential: New credit and credit mix (the types of accounts you have)

VantageScore Factors:

- Most influential: Payment history
- Highly influential: Age and type of credit, percent of credit limit used
- Moderately influential: Total balances and debt
- Less influential: Recent credit behavior and inquiries, available credit

Minimum Credit Scores

There is no minimum credit score needed to apply for most loans or credit cards. However, you are less likely to qualify for a loan or credit card and less likely to receive favorable rates when your credit score is low. If you are trying to qualify for a conventional loan or credit card with a low credit score, you may wish to wait until your credit improves, so you can ensure you get the best rates possible.
Some mortgage servicers such as the FHA provide general guidelines for those with credit scores on the lower end:

- FHA mortgage loans require a minimum of 580 or higher with a 3.5% down payment.
- For FHA applicants under 580, qualification for a loan is still possible, but a 10% down payment would be required along with meeting other requirements. See FHA's site for more information.

Factors That Affect Your Credit Scores

The information that impacts a credit score varies depending on the scoring model being used. Credit scores are generally affected by elements in your credit report, such as:

- Payment history for loans and credit cards, including the number and severity of late payments
- Credit utilization rate
- Type, number and age of credit accounts
- Total debt
- Public records such as a bankruptcy
- How many new credit accounts you've recently opened
- Number of inquiries for your credit report

Credit Scores Do Not Consider the Following Information:

- Your race, color, religion, national origin, sex or marital status
  (U. S. law prohibits credit scoring formulas from considering these facts, any receipt of public assistance or the exercise of any consumer right under the Consumer Credit Protection Act.)
- Your age
- Your salary, occupation, title, employer, date employed or employment history (However, lenders may consider this information in making their overall approval decisions.)
- Where you live

  Certain types of inquiries (requests for your credit report). The score does not count "consumer disclosure inquiry," requests you have made for your own credit report. It also does not count "promotional inquiry" requests by lenders to make a "preapproved" credit offer or "account review inquiry" requests by lenders to review your account. Inquiries for employment purposes.

www.experian.com/blogs/ask-experian/credit-education/score-basics/what-is-a-good-credit-score/

What FICO score do you need to get a mortgage?

Typical minimum FICO scores needed to Buy a House in 2019:

- FHA Loan – 580 (500-579 score is possible but unlikely)
- VA Loan – 620 (some lenders require 580)
- USDA Loan – 640
- FHA 203K Loan – 620
- Conventional Loan – 620

www.thelendersnetwork.com/what-credit-score-is-needed-to-buy-a-house-in-2019

How do you calculate a credit score?

You can calculate it yourself using the formula below:

- Add up the balances on all your credit cards.
- Add up the credit limits on all your cards.
- Divide the total balance by the total credit limit.
- Multiply by 100 to see your credit utilization ratio as a percentage.

www.nerdwallet.com/blog/finance/how-is-credit-utilization-ratio

2019 CDBG Household Income Limits								
Family	1	2	3	4	5	6	7	8
30% LMI	$ 13,650	$ 15,600	$ 17,550	$ 19,450	$ 21,050	$ 22,600	$ 24,150	$ 25,700
50% LMI	$ 22,700	$ 25,950	$ 29,200	$ 32,400	$ 35,000	$ 37,600	$ 40,200	$ 42,800
60% LMI	$ 27,240	$ 31,140	$ 35,040	$ 38,880	$ 4,200	$ 45,120	$ 48,240	$ 51,360
80% LMI	$ 36,300	$ 41,500	$ 46,700	$ 51,850	$ 56,000	$ 60,150	$ 64,300	$ 68,450

ATTACHMENT E

<u>SELLERS LEAD-BASED PAINT DISCLOSURE</u>

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards
Lead Warning Statement

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

Seller's Disclosure

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

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

____

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

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

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

____

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

Purchaser's Acknowledgment (initial)

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

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

(e)____Purchaser has (check (i) or (ii) below):

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

(ii) _____waived the opportunity to conduct a risk assessment or inspection for the presence of Lead-based paint and/or lead-based paint hazards (NOT PERMISSIBLE FOR HOME AND CDBG).

Agent's Acknowledgment (initial)

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

Certification of Accuracy

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

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

ATTACHMENT F

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

DECLARATION

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

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

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

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

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

Sincerely,

____

Title

____
Buyer

____
Date

____
Buyer

____
Date

Form continues on next page with Seller's Acknowledgment

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

Acknowledgement

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

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

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

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

______________________________ ______________________
Seller Date

______________________________ ______________________
Seller Date

ATTACHMENT G

YUBA COUNTY

INSTRUCTIONS TO HOMEBUYER

A. Participant works with lender of choice to obtain the primary lender's pre-qualification letter.

B. After consultation with Program Operator regarding approved bedroom and bathroom maximums (always 3 bedrooms and 2 bathrooms unless extenuating circumstances justify more to be approved), participant works with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller. The HOME Program allows only homes vacant for three months or more prior to the date of the purchase contract, unless the current tenant is purchasing the home.

C. Participant selects home and enters into a purchase contract (contingent upon receiving Program loan approval). Lender provides the Program Operator with a copy of:
- real estate sales contract
- residential loan application and credit report
- verified income documentation
- disclosure statement
- proof of personal funds for participation in program
- breakdown of closing costs
- structural pest control clearance
- appraisal with photos and preliminary title report

D. Program Operator reviews paperwork to determine program eligibility and financing affordability for participant.

E. Program Operator staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and homeownership responsibilities.

F. Program Operator has home inspected to document health & safety and code compliance. Notice of any deficiencies or needed corrections are given to participant's real estate agent, with recommended course of action.

G. Program Operator requests loan approval from Sponsor's Loan Review Committee. Following loan approval, Program Operator prepares Deed of Trust, Promissory Note, Request for Notice of Default, Grant Agreement, Owner-Occupant Agreement with Yuba County, and Escrow Instructions, and requests check and deposit same into escrow.

H. Escrow company furnishes Program Operator with proof of documents to be recorded, and any escrow closeout information. After receipt of recorded loan documents, Final HUD-1, Insurance Loss Payee Certification and Final Title Insurance Policy (Program Operator) closes out the loan file.

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

Section 1: Background Information			
Property Address:			No LBP found or LBP exempt ☐
Select one:	Visual Assessment ☐	Presumption ☐	Hazard Reduction ☐

Section 2: Visual Assessment. Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.	
Visual Assessment Date:	Report Date:
Check if no deteriorated paint found ☐	
Attachment A: Summary where deteriorated paint was found.	

Section 3: Notice of Presumption. Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.
Date of Presumption Notice:
Lead-based paint is presumed to be present ☐ and/or Lead-based paint ***hazards*** are presumed to be present ☐
Attachment B: Summary of Presumption:

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

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

Section 6: Contact Information	Organization:	
Contact Name:	Contact Signature:	
Date:	Address:	Phone:

ATTACHMENT I

Homebuyer Program Lead Compliance Document Checklist

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

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

This was taken from the HUD Website at:

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