

**BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF YUBA**

**RESOLUTION TO ADOPT AMENDED “CDBG)
OWNER-OCCUPIED REHABILITATION)
LOAN PROGRAM GUIDELINES”)**

RESOLUTION NO. 2020-53

WHEREAS, the “Community Development Block Grant (CDBG) Owner-Occupied Rehabilitation 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 Owner-Occupied Rehabilitation Program; and

WHEREAS, current guidelines have been amended, to describe the specific term of the Jurisdiction is Owner-Occupied Rehabilitation 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.

Section 2. That the “CDBG” Program Owner-Occupied Rehabilitation Loan Program Guidelines”, attached hereto as Exhibit A, are 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 26 day of May, 2020 by the following vote:

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

NOES: None

ABSENT: None

ABSTAIN: None


Chair

ATTEST: RACHEL FERRIS
CLERK OF THE BOARD OF SUPERVISORS



Mary Pasillas, Board Clerk

MICHAEL J. CICCOTZI
YUBA COUNTY COUNSEL
APPROVED AS TO FORM:



Exhibit A



Yuba County

Owner-Occupied

Rehabilitation

Program Guidelines

For:

Community Development Block Grant

(CDBG) Program



Revised 12/03/19

Owner Occupied Rehabilitation Program Guidelines

TABLE OF CONTENTS

SECTION 1. OVERVIEW AND PURPOSE.....	3
SECTION 2. APPLICATION PROCESS.....	4
2-A. PRELIMINARY APPLICATION PROCESS	4
2-B. FULL APPLICATION PROCESS	5
SECTION 3. CONTRACTING PROCESS AND MONITORING.....	6
3-A. BID SOLICITATION PROCESS	7
3-B. PRE-CONSTRUCTION CONFERENCE	7
3-C. CONSTRUCTION MONITORING	7
3-D. CONFLICTS OF INTEREST	8
SECTION 4. DETERMINATION OF APPLICANT ELIGIBILITY	8
4-A. PROCESS FOR DETERMINING INCOME ELIGIBILITY	8
4-B. PROCESS FOR DETERMINING OWNER-OCCUPANCY STATUS	10
4-C. PROCESS FOR DETERMINING NUMBER OF ELIGIBLE PERSONS IN HOUSEHOLD	11
SECTION 5. DETERMINATION OF PROPERTY ELIGIBILITY	11
SECTION 6. THE PROGRAM LOAN	13
6-A. MAXIMUM ASSISTANCE.....	13
6-B. TERM AND INTEREST.....	14
6-C. LOAN CONDITIONS	17
6-D. LOAN SECURITY	18
SECTION 7. LOAN SERVICING	18
7-A. LOAN PAYMENTS.....	18
7-B. REUSE ACCOUNT PLAN.....	19
7-C. LOAN MONITORING PROCEDURES.....	19
7-D. DEFAULT AND FORECLOSURE	19
7-E. SUBORDINATIONS.....	19
SECTION 8. CONSTRUCTION	20
8-A. STANDARDS	20
8-B. ELIGIBLE REHABILITATION AND REHABILITATION COSTS	20
SECTION 9. EXCEPTIONS AND SPECIAL CIRCUMSTANCES.....	22
SECTION 10. DISPUTE RESOLUTION AND APPEALS PROCEDURES	23
ATTACHMENT A. GROSS INCOME INCLUSIONS	26
ATTACHMENT B. GROSS INCOME EXCLUSIONS	27
ATTACHMENT C. STANDARDS FOR BED AND BATHROOM ADDITIONS	28
ATTACHMENT D. ACTIVITY DELIVERY FEES	29

Owner Occupied Rehabilitation Program Guidelines

SECTION 1. OVERVIEW AND PURPOSE

The purpose of County of Yuba's (County) Community Development Block Grant (CDBG) Owner-Occupied Rehabilitation (OOR) Program is to assist homeowners, of an owner-occupied single-family residence, with repairs which represent a threat to their health and safety; with a goal of providing the homeowner with a healthy, safe, sanitary, and code-compliant home.

Subject to funding availability, Emergency Repair Grants (ERG) shall be given, up to \$15,000, for repairs that signify an immediate health and safety threat. Forgivable grants will predominantly be the preferred financing choice; however, as an alternative, the County will retain the ability to offer an Owner-Occupied Program Loan (PL) up to \$40,000, in the event applicants health and safety needs exceed beyond the maximum grant limit. All eligible households must meet the low to moderate income requirements as defined by the U.S. Department of Housing and Urban Development's (HUD) published Income Limits for Yuba County.

Program administrator reserves the option to enter into an agreement with a third party to administer the OOR Program or parts of therein; at which time will require prior written approval from HCD and the Loan Review Committee. The County of Yuba's OOR Program Guidelines simply set forth the Program policies and procedures, which are subject to change without notice.

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 Recipient will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

Priority assistance will be given in the following order:

- Homeowners with emergency conditions, which represent an immediate threat to their health and safety
- Elderly, Veteran, and physically challenged households, with low to extremely-low income
- Housing units that fail to meet one or more building code conditions and/or housing quality standards

Owner Occupied Rehabilitation Program Guidelines

SECTION 2. APPLICATION PROCESS

2-A. PRELIMINARY APPLICATION PROCESS

Homeowners will be offered the opportunity to qualify on a first-come first served basis; with preference first given to those stated as priority above. Applications will be date stamped and applicant will be placed on a wait list if staff cannot process their application immediately. The Program Operator will ensure that all persons, including qualified individuals with disabilities, have 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 Preliminary Application for participation in the program may be obtained from and returned to the County of Yuba, located at 918 8th St., Ste. 123, Marysville, CA 95901. The application must be completed in its entirety and submitted together with the following documentation:

- Application with all sections completed, signed and dated.
- Verification of all household income which will include, but is not limited to, applicant's three (3) most recent pay stubs and the two most recent complete signed Federal Income Tax Returns, (if filed), and three (3) most recent bank statements.
- Proof of ownership of the single-family residence (grant Deed or Deed of Trust and Property Tax Bill).
- Copy of current Homeowner's Insurance Policy.
- Copy of Mortgage Statement.
- Proof of residency at the applicant's residence (Utility Bill other than Water).
- Valid Photo Identification Card for each applicant.
- A prioritized and itemized list of the construction work requested to be performed.
- Additional items that may be requested by the County.

If an initial review of the Preliminary Application indicates likely eligibility based on income, property value and immediate need, the Program Operator will schedule an interview with the Applicant to explain the Program in detail, including the full application process. At this interview, the Program Operator will:

- Fully explain the Program.
- Introduce Universal Residential Application; the Program Operator will assist Applicants with completing the form as needed.
- Provide applicant with a list of required documents, to include as appropriate: driver license and social security card.
- Have Applicant sign Authorization to contact employer, request credit report, and collect any other needed information.

Owner Occupied Rehabilitation Program Guidelines

2-B. FULL APPLICATION PROCESS

The applicants who submit all requested documents with the County in the shortest time frame will have the highest priority for assistance, with preference first given to those stated as priority above. After the Applicant has submitted the complete set of required forms and documentation, the Program Operator will:

- Contact employer(s) to verify employment.
- Order and review credit report(s).
- Conduct initial inspection of property.
- Verify deed.
- Calculate property value through Estimates of Value method.
- Verify status of property tax
- Confirm income and property eligibility.
- Schedule follow-up interview with Applicant

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.

Property Inspection and Estimate Process

Upon completion of the application paperwork, a County official or their designee, will conduct the initial inspection of the property with the owner, 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.

Borrowers will then make application to the Building Department for building permit for the improvements to be funded by the grant and/or loan. At a minimum, this will include a plot plan depicting the location of the proposed residence and a floorplan of the proposed residence.

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated, according to HUD regulations (Section 6.1.E & F) and cleared by a certified LBP inspector/assessor.

Owner Occupied Rehabilitation Program Guidelines

Loan Review Process

The Loan Review Committee will review and approve or deny all requests for participation. The Program Operator will prepare a request for financing on behalf of the Applicant. The request for financing will include: the cost of construction, a contingency fund, and other project costs (listed in Section 9). The Loan Review Committee will review the request for financing and approve or deny the request. The Loan Review Committee may approve assistance with financing exceeding 95% of after-rehabilitation value as needed, in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing documentation exists, justifying why the exception is needed. However, the total financing cannot be more than 100% of the after-rehabilitation value.

Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the Applicant in writing. Once approved, grant and/or loan documents will be executed and the request will be funded.

If the request for financing is approved, the Program Operator will proceed to work with the title company to record the Deed of Trust and Promissory Note.

SECTION 3. CONTRACTING PROCESS AND MONITORING

3-A. BID SOLICITATION PROCESS

The Borrower will contract directly with the Contractor, whether a Volunteer Organization or a private entity.

Private Contractor. For Borrowers working with Private Contractors, the Program Operator will publish a Notice of Invitation to Bid and provide Borrow with a list of eligible Contractors on file in an attempt to assist the Borrower with obtaining reasonable bids. Cost reasonableness will be determined by comparing the bids received. The homeowner will be encouraged to accept the lowest reasonable bid.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board and agree to comply with all federal and state regulations regarding all labor and material warranties. Contractors must also provide Program Operator with evidence of Worker Compensation Insurance and Comprehensive General Liability and Property Damage Insurance. The Contractor is required to provide a self-certification stating that he/she is not on the Federal debarred list. Once determined eligible, the Contractor is then notified of provisional award of bid, pending loan approval. Notices of non-award are mailed to participating Contractors.

Owner Occupied Rehabilitation Program Guidelines

3-B. PRE-CONSTRUCTION CONFERENCE

A pre-construction conference will be scheduled with Homeowner, Contractor, and Program Operator. The Program Operator will review the Contractor Construction Contract, including the Work Write-Up, start date, pay schedule, and projected date of completion, with the Homeowner and Contractor. The construction contract and Notice to Proceed will be executed at that time.

3-C. CONSTRUCTION MONITORING

Start-Up/Field Inspections

The County of Yuba Building Inspector or designee, will visit the job site regularly to perform field inspections to check the scope of work and progress. The Program Operator will work with the County of Yuba Building Inspector, or designee, to ensure that work is in compliance with building codes. The County of Yuba Building Inspector or designee, will refer back to original plans and specifications to verify that work is completed as contracted. The Program Operator will review the work status with the Homeowner and with the Contractor in order to remedy any developing problems quickly and to ensure that both are satisfied with the construction process. The Program Operator or designee, will ensure that signage is placed at the construction site that lists HCD as providing financing for the project.

Change Orders

Written change orders will be required when the Homeowner requests any changes to the Work Write-Up, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will describe the change and state the dollar value of the change. The change order will be signed by both the Contractor and the Homeowner, and submitted to the Program Operator for approval. If the change order should require additional funds that exceeds approved financing, the Homeowner will be asked to provide additional funds. All requests for additional funds must be presented to the Loan Review Committee for approval prior to Program Operator signing-off on the change order.

Progress and Final Payments

Ninety percent (90%) of the contract amount will be distributed to the Contractor in the form of three equal periodic payments during construction. The Contractor will request a progress payment from the Homeowner and notify the Program Operator that he/she has done so. Upon favorable inspection by the Homeowner, Program Operator, and County of Yuba Building Inspector or designee, the payment authorization will be signed by the Homeowner and submitted for payment.

Owner Occupied Rehabilitation Program Guidelines

The final 10% of the contract amount will be held as a retention payment. When construction is completed, the Program Operator will inspect the work item by item with the Homeowner and the Contractor. The County of Yuba Building Inspector will perform a final inspection. Any corrections or deficiencies will be noted and corrected by the Contractor. Upon favorable final inspection, a Notice of Completion will be prepared, signed by the Homeowner, and then recorded. The final 10% retention payment will be released within 35 days of the recording of the Notice of Completion.

3-D. CONFLICTS OF INTEREST

No member of the Yuba Board of Directors or any other official, employee, or agent of the County, who exercises any policy decision-making functions or responsibilities in connection with the planning and implementation of the Loan Program shall directly or indirectly be eligible for a Rehabilitation Loan, unless the application for rehabilitation assistance has been reviewed and approved according to applicable California Department of Housing & Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the County of Yuba ends.

A Contractor with a vested interest in the property cannot bid on a rehabilitation job.

SECTION 4. DETERMINATION OF APPLICANT ELIGIBILITY

4-A. PROCESS FOR DETERMINING INCOME ELIGIBILITY

Income and Credit Worthiness Qualification Criteria

The purpose of the income qualification process is to assure that the Borrower is eligible for CDBG funds. All occupants must certify that they meet the CDBG household income eligibility requirements and document their household income. Household income is the annual gross income (before any deductions) of all household members age 18 and older that is anticipated during the coming 12-month period. When calculating income, the household's projected ability to earn must be used, rather than past earnings. **See Attachment A and B** for detailed guidance. Two types of income that are not considered are income of minors and of live-in aides. Certain other household members living apart from the household also require special consideration.

All households must have incomes at or below 80% of the County of Yuba area median income (AMI), adjusted for household size, as updated and published by HCD each year. Income limits in place at time of loan approval will apply at time of eligibility.

Owner Occupied Rehabilitation Program Guidelines

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

(See www.hudexchange.info/resource/5334/cdbg-income-limits). June, 1, 2019

Required Documentation

There is no presumption of income eligibility. Verification from all income sources, for every household member who is 18 and over, must be obtained.

Homeowners will be required to verify their income by providing the following documentation, as appropriate, dated within six months prior to loan closing:

- Wage statements or pay stubs (three months)
- Bank statements for all accounts (six months)
- Saving statements (two months)
- Investment statements (two months)
- Mortgage loan statements (two months)
- Tax returns, with supporting W2s and 1099s (two years)

An asset is cash or non-cash item that can be converted to cash. While there is no asset limitation for participation in the Program, income from assets is considered when calculating annual income if the Applicant has household assets in excess of \$5,000. It is the income earned on assets, not the asset value, which is counted in annual income. Household assets include checking, savings, and money market accounts, and stocks, bonds and other forms of capital investments. Retirement accounts are not counted as assets for CDBG Income verification, if they are not accessible to the Applicant without retiring or terminating employment. The value of equity in real property, value of gems, art collections, etc. is not to be considered in the asset base because the value fluctuates until sold. However, income from the property must be considered. The value of necessary items such as furniture and automobiles is excluded.

Borrower's assets shall only be considered for the determination of income eligibility. Borrowers will not be required to liquidate their assets to qualify for a CDBG Program loan. Using the information and documentation provided by the Applicant, the Program Operator would complete the Gross Income Worksheet (**Form WS-1**) for all household members. CDBG requires this form to be completed for all Applicants.

Owner Occupied Rehabilitation Program Guidelines

The Program Operator will send an employment verification form to the employer named by the Applicant, to verify employment. Benefit letters will be obtained for all sources of public assistance or pensions to verify income received. The Program Operator will also obtain a credit report on each Applicant, unless another lender has already obtained a current credit report. Credit scores are not used to determine eligibility. Rather, credit reports are reviewed to determine if there are any active default, foreclosure or bankruptcy proceedings, judgments, collection, or tax liens against the Applicant that would be cause for denial of the application. If the Applicant has a mortgage, the Program Operator will verify that payments are current and that the Applicant is not at imminent risk of defaulting. Applicants who have filed for bankruptcy or gone into foreclosure within the last three years are not eligible to participate in the loan Program.

4-B. PROCESS FOR DETERMINING OWNER-OCCUPANCY STATUS

Applicant will be required to complete an occupancy certification and submit utility bills and/or other documentation that prove occupancy for a period of no less than past 12 months. Program operator will verify type of insurance (owner occupied or rental) and mailing address on insurance and tax bill to be that of the property address, and homeowner's exemption will be verified on tax bill.

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 owner-occupied for the full term of loan. If a homeowner converts the property to a rental unit, or any commercial or nonresidential use, the loan is due and payable.

If the loan is funded with a CDBG Loan, it is assumable or transferable under the following limited circumstances:

- The transfer of the Property to the surviving joint tenant by devise, descent, or operation of the law, on the death of a joint tenant;
- A transfer of the Property where the spouse becomes an owner of and occupies the property;
- A transfer of the Property resulting from a decree of dissolution of marriage, legal separation, or from an incidental property settlement agreement by which an income-eligible spouse becomes an owner of and occupies the Property; or
- A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.
- A transfer to an heir, upon the death of Borrower, providing income is at or below 80% of the County of Yuba area median income (AMI), adjusted for household size.

Owner Occupied Rehabilitation Program Guidelines

Occupancy will be monitored through the Borrower's submission of one or more of the following documentation annually:

- Current utility bill
- Statement affirming unit's continued use as primary residence of the Borrower.
- Insurance renewal
- County tax bill

4-C. PROCESS FOR DETERMINING NUMBER OF ELIGIBLE PERSONS IN HOUSEHOLD

Determination of income eligibility requires a clear understanding of the number of eligible persons in the household. Documentation of the number of eligible persons in the household will be verified through the Borrower's submission of IRS 1040 Tax Return for the previous year and Certification of Occupancy Form.

SECTION 5. DETERMINATION OF PROPERTY ELIGIBILITY

Site and Development Restrictions

CDBG funds used to finance the rehabilitation of housing units must be utilized in ways that address the utmost needs of the community. Priority will be given to cure emergency conditions that represent an immediate threat to health and safety, and addressing violations in local building standards and state and local codes and ordinances; with a goal of providing homeowner with a healthy, safe, sanitary, and code-compliant home.

Process for Determining Property Grant Eligibility

To be eligible for participation in the Program, properties must meet the following criteria:

- Dwelling must be real property consisting of a single-family residence or a manufactured home on a permanent foundation, located within the unincorporated area of Yuba County.
- Property must contain a legal residential structure with name on Grant Deed.
- Borrower must have owned and continuously occupied property for a minimum of one (1) year prior to approval of an Emergency Repair Grant.
- All non-compliance violations against property must be cleared prior to approval of an emergency repair grant and/or loan.
- Dwelling must present emergency conditions, which represent an immediate threat to their health and safety.

Owner Occupied Rehabilitation Program Guidelines

Process for Determining Property Loan Eligibility

To be eligible for participation in the Program, properties must meet the following criteria:

- Dwelling must be real property consisting of a single-family residence or a manufactured home on a permanent foundation, located within the unincorporated area of Yuba County.
- Property must contain a legal residential structure with continued owner-occupancy.
- Borrower must have owned and continuously occupied property for a minimum of one (1) year prior to approval of a rehabilitation loan.
- Post-rehabilitation value shall be at or below current local median sales price of a single-family home in Yuba County as posted at the California Association of Realtors website at: (www.car.org/marketdata/data/countysalesactivity).
- Total loan-to-value ratio for all loans on the property, including the CDBG loan, may not exceed 95% of the after-rehabilitation value.
- All non-compliance violations against property must be cleared prior to approval of a rehabilitation loan.
- Health and safety needs exceed beyond the maximum grant limit.

Required Documentation

The after-rehabilitation value is determined using the Estimates of Value method. The Program Operator will develop an estimate of value, based on the most recent median sale prices, of up to three comparable properties, sold within the last 12 months. The Borrower's file will include the estimate of value and document the basis for the value estimate.

The purpose of the Estimates of Value Method is to determine that the after-rehabilitation value of the housing unit will not exceed the permitted amount and that total loans against the Property will not exceed the maximum combined loan-to-value limit of 95% of the after-rehabilitation value.

Appraisals are the most reliable and most expensive method. Because of the high cost, appraisals are rarely done. However, under special circumstances, an appraisal may be the only source available that will determine the after-rehabilitation value.

All assisted units shall have after-rehabilitation values at or below the current local median sales price of a single-family home. The County of Yuba may use the most recent median sales price, by county, posted at the California Association of Realtors website at (www.car.org/marketdata/data/countysalesactivity).

NOTE: Borrowers who qualify for an Emergency Repair Grant, will have no restrictions on the after-rehabilitation value, or loan- to-value limits.

Owner Occupied Rehabilitation Program Guidelines

SECTION 6. THE EMERGENCY REPAIR GRANT AND PROGRAM LOAN

6-A. MAXIMUM ASSISTANCE

Emergency Repair Grant (ERG)

Emergency repair is defined as defects which puts the health, safety or security of the property owner at immediate risk and includes the following:

Emergency repair is defined as follows:

- Repairs or activities that eliminate conditions detrimental to the immediate safety and health of the residents.
- Repair of certain elements of a housing unit in emergency situations; such as repairs to a roof that is leaking, but the whole house is not rehabilitated.

Health and Safety is defined as follows:

- Weather protection, including broken windows and exterior paint
- Structural deficiencies
- Improper sanitary facilities
- Hazardous plumbing, electrical and mechanical equipment
- Accessibility improvements
- Property improvements determined to be health and safety issues, including access and fire hazards

The minimum CDBG Emergency Repair Grant to an individual household will be no less than \$1,500.00 and the maximum grant to an individual household will not exceed \$15,000. Should correction of health and safety items require additional funding, the Loan Review Committee may approve an exception; by extending the grant limit and/or combining a grant with a Rehabilitation loan.

Grants will be awarded on a case-by-case basis for emergency repair and will require the approval from the Loan Review Committee.

In the event property is sold, ownership is transferred, or property is no longer occupied by original Borrower during the five-year grant term, the full principal cost of repairs will be immediately due and payable in full.

Should Borrower's death occur prior to the end of the five year grant, recorded lien shall remain on property and the cost of repairs will be immediately due and payable in full; however, Loan Review Committee may approve an assumption of the remaining original grant term by an income qualified heir, providing they certify to continuous occupancy of dwelling and meet all required criteria stated below. Should heir fail to meet income qualification limits, principal cost of repairs will be immediately due and payable in full.

Owner Occupied Rehabilitation Program Guidelines

Program Loan (PL)

Health and Safety concerns may not directly be an immediate need; but rather identified as various deficiencies or the exterior, structure, or interior of a dwelling. Dwellings with multiple deficiencies are more vulnerable to future health and safety concerns, and should be addressed by manner of importance to lessen the potential danger.

Health and Safety is defined as follows:

- Weather protection, including broken windows and exterior paint
- Structural deficiencies
- Improper sanitary facilities
- Hazardous plumbing, electrical and mechanical equipment
- Accessibility improvements
- Property improvements determined to be health and safety issues, including access and fire hazards

The minimum CDBG loan to an individual household will be no less than \$10,000.00 and the maximum loan will not exceed \$40,000. An eligible homeowner may qualify for the maximum cost of Rehabilitation work needed to comply with State and local codes and ordinances. Should correction of health and safety items require additional funding, the Loan Review Committee may approve an exception; by extending the loan limit and/or combining a CDBG loan with a grant.

Program Loans will be awarded on a case-by-case basis based upon the significant need. Should a dwelling need more extensive repair than the Rehabilitation Program has allotted, an exception, approved by the Loan Review Committee would be required to extend loan amount.

In the event property is sold, ownership is transferred, or property is no longer occupied by original Borrower during the term of loan, all principal and interest then due, will be immediately due and payable in full.

Should Borrower's death occur within the loan term, all loan principal and interest will be due and payable in full; however, Loan Review Committee may approve an assumption of the remaining original loan term by an income qualified heir, providing they certify to continuous occupancy of dwelling and meet any required criteria stated. Should heir fail to meet income qualification limits, loan principal and interest will be due and payable in full.

6-B. TERM AND INTEREST

CDBG regulations allow for both amortized and deferred loans, as well as forgivable grants. The jurisdictions' Loan Program objective is to provide needed funds to borrowers, with a payment and term that is affordable; ensuring that loan payoff is attainable, by the maturity

Owner Occupied Rehabilitation Program Guidelines

date of loan. Therefore, jurisdiction's Rehabilitation Program will offer both Emergency Repair Grants, forgivable after a five (5) year period; and Rehabilitation Loans with a maximum term of 30 years.

Emergency Repair Grant

Emergency Repair Grants shall bear no interest or payment and will be entirely forgiven after a period of five (5) years; however, if house is sold, transfers ownership, or is no longer occupied by original Borrower during the first five (5) years after repair, Borrower will be responsible for full repayment of the repair costs.

A Note and Deed of Trust, will be recorded as a lien on the property for a term of five (5) years, at which time lien will be removed and grant will be forgiven in its entirety; providing Borrower has continuously met the following required criteria during the five (5) year term

- borrower maintains continuous residence at the property
- property to remain free of outstanding non-compliance violations
- property taxes to be paid current
- homeowner insurance and/or flood insurance to be paid current
- property insurance policies names County of Yuba as loss payee
- property to be maintained for the term of the loan

No housing expense ratio will be applied to grants.

Should Borrower's death occur within the five (5) year period following the recording of the deed of trust, grant will be due and payable in full; however, Loan Review Committee may approve an assumption of the original grant terms by an income qualified heir, providing they certify to continuous occupancy of dwelling for the remaining term of grant. Should heir fail to meet income qualification limits, grant will be due and payable in full.

Program Loan

Household dynamics will be the primary factor when establishing the interest rate and term on Housing Rehabilitation Loans, such as: extent of repair needed to correct health and safety issues, total household income, and percentage of income spent on direct household living expenses.

All CDBG Loans, financed under the CDBG OOR Program will bear a simple interest rate up to 3% per annum, with an amortized minimal monthly principal and interest payment, amortized over the term of the loan; for borrowers with a total household income at or below 80% of the County's median income. Borrower may pay a portion of, or the entire loan amount at any time without a prepayment penalty.

Owner Occupied Rehabilitation Program Guidelines

Consideration will be given to household income and direct-housing-expense ratio, when providing borrower with payment and term options, and applied as follows: **See Loan Committee Guidelines.**

- 0% simple interest; on term up to 10 years
- 1% simple interest; on term up to 15 years
- 2% simple interest; on term up to 20 years
- 3% simple interest; on term up to 30 years

At the discretion of the Loan Review Committee, an exception may be approved to revise loan payment terms from an amortized loan payment to a deferred loan payment when reasonably necessary for households with income of 50% or less of the County's median income.

- ❖ Amortized loans will consist of monthly principal and interest payments. Loan balance will be paid in full at the maturity date of the Program loan.
- ❖ Deferred loans will not require monthly payments; however, the loan will continue to accrue interest from date of recording of the deed of trust, through the maturity date of loan. All principal and interest shall become due and payable at this time, in one balloon payment upon the maturity date of the Program loan.

Frequently, a community's most vulnerable population, lacks the ability and/or resources to maintain a safe and healthy standard of living; therefore, at the discretion of the Loan Review Committee, an exception may be approved to revise loan payment terms from an amortized loan payment to a deferred loan payment, adjust interest rate, or extend the loan term when reasonably necessary; for households with income of 50% or less of the County's median income.

If it is determined, that repayment of a CDBG loan at the maturity date causes a hardship to the homeowner; the Loan Review Committee may opt to:

- Amend the Note and Deed of Trust to defer repayment of the amount due at maturity for up to five (5) additional years (at 0% additional interest). This may be offered one time.
- 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.

Should Borrower's death occur within the loan term, loan will be due and payable in full; however, Loan Review Committee may approve an assumption of the remaining original loan term by an income qualified heir, providing they certify to continuous occupancy of dwelling. Should heir fail to meet income qualification limits, loan will be due and payable in full.

Owner Occupied Rehabilitation Program Guidelines

Borrowers must continue to maintain the property 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.

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, and serious illness.

If the borrower is unable to maintain monthly amortized loan payments, or unable to resolve the full repayment of a deferred payment loan at maturity date; due to hardship; the Program Operator, with Loan Review Committee approval, will address the hardship by applying the following modifications:

- Modify and extend loan term for an additional six (6) months; allowing time to reduce hardship
- Modify and extend loan term for an additional five (5) years; recalculate amortization of loan to lower monthly payment
- Modify interest rate to 0%; recalculate amortization of loan to lower monthly payment
- Amend the Note and Deed of Trust on a deferred payment; to forgive current interest due, and defer repayment of the loan principal for a minimum of an additional five (5) years at 0% additional interest. This term extension may only be offered one time.

In the event of default (not defined as hardship), principal balance plus all accrued interest, shall be due and payable in full.

6-C. LOAN CONDITIONS

Title Insurance

Once the County of Yuba's Loan Review Committee has approved the application for participation, the Program Operator will open escrow on the loan. At that point, the escrow officer will perform a preliminary title search to determine their ability to offer title insurance. Title insurance must be obtained in the amount of the CDBG Program loan at close of escrow.

The Loan Review Committee will approve all applications for Emergency Repair. Grant will require a Deed of Trust be recorded against the property, for a period of five (5) years, therefore minimal title insurance requirements will apply.

Owner Occupied Rehabilitation Program Guidelines

Fire Insurance

The homeowner shall maintain fire insurance on the property for the duration of the loan. This insurance must be an amount at least equal to the replacement costs of the improvements. The insurer must identify the County of Yuba as Loss Payee (25 CCR SS 7735e of HCD Regulations). A binder shall be provided to the Recipient and maintained in the Borrower's file.

Flood Insurance

For any Property that is in a 100-year flood zone, the Borrower is required to maintain flood insurance in an amount adequate to secure the loan and all other encumbrances. This policy must designate the County of Yuba as Loss Payee (25 CCR SS 7735e of HCD Regulations). A binder shall be provided to the Recipient and maintained in the Borrower's file

Note that CDBG funds cannot be used to pay insurance at any time.

6-D. LOAN SECURITY

Loan security for all owner-occupied rehabilitation stick-built single-family homes and manufactured homes on property owned by occupant, either on a permanent foundation or a foundation system, will be secured by the real property and improvements, and will also include a Deed of Trust and Promissory Note in favor of the County of Yuba.

Entering a subordinate lien is acceptable. However, the County will not subordinate a first lien position once established. Note that CDBG only allows subordinate financing that is recorded concurrently if: 1) the fees and/or charges of the subordinate financing are reasonable and consistent with industry standards for first mortgage financing; 2) there is no balloon payment due before the CDBG loan maturity date; and 3) the subordinate financing defers all principal and interest payments for a term equal to the CDBG loan.

SECTION 7. LOAN SERVICING

7-A. LOAN PAYMENTS

The Program Operator will accept from Borrower, additional principal payments and payments in full upon sale or transfer of the property, without prepayment penalties. Payments will be made to the County of Yuba at the address below:

County of Yuba
915 8th Street, Ste. 123
Marysville, CA 95901

The Program Operator will be the receiver of loan payments and will maintain a financial record-keeping system to record payments and file statements on payment status. The

Owner Occupied Rehabilitation Program Guidelines

Recipient may, at a later time, enter into an agreement with a third party to collect and distribute payments and/or complete all loan-servicing aspects of the Program. Payments will be deposited and accounted for in the Program Reuse Account.

While the attached procedures outline a system that can accommodate a crisis that restricts Borrower repayment ability, it should in, no way be misunderstood: all loans must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in Loan Servicing Procedures will be pursued. **See Loan Servicing Procedures.**

7-B. REUSE ACCOUNT PLAN

See Reuse Account Plan.

7-C. LOAN MONITORING PROCEDURES

Homeowners will be required to submit one or more of the following to the Program Operator in January of each year for the term of the loan:

- Proof of occupancy in the form of a copy of a current utility bill;
- Statement of unit's continued use as a principal residence;
- Declaration that other title holders do not reside on the premises;
- Declaration that property is maintained in good condition;

Program Operator will verify the following on a yearly basis:

- Verification that property taxes are current;
- Verification of current required insurance policies;

7-D. DEFAULT AND FORECLOSURE

If an owner defaults on a loan and foreclosure procedures are instituted, they shall be carried out according to the Program Foreclosure Policy adopted by the Program Operator and included in the Loan Servicing Procedures document.

7-E. SUBORDINATIONS

The Loan Review Committee may approve a request to subordinate a loan, in order for the owner to refinance the property, under the following conditions:

- The lien position of the County of Yuba loan will remain the same or be advanced.
- The new primary loan is no greater than the balance of the loan being refinanced, although the costs of refinancing the loan may be added to the principal balance.
- The purpose of the new primary loan is to reduce the interest rate being paid and/or reduce the owner's payment.

Owner Occupied Rehabilitation Program Guidelines

- The refinanced loan must have an impound account for taxes and insurances. The refinancing terms must be acceptable to the Recipient.

CDBG allows subordinate financing that is recorded concurrently only if:

- Fees and/or charges of the subordinate financing are reasonable and consistent with industry standards for first mortgage financing;
- There is no balloon payment due before the CDBG loan maturity date; and
- The subordinate financing defers all principal and interest payments for a term equal to the CDBG loan.

CDBG will only subordinate if:

- The Borrower obtains a maximum first mortgage loan with a term and interest rate that is consistent with affordable housing costs as defined in the program Guidelines; and
- The mortgage loan does not include provisions for negative amortization, principal increase, balloon payments, or deferred interest.

SECTION 8. CONSTRUCTION

8-A. STANDARDS

Approved Use of Loan Funds

Use of loan funds will be limited to emergency repairs, correction of health and safety items, code violations, as well as compliance with local ordinances. Replacement materials will be of a similar grade and quality compared to the original construction. Substantial upgrades such as premium carpet, travertine tile, marble tile, granite or marble countertops, will not be permitted to be paid with CDBG funds.

8-B. ELIGIBLE REHABILITATION AND REHABILITATION COSTS

As defined in the CDBG Handbook, Rehabilitation includes demolition, reconstruction of a dwelling, and improvements where necessary to meet any locally adopted standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property. Rehabilitation will address the issues described below.

Health and Safety Issues

Eligible emergency health and safety issues include, but are not limited to:

- Weather protection, including broken windows and exterior paint
- Structural deficiencies

Owner Occupied Rehabilitation Program Guidelines

- Improper sanitary facilities
- Hazardous plumbing, electrical and mechanical equipment
- Accessibility improvements
- Property improvements determined to be health and safety issues, including access and fire hazards

Code and Regulatory Compliance

Eligible costs include, but are not limited to; additional work required to rehabilitate and modernize a home and bring it into compliance with current building codes and regulations. Painting and weatherization are included.

Other Eligible Costs

Allowable costs include:

- **Demolition and clean up:** tear down and disposal of dilapidated structures and clearance of weeds, junk, debris, stagnant water, and garbage, which directly affect the residence structure and constitute a health and safety hazard. If a garage or carport is detached, it may not be Rehabilitated, but may be demolished if it is determined to be a health and safety issue.
- **General property improvements:** permitted if they relate to health, safety, code or ordinance compliance. All improvements must be physically attached to the property and permanent in nature. They must remain with the home if the home is sold. A driveway, landscaping or fencing may be considered part of rehabilitation if it is determined to be a health and safety issue. Luxury items are not permitted to be paid with CDBG funds.
- **Appliances:** built in appliances such as stove and ovens may be installed.
- **Temporary relocation and storage:** relocation costs during the project if required for health and safety, and if made part of the loan. Typically, owner-occupants are not eligible for relocation.
- **Lead based paint abatement:** If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated, according to HUD regulations and cleared by a certified LBP inspector/assessor.

In addition to the costs listed above, eligible costs include non-recurring closing costs paid to third party providers for such items as title searches, credit reports, notary fees, recording fees, or escrow fees. Other eligible costs include haul away, disposal bins, architect fees, permit fees, and temporary relocation. Note that CDBG Program does not allow loan funds to be used for recurring closing costs such as fire and flood insurance.

Owner Occupied Rehabilitation Program Guidelines

The homeowner does not pay any costs for the CDBG loan such as loan processing or document fees. These costs are incurred by the Program Operator and reimbursed by CDBG as Activity Delivery Fees. Costs are based on charges incurred by the Program Operator for these products and/or services. Any costs charged to the Program Operator for these products and/or services will be passed on to the homeowner and may or may not be included in the loan. All fees are subject to change and are driven by the market. (**See Activity Delivery Attachment D.**)

Ineligible Costs

- The program will not fund additions for a den, home office, or family room.
- No attached or detached additions or buildings are permitted unless required by a local ordinance (such as covered parking).
- Property improvements not related to health and safety, correction of code violations, or compliance with local ordinances are not permitted. A partial list of ineligible upgrades includes: bar-b-ques, outdoor kitchens, patios, decks, patio covers, swimming pools, hot tubs, animal shelters, sports courts, storage sheds, workshops, fountains, security systems, TV antennas, plantation shutters, wall paper, tankless water heaters, upgraded carpet, built in entertainment centers, granite counter tops, travertine or marble tile, and garage floor coatings.
- Removal of debris and weeds is generally considered normal maintenance and is an ineligible use of CDBG funds, unless for health and safety considerations.

8-A. TEMPORARY RELOCATION

Tenants will be informed of their eligibility for temporary relocation if occupancy during rehabilitation constitutes a substantial danger to health and safety of tenant or public danger or is otherwise desirable because of the nature of the project. Relocated tenants will receive housing costs, payment of moving and related expenses and appropriate advisory services, as detailed in the County of Yuba's "Residential Antidisplacement and Relocation Assistance Plan", attached to these guidelines as Attachment #2. Owner-occupants are not eligible for temporary relocation benefits except in extreme cases such as reconstruction.

SECTION 9. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

Amendments

The Recipient and/or Program Administrator may make amendments to these Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the Recipient's Loan Review Committee, and shall be submitted to HCD for approval, except for administrative changes, including annual updates to income, price, and subsidy limits.

Owner Occupied Rehabilitation Program Guidelines

Exceptions

Any case to which a standard policy or procedure, as stated in the Guidelines, does not apply or a case in which an Applicant is treated differently from others of the same class would be an exception. The Program Operator may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Program Operator's recommended course of action and any written or verbal information supplied by the Applicant. The Recipient's Loan Review Committee shall make a determination of the exception based on the recommendation of the Program Operator.

SECTION 10. DISPUTE RESOLUTION AND APPEALS PROCEDURES

Complaints concerning the Program should first be made to the Program Operator. If unresolved at this level, the complaint or appeal shall be made in writing and filed with the Recipient. The Recipient will then schedule a meeting with the Recipient's Loan Review Committee. Their written response will be made within 30 working days. If the Applicant is not satisfied with the committee's response, a request for an appeal may be filed with the County of Yuba's Board of Supervisors. Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

Grievances between Participants and Construction Contractors

Contracts signed by the Contractor and the Borrower shall include the following clause, which provides a procedure for resolution of grievances:

"Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney fees and costs of arbitration."

The borrower will be required to follow the process outlined below as a condition of receiving a CDBG loan. The process sets the steps for resolving homeowner/contractor conflicts both during and after the completion of construction.

By entering into a rehabilitation assistance agreement, the borrower agrees to follow this dispute resolution process. If the borrower refuses to follow this process, the lender reserves the right to inspect contractor work for compliance with CDBG and applicable code requirements and authorize contractor payment without the owner's consent if the work has been found satisfactory.

Owner Occupied Rehabilitation Program Guidelines

If the borrower follows the dispute resolution process, but is unable to reach agreement with the contractor on disputed work, the lender reserves the right to inspect the work for compliance with CDBG code, and contract requirements. If the lender finds the contractor work in compliance, the Lender may authorize a contractor payment without first notifying the borrower.

Complaint and Appeal Procedure

The Housing Rehabilitation Program acts as a lender for and a facilitator of the rehabilitation. The primary responsibility of the Program Representative (County of Yuba's staff and/or consultant) is to ensure that the rehabilitation process meets the procedural and substantive requirements of state and federal regulations. The Program Representative is not your agent or employee. You, the homeowner, have the primary responsibility of ensuring that the contractor completes the work in a satisfactory manner according to the specifications of the approved bid and in compliance with applicable building codes. While the County is providing funds to make the repair of your home possible, the County is not responsible for enforcing your contract with the contractor you select to rehabilitate your home. The County is responsible for inspecting the contractor's work for compliance with applicable building codes, **but you are responsible for ensuring that work is completed to your satisfaction**. This is an important distinction, because it is possible for rehabilitation work to comply with the minimum requirements of the building code but not comply with the terms of your contract or not be satisfactory with respect to your expectations.

Instances may arise, however, in which a dispute or difference of opinion cannot be resolved strictly between the homeowner and the contractor. In such instances, a Program Representative will mediate the dispute according to the following procedures. One condition of your loan is that you agree to abide by the following dispute resolution process.

This process may be used at any time during or following the completion of construction. Before contacting your Program Representative, you must first communicate your dispute to the contractor and attempt to have the contractor resolve your complaint. It will be helpful if you list your problems with the contractor's work in writing and give the contractor a copy of this list. We advise you to immediately communicate to your contractor any problems you may have with his/her work, as delay may increase the difficulty or expense involved in correcting the problem.

STEP ONE: Submit a Written Complaint to the Program Representative

If you are unable to reach an acceptable resolution of your problem with the contractor, then you may request your Program Representative to act as a mediator. If your problem involves a question of building code compliance, however, your dispute should be brought to the attention of the Building Department Inspector, who can be reached at (530) 749-5440.

Complete the disputed resolution within five working days after you have requested the contractor to address your complaint. Your Program Representative will respond in writing to

Owner Occupied Rehabilitation Program Guidelines

your complaint within ten working days after its receipt. The response will indicate the course of action the Program Representative will take, which will include one or more of the following:

- direct contact with contractor to correct the problem;
- arrangement of a meeting to inspect the problem, with subsequent action to follow;
- Arrangement of a meeting between the Program Representative, the homeowner and the contractor to resolve the dispute.
- other action, as the Program Representative deems appropriate, or no action.

STEP TWO: Contact County of Yuba Staff Person in Charge of Program

If the written response and subsequent action of the Program Representative is not satisfactory, you may contact the Director of the Community Development & Services Agency, which is the County staff position in charge of the Rehabilitation Program. You must file a written complaint with the County indicating what part or parts of your dispute were not, in your opinion, adequately addressed by the Program Representative. This written complaint must be filed within five working days after you receive your written response from the Program Representative.

A written response from the County will be returned within ten working days after your complaint is received. The response will explain the follow-up action that will be taken.

Your complaint must be filed at the following address:

Community Development & Services Agency
c/o Director of CDSA
915 8th Street, Suite 123
Marysville, CA 95901
(530) 749-5470

STEP THREE: File an Appeal with the County

If the written response and subsequent action of the County staff person in charge of the Program is not satisfactory, you may appeal in writing within fifteen days of the decision to the Board of Supervisors. You must file an appeal in writing indicating the exact nature of your dispute and the specific unresolved portions of the dispute you are appealing.

Your appeal must be filed at the following address:

County of Yuba Board of Supervisors
c/o Clerk of the Board
915 8th Street, Suite 109
Marysville, CA 95901

NOTE: The Board of Supervisors decision is final; further disputes must be settled through court action.

Owner Occupied Rehabilitation Program Guidelines

ATTACHMENT A

GROSS INCOME INCLUSIONS

From Title 25 Section 6914: "Gross income" shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income. "Income" shall consist of the following:

- (a) Except as provided in subdivision (b), "Exclusions", all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:
 - (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
 - (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
 - (3) Interest and dividends;
 - (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
 - (5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
 - (6) Public Assistance. If the public assistance payment includes any amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
 - (A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - (B) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities.
 - (7) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts from persons not residing in the dwelling;
 - (8) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse;
 - (9) Where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 2.5% of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household's full time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

Owner Occupied Rehabilitation Program Guidelines

ATTACHMENT B

GROSS INCOME EXCLUSIONS

From Title 25 Section 6914: The following items shall not be considered as income:

- (1) Casual, sporadic or irregular gift items;
- (2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses; (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income;
- (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (6) Relocation payments made pursuant to federal, state, or local relocation law;
- (7) Foster child care payments;
- (8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is an excess of the amount actually charged the eligible household;
- (9) Payments received pursuant to participation of the following volunteer programs under the ACTION Agency:
 - (A) National Volunteer Antipoverty Programs, which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (B) National Older American Volunteer Program for persons aged 60 and over, which include Retired Senior Volunteer Programs, Foster Grandparent Program, older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

Owner Occupied Rehabilitation Program Guidelines

ATTACHMENT C

- **Custody of Children in Process.** Children whose custody is in the process of being obtained by an adult household member may be included as members of the household. Evidence that there is a reasonable likelihood that the child will be awarded to the adult (i.e. within three months) must be provided in order for such child to be included.
- **Children Temporarily Absent from Household.** Children temporarily absent from the home due to placement in foster care may be included as members of the household. Evidence that there is a reasonable likelihood that the child will return to the household (i.e. within three months) must be provided in order for such child to be included. Children who are away at school, but live with the family during school recesses are included as members of the household.

Program Operator Standards for Bedroom and Bathroom Additions to Alleviate Overcrowding

Maximum No. of Persons in 1 Household	Number of Bedrooms	Number of Bathrooms
	SRO	1
1	0-BR	1
2	1-BR	1
4	2-BR	2
6	3-BR	2
8	4-BR	3
10	5-BR	3
12	6-BR	4

NOTES:

- Opposite sex children under 6 years of age may share a bedroom, up to 2 children per bedroom.
- Opposite sex children 6 years of age and older may have their own bedroom.
- Children shall be permitted a separate bedroom from their parents.
- Same sex children of any age may share a bedroom, up to 2 children per bedroom.
- Adults not in a partner relationship may have their own bedroom.
- 4 or more people – a second bathroom may be added.
- 8 or more people – a third bathroom may be added.
- Same rules apply to mobile home units.

Owner Occupied Rehabilitation Program Guidelines

ATTACHMENT D

ACTIVITY DELIVERY FEE

- 1) CDBG will reimburse Recipient for some of the costs they have incurred in delivering the rehabilitation loan. These fees are considered activity delivery fees and must be customary and usual for similar services performed by private firms. CDBG reserves the right to request documentation to support the appropriateness for any claimed costs. Sample costs are as follows:
 - building inspection
 - loan Processing
 - underwriting
 - loan documents
 - contract management
 - termite report
 - appraisal
 - architectural
 - engineering

Typically, such fees may range from \$2,000 to \$5,000 per loan. Presently, the total amount CDBG allows per rehabilitation project is up to \$40,000, and includes activity delivery fees and Promissory Note amount. Therefore, if the Recipient claims \$2,000 to deliver the loan, then the maximum funds available to borrower is \$38,000.

- 2) Borrower only pays for charges and costs provided by third parties, not Recipient. Those one-time charges are considered non-recurring closing costs. Non-Recurring closing costs may be either paid at the time of closing or added to the loan that the Borrower pays back.
 - title search
 - escrow fees
 - recording fees
 - notary fees
 - credit report

Continuing with the above example, if the borrower has \$2,000 in closing costs added to the loan, he only has \$36,000 to spend on home repairs, but his loan is for \$40,000

Owner Occupied Rehabilitation Program Guidelines

WS-1



CDBG Program Gross Income Worksheet

Household Member	Assets Description	Current Value	Actual Income from Assets (Annualized)*	
1. Totals		1(a)	1(b)	
2. If line 1(a) is \$5,000 or less, enter 0 here and in line 6(d) below. Income from assets of \$5,000 or less is not included in the determination of income eligibility.			2.	
3. If line 1(a) is greater than \$5,000:				
(a) multiply line 1(a) by 2.0% and enter results here			3(a)	
(b) enter amount from line 1(b)			3(b)	
(c) Enter the greater of lines 3(a) or 3(b) here and in line 6(d) below.			3(c)	
ANTICIPATED ANNUAL INCOME *				
Household Member	a. Wages/ Salaries	b. Benefits/ Pensions	c. Other Income	d. Asset Income
6. Totals	a.	b.	c.	d.
7. Enter total of items from 6a.through 6d. (Total Income)				7.

Owner Occupied Rehabilitation Program Guidelines

CDBG Loan Servicing Plan

The County of Yuba commits to the maintenance and service of all CDBG funded loans that the County has underwritten within the CDSA Administration and Finance Department. All information regarding the qualifying of borrower and property are maintained in a loan file, with original legal documents retained in a fireproof safe. If at a future date, the County contracts with a third party for loan servicing, a copy of contract will be submitted to HCD for approval.

Loans to be booked into the Loan Portfolio Management program, referred to as GMS:

- Name of borrower (which includes address, phone and S.S number).
- Loan amount and grant used to fund loan.
- Terms of loan (interest rate, funding date, payment amount and date due, or deferred status, and final due date for payoff).
- Demographic data.
- Owner-Occupied Rehabilitation activity is to be reconciled and any unused funds are to be applied to reduce loan principal balance. Funds are deposited into the Reuse Account. Original Note is to be annotated on the back to show Borrower's principal reduction and signed by Recipient's authorized signatory. Letter to be sent to Borrower indicating the reduction in the principal balance.

Loan Portfolio Program (GMS) will perform the following activities:

- Calculate and apply the principle and interest of an amortized payment and produce loan statements for payments made, which include next payment due date, remaining loan balance and balance of accrued interest due on the loan.
- Prepare a payoff demand with an accurate accounting for repayment of principal and interest due, based upon the date of payoff and the initial information entered into GMS.
- Compile daily, monthly or yearly reports; by payments, payoffs, past due loans, type of grant and balance of all outstanding loans within the County's' loan portfolio.
- Prepare IRS 1098 forms to report loan interest by borrowers.

Owner Occupied Rehabilitation Program Guidelines

The following monitoring procedures are in place to assure that the residence maintains owner-occupancy status:

- Tickler system is used as an alert for fire and/or flood insurance renewals. Borrower's mailing address is compared to that of the property and insurance is reviewed to ensure that the policy remains as owner occupied, County is named as additional loss payee and coverage is no less than or equal to replacement value.
- Taxes are verified paid via County's tax collector records. Mailing address is verified, to be that of the property, as an address other than a P.O. Box would indicate the borrower lives elsewhere. Owner-occupancy status would include a homeowner exemption.
- Property profiles, obtained from Title Company web site, is periodically used to verify the current owner of record, property activity (recorded grant deeds) and mailing address to insure no change of title has occurred and that borrower is not receiving mail at an address other than the property.
- Failure to pay property taxes and/or insurance can trigger an alert that the borrower may be deceased or no longer occupies the property as a principle residence.
- Obituaries are monitored to identify deceased borrowers.

Assumption of loan:

CDBG Loans are assumable and title may be transferable under the follow circumstances:

- A. Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant.
- B. Transfer, in which the transferee is a person who occupies or will occupy the property, which is:
 - i. a transfer where the spouse became 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 became an owner of the property; or
 - iii. a transfer into an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property;
 - iv. A transfer to an heir, upon the death of Borrower, providing income is at or below 80% of the County of Yuba area median income (AMI), adjusted for household size.

Owner Occupied Rehabilitation Program Guidelines

Processing payoff demands:

- Upon request for payoff balance, a payoff statement will be provided to borrower. If a third party is requesting the payoff statement a borrower authorization will need to be obtained.
- 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).
- Statement will be provided to recipient and/or third party and a copy of statement will be placed in loan file.

Accounting for repayment of CDBG Program Loans:

- Upon receiving payoff fund, date received, is entered into GMS to insure interest stops on date of payoff.
- Overpayment of funds are refunded to borrower.
- If payoff is short, immediate action is taken to collect additional funds, so that loan is paid in full and borrower is not charged unwarranted interest.
- Loan Status is 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 program.

Reconveyance of Deed of Trust:

- Once a loan is paid off, the lien is removed from the property by means of a reconveyance.
- The trustee will remove the lien upon receipt of a signed request for reconveyance submitted with original Note and Deed of Trust. The County however, prefers to prepare a substitution of trustee (substituting the County in as trustee) and deed of reconveyance. When prepared this way the potential of losing the original legal documents is diminished.
- If there is a sale transaction opened with an escrow company, then the substitution of trustee and deed of reconveyance is submitted to escrow, to record when the ownership of the property is transferred.
- If the borrower pays off the loan, and no sale is involved, then the substitution of trustee and deed of reconveyance would be sent to the borrower, with instructions to record.

Collection of CDBG Program notes in default or foreclosure:

On occasion, a borrower may default in their loan by either a death, a transfer of title, or a lapse in making monthly payments. When this occurs, the terms of the Note and Grant guidelines determine the following actions and/or procedures taken:

Owner Occupied Rehabilitation Program Guidelines

- In the event of a death, a notice is sent to the property, addressed to the family of the borrower. A copy of the original terms of the Note are included and the heir is asked to contact the County to make arrangements for immediate payoff of the loan. Upon acceleration of the amount due under the loan, department will proceed with a foreclosure in accordance with the provisions of the deed of trust and state law regarding foreclosures, if arrangements for loan assumption and/or payoff are not achieved in a timely manner.
- Payments that are past due require a different approach. Although, the terms of the Note remain important, the hardship of the borrower is taken into consideration. Loan modifications and/or an extended deferral can usually remedy the situation when a borrower is facing a hardship. However, if a borrower has the means to make their loan payoff and just chooses not to, than default and/or foreclosure procedures will be followed.

Foreclosure and default procedures:

A. Policy

The County acknowledges that circumstances beyond a borrower's control may temporarily limit his/her ability to meet loan terms; it should in no way be misunderstood, loan terms must be fulfilled. The County will pursue all legal means to ensure fulfillment of loan terms.

B. Procedure

Thirty (30) and sixty (60) day delinquencies. The County shall send the borrower a letter noting the amount of delinquent or performance default. This letter shall be followed by a telephone call reminding the borrower of the loan amount and due date or performance default.

Ninety (90) day delinquency. 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.

- Reason for delinquency or default
- Any changes in borrower's health, family circumstances or financial status that limits their repayment ability
- Amounts in arrears

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

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

Owner Occupied Rehabilitation Program Guidelines

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:

- 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;
- 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.

REHABILITATION STANDARDS

At a minimum, all Health and Safety hazards must be eliminated. All repair work shall comply with Section 8 Quality Standards and the following provisions:

A. General Requirements

The purpose of each rehabilitation project will be to assure a living unit that provides for a healthful environment and complete living facilities arranged and equipped for suitable and desirable living conditions commensurate with the type and quality of the property under consideration. It is also a purpose of the rehabilitation project to provide each living unit with space necessary for suitable living, sleeping, cooking and dining accommodations as well as sanitary facilities.

- 1) Independent facilities shall be provided for each living unit except that common facilities such as laundry and storage space or heating may be provided for each property.
- 2) Each living unit shall contain provisions for each of the following, yet shall in no way be in violation of minimum standards as outlined in the California State Health and Safety Code and/or the current Civil Code:
 - a) A continuous supply of hot and cold water.
 - b) Sanitary facilities and approved method of sewage disposal.
 - c) Heating adequate for healthful and comfortable living conditions as per the current California Building Code.
 - d) Domestic hot water
 - e) Electricity for lighting and for electrical equipment used in the dwelling.
 - f) Effective waterproofing and weather protection
- 3) Clothes closet space should be provided with bedrooms or conveniently located nearby.
- 4) Entry/Exit doors that swing shall be equipped with an operable deadbolt lock. The lock shall not be key operated on the interior side of the dwelling and shall be installed per the most current vision of the California Building Code and the California Civil Code.
- 5) Attics and under floor area shall have proper access and insulation as required by local codes.
- 6) Every dwelling unit shall be supplied with a means of disposal or removal of trash and garbage that is inaccessible to rodents. Trash shall not be allowed to accumulate for more than seven consecutive days as per County ordinance.

Owner Occupied Rehabilitation Program Guidelines

B. Access to the Building

Walkways and steps shall be provided for all-weather access to the building and constructed so as to provide safety and reasonable durability.

C. Grading

Any deficiencies in grading or paving adjacent to the building shall be corrected to assure surface drainage away from foundations and basement walls. Retaining walls shall be maintained in adequate repair and must be provided where necessary to protect the structure, driveway and walls and to prevent soil erosion.

D. Unacceptable Features

Features which are not ordinarily acceptable in a property, or are in violation of applicable housing codes and standards, must be corrected if determined necessary and feasible by a program assigned contractor.

- 1) Buildings that do not have adequate attic and/or under floor space ventilation to prevent conditions conducive to dampness, decay, fungi and/or insect infestation and deterioration of the structure.
- 2) Buildings constructed on and supported by an unapproved wood foundation system resting directly on the ground.
- 3) Crawl space with less than 12" clearance between bottom of floor joists and grade.
- 4) Foundations with top of stem wall less than 6 inches above finished grade.
- 5) Any wood member of the building that is in contact with the ground.

E. Structural Soundness

All structural components of the dwelling shall be in sound condition and considered serviceable for the expected useful life of the Rehabilitated building. Sagging floors, fireplaces, partitions, stairs and exterior walls shall be restored, if practical, to an acceptable level or plumb position, and supported or braced so as to prevent a reoccurrence of these conditions. Stairs and stair railings shall be structurally sound and rigid. Individual structural members in a seriously deteriorated condition shall be replaced and loose or damaged joints between structural members shall be corrected. This may be addressed in the required termite report.

Owner Occupied Rehabilitation Program Guidelines

F. Inspections and Correction

A careful inspection by a program assigned contractor of buildings and accessory structures on each property for evidence of actual or potential insect or rodent infestation or access channels will be conducted by a program assigned contractor. Defects in an existing building that allows and/or encourage the entry of rodents, termites or other vermin will be corrected by appropriate preventive measures; damaged or deteriorated structural members will be replaced as necessary. Preventive and protective measures against several forms of infestations shall be as determined by the County with or without the aid of additional professional findings, and may include the following:

- 1) Window or other openings near grade shall have tight fitting screens.
- 2) Exterior doors to fit tightly and be flashed or caulked at sill.
- 3) Opening for pipes or ducts through floors, walls or ceiling shall have tight fitting collars.
- 4) Cracks and crevices in foundations and above-ground walls may be effectively sealed by filling with mortar or other approved materials.
- 5) Cracked, broken or decayed wood surfaces shall be replaced or repaired.
- 6) The application of precautions or corrective actions as recommended by licensed professional exterminators. NOTE: All chemical treatments shall be conducted by same licensed exterminators.

G. Exterior and Interior Finishes

Exterior and interior finishes shall assure that building finishes will be adequate to prevent the entrance or penetration of moisture and weather; protect from damage by decay, corrosion, insects and other destructive elements; and provide reasonable durability and economy of maintenance. *In addition, projects constructed prior to 1978 and there are child/children under the age of six residing or there is a possibility a child/children under the age of six may reside in it, then a Lead Hazard Evaluation Report must be obtained and lead hazards must be addressed accordingly.*

H. Exterior Appurtenances

All exterior appurtenances or accessory structures that serve no useful purpose or those in a deteriorated condition, which cannot be economically repaired, may be removed. Such structures include porches, terraces, entrance platforms, garages and carports, walls, fences and miscellaneous sheds. Please note that removal of such appurtenances may be subject to approval by the State Office of Historic Preservation or the County of Yuba Planning Department.

Owner Occupied Rehabilitation Program Guidelines

I. Foundation

All masonry or concrete foundation walls shall be improved to a structurally sound condition and where practical, the top of the wall shall be not less than 6 inches above finish grade where practical. All wood foundation posts, sills, girders and plates showing signs of rot, decay, infestation or structural failure shall be replaced with new suitable materials of proper design. This will be as determined and directed by a program assigned contractor and may be in conjunction with other professional findings.

J. Exterior Walls

Wood siding materials and trim that are broken, split or damaged, so as to permit the entrance of weather or which show signs of decay or insect infestation, shall be replaced. Where required, all existing wood surfaces shall be suitably prepared for painting and receive a primer coat and finish coat of quality exterior house paint. New wood siding materials shall be protected by appropriate finishes. Composition sidings, including mineral surfaced fiber-board, mineral surfaced asphaltic siding, asbestos-cement types, etc., which show deterioration, damage or joint failure so as to permit the entrance of weather or adversely affect the appearance of the dwelling may be required to be repaired or replaced with new suitable siding materials.

K. Interior Walls and Ceilings

- 1) All loose and broken wallboard shall be adequately affixed or replaced, and refinished. All loose and broken plaster shall be soundly patched and repaired. Where deterioration is so extensive that patching is impractical, the entire wall or ceiling area shall be re-plastered or covered with acceptable drywall materials. 1 NOTE: Installation of new wallboard may have to be preceded by the removal of the existing plaster.
- 2) All walls and ceilings shall be properly prepared and painted or receive other appropriate finish.
- 3) Interior doors, jambs, and trim which show excessive deterioration, abuse and patching may be replaced where needed. Existing and/or new interior millwork shall be properly prepared and receive the appropriate protective finish. All broken or missing hardware shall be replaced.

L. Finished Floor

- 1) Bathroom/toilet compartments and kitchen floors shall be provided with approved underlayment, approved waterproof floor covering materials and appropriate base molding.
- 2) Floors in other areas of the living unit which show excessive wear, shrinkage, cupping or other serious damage shall be, if possible, replaced or covered with acceptable finish flooring materials properly installed. Sound wood floors showing normal wear and

Owner Occupied Rehabilitation Program Guidelines

discoloration may be refinished.¹

Finish flooring shall be appropriate to the use of the space, be in good condition and provide low maintenance service life.

M. Roof Drainage

Each dwelling shall have a controlled method of disposal of water from roofs to prevent damage to the building and property.

N. Roof

All roofs and flashing shall be replaced or repaired to the extent necessary to protect the building against leakage.

O. Gutters, Cornices and Exterior Details

Gutter, down spouts, eaves, rafter ends, fascias, soffits and cornices, molding, trim, etc., showing evidence of deterioration shall be replaced with new material suitably protected against deterioration. Repairs shall be completed as necessary and in such a way as to prevent recurrence of the deterioration.

P. Chimneys

Chimneys, brickwork, or fireplaces showing signs of deterioration shall be repaired, replaced or removed so as to eliminate a possible hazardous condition.

Q. Windows, Doors and Other Openings

Existing windows and doors, including their hardware, shall function properly and give evidence of continuing acceptable service. Defective glass or locking mechanisms shall be replaced or repaired. Windows, doors, and their frames which show signs of decay, deterioration, excessive warping, racking or misalignment shall be repaired or replaced and adequately protected with appropriate finish materials and flashings, against further deterioration.

R. Electrical Wiring

All habitable rooms shall contain, at a minimum, both convenience receptacles and lighting fixtures. Each habitable room may be equipped with at least two (2) receptacles or one (1) duplex receptacle and one lighting fixture. All 120-volt receptacles shall be replaced with 3-pronged grounding receptacles and meet current California Electric Code provisions.

¹ Wherever deteriorated walls, ceilings or other areas are suspected of containing asbestos materials, precautionary protective measures will be taken to protect workers and residents from harmful dust. These measures may include full abatement procedures as provided by trained personnel. Dwellings which are over 15 years of age and are occupied by children under the age of seven will be evaluated to determine the existence of chipping or peeling lead-based paint. The occupants of all units rehabilitated through the CDBG program will receive a Lead-Based Paint Warning advising parents of the possible need to have children evaluated for possible lead poisoning. In incidents where lead-based paint poisoning has been determined, or where problems are believed to be likely, HUD-approved abatement procedures will be followed in cooperation with the local Health Department.

Owner Occupied Rehabilitation Program Guidelines

S. Plumbing

All plumbing fixtures shall be appropriately connected to approved drain, waste, vent and supply lines. All leaking, deteriorated or clogged piping shall be replaced or restored to a condition which will provide safe and adequate service for the plumbing fixtures or gas-fired equipment to which they are connected.

T. Heating and Ventilation

No unvented fuel-burning heater will be permitted. All heating devices and appliances shall be of the type approved for the location. Each living unit shall have properly vented domestic water heating equipment capable of adequately supplying hot water, as defined in the California Plumbing Code, with properly installed safety devices in place.

U. Porches and Steps

All unsafe or unsound porches and steps will be removed and/or replaced and protected from deterioration with paint or other acceptable finish. Where required, approved handrails, and guardrails shall be provided.

V. Fences and Gates

Dilapidated wood fencing/gates that constitute a safety hazard shall be removed, however funding will not be provided for replacement.

W. Yard Areas

Trees that are undermining the structural integrity of the dwelling shall be removed. All debris, lumber, and trash shall be removed.

X. Painting and Decorating

Where necessary, a protective and decorative finish coating shall provide: (1) adequate resistance to weathering; (2) protection of finished surfaces from moisture or corrosion; (3) an attractive appearance; and (4) reasonable durability. Where painted surfaces are in a well-maintained condition and not disturbed by the rehabilitation work, painting and decorating is not required.

Y. Expansion of Dwelling

Funding will not be provided in excess of the homeowner's demonstrated funding need for rehabilitation/Rehabilitation of a similarly sized home, unless it is determined to be a health and safety issue due to overcrowding.

Owner Occupied Rehabilitation Program Guidelines

Z. Energy Conservation Measures

Applicants that commit to fulfilling the Energy Efficiency State Objective will be required to maintain evidence that all required energy efficiency criteria were met. Such evidence may include purchase order information from contractors, maintaining detailed work write-ups that include all criteria, pictures, inspections, etc.)

NA	Use plant and tree species that require low water use in sufficient quantities.
NA	Install irrigation system using only low-flow drip, bubblers, or low-flow sprinklers.
Materials and Resources:	
X	Use engineered lumber - a. Beams and Headers b. Wood I-Joists or web trusses for floors and ceilings
X	Use Oriented Strand Board (OSB) for floor, wall, and roof sheathing.
X	Provide effective air sealing – a. Seal sole plates. b. Seal exterior penetrations at plumbing, electrical, and other penetrations. c. Seal top plate penetrations at plumbing, electrical, cable, and other penetrations. d. Weather-strip doors and attic access openings. e. Seal penetrations in interior equipment closets and rooms. f. Seal around bathtub drain penetrations in raised floors.
X	Install and flash windows in compliance with window installation protocols.
X	Exterior Doors – a. Insulated or solid core. b. Flush, paint or stain grade shall be metal clad or have hardwood faces. c. Factory primed on six sides with a one-year warranty.

Owner Occupied Rehabilitation Program Guidelines

X	<p>Select durable non-combustible roofing materials which carry a three-year contractor installation guarantee –</p> <ul style="list-style-type: none"> a. 20-year manufacturer's warranty; or b. 30-year manufacturer's warranty.
Energy Efficiency:	
X	<p>Install ENERGY STAR® Ceiling Fans in living areas and all bedrooms; install a whole house fan with insulated louvers; or install an economizer.</p>
X	<p>Install ENERGY STAR® Appliances (where applicable)</p>
X	<p>Install gas storage water heater with an Energy Factor (EF) of 0.62 or greater and a capacity of at least 30 gallons for one- and two-bedroom units and 40 gallons for three-bedroom units or larger.</p>
Water Efficiency:	
X	<p>Use water-saving fixtures or flow restrictors.</p> <ul style="list-style-type: none"> a. Kitchen and Service Areas < 2 gallons per minute (gpm). b. Bathroom Sinks < or = 1.5 gallons per minute (gpm). c. Showers and Bathtubs < or = 2.5 gallons per minute (gpm).
Indoor Environmental Quality:	
X	<p>Use Low-VOC paint and stain.</p> <ul style="list-style-type: none"> a. Flat interior wall/ceiling paints & stains < 50gpl VOCs. b. Non-flat wall/ceiling paints & stains < 150gpl VOCs
NA	<p>Provide window coverings –</p> <ul style="list-style-type: none"> a. Drapes or blinds may be fire retardant.
X	<p>Floor coverings –</p> <ul style="list-style-type: none"> a. Light and medium traffic areas shall have vinyl or linoleum at least 3/32" in thickness. b. Heavy traffic areas shall have vinyl or linoleum at least 1/8" in thickness. c. Carpet shall comply with U.S. Department of Housing and Urban Development/Federal Housing Administration UM 44C, or alternatively, cork, bamboo, linoleum, or hardwood floors shall be provided in all other floor areas.

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

BACKGROUND

The purpose of the County of Yuba's (County) Community Development Block Grant (CDBG) Owner-Occupied Rehabilitation (OOR) Program is to assist homeowners, of owner-occupied single-family residences, with repairs which represent a threat to their health and safety; with a goal of providing homeowner with a healthy, safe, sanitary, and code-compliant home; by addressing as many violations, in local building standards and state and local codes and ordinances, as possible with funds available.

Subject to funding availability, Emergency Repair Grants (ERG) shall be given, up to \$15,000, for repairs that signify an immediate health and safety threat. Forgivable grants will predominantly be the preferred financing choice; however, as an alternative, the County retains the ability to offer an Owner-Occupied Program Loan (PL) up to \$40,000, in the event applicants health and safety needs exceed the grant limit. All eligible households must meet the low to moderate income requirements as defined by the U.S. Department of Housing and Urban Development's (HUD) published Income Limits for Yuba County.

Program administrator reserves the option to enter into an agreement with a third party to administer the OOR Program or parts of therein; at which time will require prior written approval from HCD and the Loan Review Committee. The County of Yuba's OOR Program Guidelines simply set forth the Program policies and procedures, which will 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 judgement that gives the borrower every possible consideration. When that balance is maintained, the County can provide quality loans that meet borrower' needs for home financing, without imposing excessive financial burdens.

OBJECTIVE OF CDBG PROGRAM

The overriding objective of the CDBG program is to:

1. Meet urgent and/or emergency needs
2. Remove health and safety hazards
3. Improve housing conditions
4. Remedy code violations
5. Benefit low- and moderate-income households

Priority assistance will be given in the following order:

1. Homeowners with emergency conditions, which represent an immediate threat to their health and safety
2. Elderly, veteran, and physically challenged households, with low to extremely-low income
3. Housing units that fail to meet one or more building code conditions and/or housing quality standards

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 same conventional underwriting criteria, which would be utilized by an institutional lender. For example, if the County denies financial assistance to an owner of a deteriorated property because the owner has poor credit, that denial can be interpreted as the County turning its back on all three national objectives.

CRITERIA FOR ASSISTANCE

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

1. Meet the U.S. Department of Housing and Urban Development (HUD) income Limits. (updated 2019)
2. Owner-Occupant– Must continue to live in the dwelling, for time specified in Note, after rehabilitation.
4. Must have owned the home for at least one year, prior to application.
5. Dwelling must be real property, located within boundary area of Yuba County.
6. All non-compliance violations against property must be cleared prior to approval of an emergency repair grant and/or loan, unless the assistance is to correct health and safety violations.
7. Dwelling must be in need of repairs, which represent a threat to health and safety.

All assisted units shall have after-rehabilitation values at or below the current local median sales price of a single-family home in Yuba County posted at the California Association of Realtor's website at: (www.car.org/marketdata/data/countysalesactivity)

STANDARDS FOR ASSISTANCE

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

1. Will the requested assistance promote one or more of the national objectives? Which ones?
2. Are the terms of the financial assistance consistent with the County's Program Guidelines? For example, if a borrower is requesting a 40-year amortization period, does the County Program Guidelines allow for such a term?
3. Can the County provide the requested financial assistance in a manner that is consistent with the application approved by HCD and the regulations governing the CDBG program? For example, if the applicant is seeking a grant, does the County have the authority to provide a grant or must all assistance be in the form of a loan?
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 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 Consultant and staff must also communicate the Committees' reason in writing.
5. 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 information.
6. Although members of the Loan Committee serve an extremely valuable role of bringing familiarity with local conditions to the housing rehabilitation program, it is critical that members of the Committee not allow personal observations to overshadow other program objectives. For example, its possible occasions will arise when a Committee member will have personal knowledge about an applicant that may not be known to other members of the Committee or to the Consultant 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 Owner-Occupied Rehabilitation 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. FINANCING OPTIONS

A. Emergency Repair Grant (ERG)

Emergency repair is defined as defects which puts the health, safety or security of the property owner at immediate risk and includes the following:

- Repairs or activities that eliminate conditions detrimental to the immediate safety and health of the residents.
- Repair of certain elements of a housing unit in emergency situations; such as repairs to a roof that is leaking, but the whole house is not rehabilitated.

Health and Safety is defined as items that adversely affects the structure of the building and includes the following:

- Weather protection, including broken windows and exterior paint, siding
- Structural deficiencies
- Improper sanitary facilities
- Hazardous plumbing, electrical and mechanical equipment
- Accessibility improvements
- Property improvements determined to be health and safety issues, including access and fire hazards

The minimum CDBG Emergency Repair Grant to an individual household will be no less than \$1,500. and the maximum grant to an individual household will not exceed \$15,000. Should correction of health and safety items require additional funding, the Loan Review Committee may approve an exception; by extending the grant limit and/or combining a grant with a CDBG rehabilitation loan.

Grants will be awarded on a case-by-case basis for emergency repair and will require the approval from the Loan Review Committee.

In the event property is sold, ownership is transferred, or property is no longer occupied by original Borrower during the five-year grant term, the full principal cost of repairs will be immediately due and payable in full.

Should Borrower's death occur prior to the end of the five year grant term, recorded lien shall remain on property and the cost of repairs will be immediately due and payable in full; however, Loan Review Committee may approve an assumption of the remaining original grant term by an income qualified heir, providing they certify to continuous occupancy of dwelling and meet all required criteria stated below. Should heir fail to meet income qualification limits, principal cost of repairs will be immediately due and payable in full.

B. Program Loan (PL)

Health and Safety concerns may not directly be an immediate need; but rather identified as various deficiencies of the exterior, structure, or interior of a dwelling. Dwellings with multiple deficiencies are more vulnerable to future health and safety concerns, and should be addressed by manner of importance to lessen the potential danger.

In the event applicants need exceeds grant limit, County will also offer a Program Loan. The minimum CDBG loan to an individual household will be no less than \$10,000, and maximum loan will not exceed \$40,000. An eligible homeowner may qualify for the maximum cost of Rehabilitation work needed to comply with State and local codes and ordinances. Should correction of health and safety items require additional funding, Loan Review Committee may approve an exception; by extending loan limit and/or combining a deferred loan with a grant.

Health and Safety is defined as items that adversely affects the structure of the building and includes the following:

- Weather protection, including broken windows and exterior paint, siding
- Structural deficiencies
- Improper sanitary facilities
- Hazardous plumbing, electrical and mechanical equipment
- Accessibility improvements
- Property improvements determined to be health and safety issues, including access and fire hazards

Program Loans will be awarded on a case-by-case basis, based upon the significant need. Should a dwelling need more extensive repair than the Rehabilitation Program has allotted, an exception, approved by the Loan Review Committee would be required to extend loan amount.

In the event property is sold, ownership is transferred, or property is no longer occupied by original Borrower during the term of loan, all principal and interest then due, will be immediately due and payable in full.

Should Borrower's death occur within the loan term, all loan principal and interest will be due and payable in full; however, Loan Review Committee may approve an assumption of the remaining original loan term by an income qualified heir, providing they certify to continuous occupancy of dwelling and meet any required criteria stated. Should heir fail to meet income qualification limits, loan principal and interest will be due and payable in full.

C. Interest Rate

The CDBG program has established interest rates 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 established and approved, any changes will require re-approval from the State and Yuba County's Board of Supervisors.

Emergency Repair Grants:

Shall bear no interest.

Program Loan:

Interest rates for a loan will be a simple interest up to 3% per annum, for borrowers with a total household income at or below 80% of the County's median income, based on loan term, and applied as follows:

- 0% simple interest; on term up to 10 years
- 1% simple interest; on term up to 15 years
- 2% simple interest; on term up to 20 years
- 3% simple interest; on term up to 30 years

Frequently, a community's most vulnerable population, lacks the ability and/or resources to maintain a safe and healthy standard of living; therefore, at the discretion of the Loan Review Committee, an exception may be approved to revise interest rates when reasonably necessary, for households with income of 50% or less of the County's median income.

D. Term

CDBG regulations allow jurisdictions to provide CDBG Rehabilitation loans with a maximum term of 30 years; and forgivable grants based on local jurisdiction Rehabilitation Program.

Emergency Repair Grants:

Will consist of a Note and Deed of Trust, to be recorded as a lien on the property for a term of five (5) years, at which time lien will be removed and grant will be forgiven in its entirety; providing Borrower has continuously met the following required criteria during the five (5) year term.

- borrower maintains continuous residence at the property
- property to remain free of outstanding non-compliance violations
- Property taxes to be paid current
- homeowner's insurance and/or flood insurance to be paid current
- property insurance policies name County of Yuba as loss payee
- property to be maintained for the term of the loan

No housing expense ratio will be applied to grants.

Program Loan:

Household dynamics will be the primary factor when establishing the interest rate and term on Housing Rehabilitation Loans, such as: extent of repair needed to correct health and safety issues, total household income, and percentage of income spent on direct household living expenses. However, all loans will bear a minimal monthly payment. Based on the debt-to-income ratio below, loans will be offered to borrowers with the following loan terms:

- 10 year; Amortized
- 15 year; Amortized
- 20 year; Amortized
- 30 year; Amortized

At the discretion of the Loan Review Committee, an exception may be approved to revise interest rates when reasonably necessary, for households with income of 50% or less of the County's median income.

Note: Loan Review Committee retains the option to modify the above loan terms and/or to extend, based on debt-to-income ratio, as referenced in Section 3. Funds needed to cure health and safety issue will likely determine interest rate and term of loan.

E. Payments

CDBG regulations allow for both amortized and deferred loans, as well as forgivable grants. The Jurisdictions' loan Program objective is to provide needed funds to borrowers, with a payment and term that is affordable; ensuring that loan payoff is attainable, by the maturity date of loan.

Emergency Repair Grants:

Shall bear no payment.

Program loan:

All CDBG Loans, financed under the CDBG OOR Program will bear a monthly payment of principle and interest, amortized over the term of the loan. Consideration will be given to household income and direct-housing-expense-ratio, when providing borrower with payment and term options. Borrower may pay a portion of, or the entire loan amount at any time, without a prepayment penalty.

At the discretion of the Loan Review Committee, an exception may be approved to revise loan payment terms from an amortized loan payment to a deferred loan payment when reasonably necessary for households with income of 50% or less of the County's median income.

- ❖ Amortized loans will consist of monthly principal and interest payments. Loan balance will be paid in full at the maturity date of the Program loan.
- ❖ Deferred loans will not require monthly payments; however, the loan will continue to accrue interest from date of recording of the deed of trust, through the maturity date of loan. All principal and interest shall become due and payable at this time, in one balloon payment, upon the maturity date of the Program loan.

Although payments are not required during the deferred loan term, loans will continue to accrue interest from the date of the recording of the deed of trust to day of loan payoff.

Direct-housing-expense-ratio is calculated by adding all direct 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.

Borrower must maintain the property in post-rehabilitation 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.

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, serious illness.

If the borrower is unable to maintain monthly amortized loan payments, or unable to resolve the full repayment of a deferred payment loan at maturity date; due to hardship; the Program Operator, with Loan Review Committee approval, will address the hardship by applying the following modifications:

- Modify and extend loan term for an additional six (6) months; allowing time to reduce hardship
- Modify and extend loan term for an addition five (5) years; recalculate amortization of loan to lower monthly payment
- Modify interest rate to 0%; recalculate amortization of loan to lower monthly payment

- Amend the Note and Deed of Trust on a deferred payment loan; to forgive current interest due, and defer repayment of the loan principal for a minimum of an addition five (5) years at 0% additional interest. This term extension may only be offered one time.

In the event of default (not defined as hardship), principal balance plus all accrued interest, shall be due and payable in full.

2. OWNER-OCCUPANTS

A. Ability to Make Existing Mortgage Payments

In considering this issue, the Committee must examine the applicant's ability to make the payments on existing mortgages as well as their ability to repay 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 repay:

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 employer and/or by obtaining copies of 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 Expense ratio, as defined in Section E, is an important underwriting criterion because this ratio has a direct bearing on the applicant's ability to make payments, based on

their income and housing expenses; there is a high possibility an unexpected financial crisis could cause the applicant to default on their mortgage.

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 borrower's creditworthiness with previous mortgages, shows undisclosed debts, revolving accounts, installment accounts and any judgements, 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 States Department of Agriculture (USDA), or another lender who has recently 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 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 to income ratio may still be given a loan if they have a good mortgage payment history. Written verification of payment history and loan balance is 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 provides 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 after-rehabilitation value; which cannot exceed 95% of the current median sales price of a single-family home in Yuba County.

The Loan Review Committee may approve assistance with financing exceeding 95% of after-rehabilitation value as needed in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing documentation exists, justifying why the exception is needed. However, the total financing cannot be more than 100% of the after-rehabilitation value.

A couple of different methods, each of which costs a different amount to obtain, can determine the pre-rehabilitation value as well as the after-rehabilitation value. The methods used in this program are as follows.

- Estimates of Value method: The Program Administrator will develop an estimate of value, based on the most recent median sale prices, of up to three comparable properties, sold within the last 12 months. The Borrower file will include the estimate of value and document the basis for the value estimate.

The purpose of the Estimates of Value Method is to determine that the after-rehabilitation value of the housing unit will not exceed permitted amount and that total loans against the Property will not exceed the maximum combined loan-to-value limit of 95% of the after-rehabilitation value.

- However, if prices have significantly changed, Program Administrator may request HCD approval to use different limits based on local calculation of median values, according to the California Association of Realtor.

Appraisal: This is the most reliable and most expensive method. Because of the high cost, appraisals are rarely done. However, due to the circumstances, an appraisal may be the only source available that will determine the after-rehabilitation value.

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 rehabilitation. For example, if an applicant had \$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 rehabilitation loan, when combined with all other indebtedness secured by the property, shall not exceed 95% of the estimated after-rehabilitation-value. All assisted units shall have after-rehabilitation values at or below the current local median sales price of a single-family home. The County of Yuba may use the

most recent median sales price, by county, posted at the California association of Realtors website at:

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 amortized/deferred payment loan recorded behind any performing/amortized loans. Exceptions may be made on a case-by case basis, and approved by 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

- 95%: This typically will be the maximum ratio and will only be allowed when the owner has good credit, good mortgage payment history (no late payments in the last 12 months), a clean title report, a housing expenses ratio of less than 30%, and the loan must be no lower than second position.
- 90%: 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 50%. The loan must not be in a position lower than second.
- 85%: This will be the maximum allowed for applicants with poor credit, poor mortgage payment history, a housing expense ratio of not more than 75 %, and the loan must not be in a position lower than third.

3. DEBT-TO-INCOME RATIO

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 (taken from the CDBG Gross Income Worksheet). This figure represents the percentage of the homebuyer's gross monthly income 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.

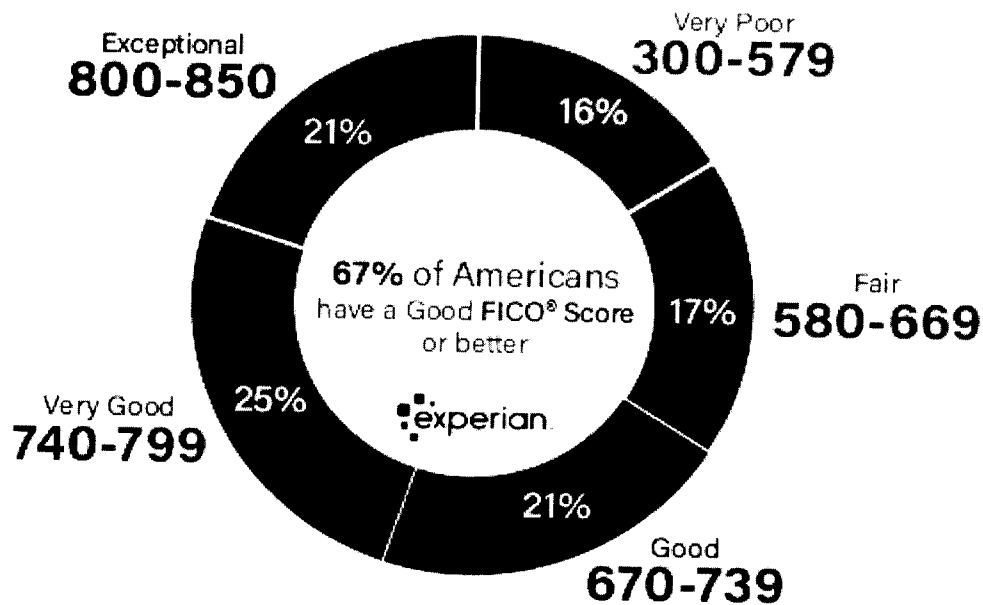
The following compensating factors are some of the more common ones:

- 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 and 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 $\times 0.15$ = “the amount of tax savings”. This is added to the income for a new total income.

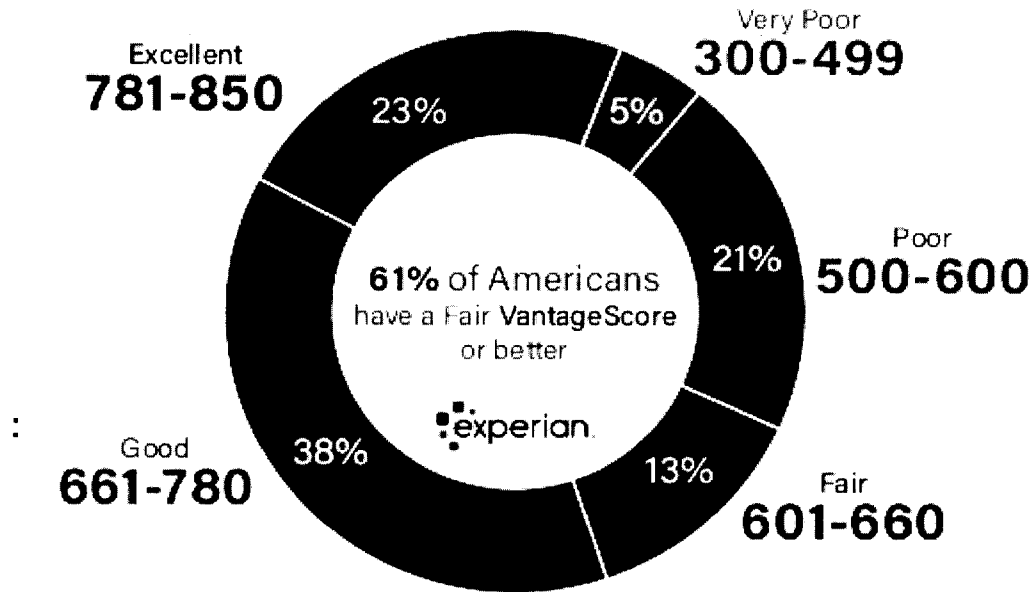
- Previous credit history shows that the prospective borrower has the ability to devote a greater portion of income to housing expenses. This means that the borrower is a limited credit user or may not use credit at all, thus having more income to devote towards housing.
- There will be no more than a 5% increase in the prospective homebuyer’s housing.

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	\$ 42,200	\$ 45,120	\$ 48,240	\$ 51,360
80% LMI	\$ 36,300	\$ 41,500	\$ 46,700	\$ 51,850	\$ 56,000	\$ 60,150	\$ 64,300	\$ 68,450