



# *CITY OF LEMOORE*

## **First-Time HOMEbuyer Program**

### **GUIDELINES**

August 2011

## First-Time HOMEbuyer Program

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## **I. GENERAL**

### **A. Purpose**

The First-Time HOMEbuyer Program is designed to assist very-low and low income families to purchase their first home. Up to \$75,000 in down payment and closing cost assistance will be provided as secondary “gap” financing to each family utilizing HOME Investment Partnership Program (HOME) grant and program income funds. All HOME funds will be eventually recaptured and deposited into a local HOME account for reuse to assist other low-income families purchase homes in accordance with the HOME Program.

### **B. Conflict of Interest**

In accordance with Title 24, Section 92.356 of the Code of Federal Regulations, no member of the governing body of the locality and no other official, employee, or agent of the City government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program during their tenure or for one year thereafter.

### **C. Program Outreach and Marketing**

This program will be implemented in ways consistent with the City’s commitment to Fair Housing. 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 program administrator shall ensure that all persons, including those qualified individuals with handicaps have access to the Program.

1. The Fair Housing Lender and Accessibility logo will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program’s eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes are not being excluded from the Program.
2. The City of Lemoore has developed a Fair Housing/Affirmative Marketing Plan and will administer the program in accordance to the procedures outlined in the plan, to ensure that all segments of the community are being targeted to our housing programs.
3. The City of Lemoore will display and distribute flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents. This information will also be provided to any local social service agencies.
4. The City of Lemoore may sponsor homebuyer classes to help educate homebuyers about the home buying process and future responsibilities. Persons who have participated in local homebuyer seminars will be notified about the Program.
5. The program administrator will work closely with area real estate agents and primary lenders to explain the program requirements for eligible housing units and homebuyers, and to review program processes. Area real estate agents and primary lenders will also be encouraged to have their customers participate in the Program.

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

## **II. POLICY**

### **A. Applicant Eligibility**

1. Applicant must be a United States citizen or legal resident of the United States.
2. Applicant must be a first-time homebuyer, as this program is restricted to households not currently homeowners. A first-time homebuyer is defined as an individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period prior to the purchase of a home with HOME assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:
  - a. A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
  - b. A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; and
  - c. An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with HOME assistance, a dwelling unit whose structure is:
    - (i) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
    - (ii) Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.
3. Applicant must be pre-approved through a primary lender prior to being considered for the First-Time HOMEbuyer Program. The primary loan must be for an amount equal to or above 51% of the total purchase price of the home. Obtaining primary financing will be the responsibility of the applicant and is available through several lenders. Lenders may work with CalHFA, VA, FHA, and other loan programs.
4. The household income must be at or below 80% of the area median income for Kings County, adjusted for household size, as published by the Department of Housing and Community Development (HCD). All persons in the residence are considered household members for the purposes of income eligibility. The income limits in place at the time of loan approval will apply when determining the applicant's income eligibility. The current income limits for Kings County are listed in Exhibit A.

The 24 CFR Part 5 (Section 8) method for income determination will be used, as described in the “Income Calculation and Determination Guide for Federal Programs”. See Exhibit B for a list of Income and Asset Inclusions and Exclusions.

5. Applicant must demonstrate a dependable and legal reoccurring source of income over a minimum of a three-year period of continued employment. The City of Lemoore must have assurance of applicant’s continued future employment. A third party Employment Verification Form (completed by the employer) must be provided for all applicants applying for City assistance. Applicants that have recently completed their education, which has prepared them for a working career, and have been at their present job for more than six months, may be considered for funding if the applicant can provide assurance of continued future employment through a Verification of Employment Form. An applicant with less than six months at his/her present employment will not eligible for assistance.
6. Applicant must demonstrate credit worthiness through a credit report and references obtained by the primary lender.
7. Applicant must agree to occupy the property as their principal place of residence.
8. An applicant must provide personal financial information as requested by the City of Lemoore. Used as a general guideline upon the City’s discretion, the applicant shall not possess more than **25% of their gross annual income** in liquid assets after paying down payment and closing costs with program assistance.  
  
Liquid assets shall include, but are not limited to, all assets held in cash, certificates of deposit, stocks, bonds, fund shares, checking or savings accounts, 401(k), KEOGH, IRA or defined retirement plans.
9. Cosigners are not allowed.
10. Applicant, in all cases, must provide a minimum \$1,000 down payment towards the purchase of the property from personal assets and/or gift funds. Gift funds are described as those funds “gifted” to the applicant by family members or close friends, which are not to be recorded against the property or require repayment.

**B. House Eligibility**

1. House must be located within the City limits of Lemoore.
2. House may be a newly constructed single-family residence, of which the foundation is poured prior to the purchase agreement being executed, or an existing single-family residence.
3. The home may not exceed the then current maximum purchase price limits established by the Department of Housing and Community Development (HCD) for Kings County. These limits are adjusted on a periodic basis by HCD and incorporated into the program by the City of Lemoore. See Exhibit A for the most current limits.

In addition, financing is limited to “modest housing”. Therefore, for the purpose of this program, “modest housing” is considered to be a three bedroom, two bathroom house with a two car garage, regardless of household size. Exceptions may be made when overcrowding or other justifying circumstances occur; and will be considered by the Loan Review Committee on a case by case basis. Houses with second units and pools and/or spas are not allowed through this program. At no time shall the purchase price exceed \$200,000.

4. House must be owner occupied or vacant at least three (3) months prior to the execution of a Purchase Agreement. The purchase of a tenant occupied property or a property to be occupied by a tenant after purchase is prohibited. The following is an allowable exception:
  - a. The house to be purchased will be purchased by the tenant currently occupying the property.
5. House must be sound and not in need of rehabilitation.
6. The house must comply with State and Local codes and ordinances. The city incorporates the most current Uniform Building Codes standards.
7. The property must be free of local code-related and health and safety deficiencies at the time of purchase. To ensure compliance, the Housing Specialist, or his/her designee will perform an inspection. The City also requires a copy of a recent appraisal as performed by a Certified Appraiser and a Termite Inspection Report as performed by a licensed individual and/or company. The City shall not be liable for the costs of inspections or appraisals ordered.
8. Lead-based paint requirements for properties constructed prior to 1978 will be addressed prior to purchase. These requirements include:
  - a. Lead-based paint notification shall be given to purchasers through the “Protect Your Family From Lead In Your Home” pamphlet. Evidence that the pamphlet was given shall be maintained in the purchaser’s file.
  - b. A First-time Homebuyer Checklist, as represented in Exhibit D, shall be completed and maintained in the purchaser’s file.
  - c. All properties will be inspected for defective paint surfaces through a Visual Assessment conducted by the City’s Housing Specialist. If defective paint surfaces are found, the City requires that they be properly stabilized.

**C. *Authorized Use of Funds and Maximum Loan Limits***

All HOME funds will be used as secondary financing for down payment, closing cost assistance and reduction of mortgage principal and shall be offered as a deferred loan. The subsidy given shall not exceed the limits provided by the HOME Program for Kings County. See Exhibit A for the most current subsidy limits.

The maximum loan amount for this program is \$75,000.

The amount of the HOME loan is limited to the minimum amount necessary, as determined by a subsidy layering analysis. To determine the amount of assistance provided to a household, staff will calculate the amount needed to reduce the principal and interest payments on the first mortgage to a point where the family’s monthly housing costs including principal, interest, taxes, and insurance (PITI) is at least 25% and no more than 30% of the family’s gross monthly income. The calculation method used to determine the amount of assistance needed is provided as Exhibit C of the program guidelines. This calculation also ensures that the total debt ratio does not exceed 40%.

To assure the above-described affordability criteria, an applicant with a need for a loan greater than \$75,000 will be advised to select alternative options to assure housing affordability, such as obtaining a lower interest rate loan, selecting a house with a lower purchase price and/or making a larger down payment from personal assets.

Mortgage assistance will not be offered if the family's total monthly housing cost (PITI) is below 25% of the gross monthly income prior to any City assistance.

***D. Obtaining Primary Financing***

Prospective buyers must also qualify for primary financing in addition to HOME financing. The terms of the primary shall be as follows:

1. The primary loan shall be for the maximum mortgage amount for which the buyer qualifies; for an amount equal to or above 51% of the total purchase price of the home and the monthly payment shall be affordable to the household.
2. The primary loan shall be underwritten by the California Housing Finance Agency (CalHFA) and will be acceptable to establish credit worthiness, repayment ability, and dependability of income. In the event the applicant cannot qualify for a CalHFA loan, FHA or conventional underwriting criteria shall prevail.
3. The primary loan must have a minimum 30-year loan term.
4. The primary loan must be fully amortizing and have a fixed interest rate that does not exceed the current market rate, as established by the 90-day "posted yield" for thirty-year fixed rate loans, as established by Fannie Mae at: <https://www.efanniemae.com/syndicated/documents/mbs/apeprices/archives/cur30.html>, plus 100 basis points. No temporary interest rate buy-downs are permitted.
5. The primary loan shall have impound accounts established for the payment of property taxes and insurance.
6. The housing or front-end ratio of the primary loan shall be between 25% to 30% and is the percentage of the borrower's gross monthly income that would cover the cost of PITI (principal, interest, taxes and insurance). Any exceptions must be approved by the City's Loan Review Committee.
7. The overall or back end ratio shall be between 28% and 40% and is the percentage of the borrower's gross monthly income that would cover the cost of PITI and any other debt payments, such as car, personal loan and credit card debt. Any exceptions must be approved by the City's Loan Review Committee.
8. The combined financing of the first mortgage and City loan shall not exceed the appraised value of the home and lot by more than the amount of closing costs.

***E. Terms of First-Time HOMEbuyer Program Loan***

***1. Loan Term***

The loan shall be deferred for the length of the first mortgage, which is no less than 30 years. At the end of this term, the balance of principal and interest is due and payable. The loan also becomes due and payable at the time of sale or transfer of the property or at the time the borrower ceases to occupy the property as the principal place of residence.

**2. Interest Rate**

The interest rate on the loan is a 1%, fixed simple interest rate per annum.

- a. During the deferred period of the loan term, interest will accrue at 1%. However, if the buyer remains in the home during the deferred period, the total amount of the accrued interest will be waived.

**3. Deferred Loan**

The First-Time HOMEbuyer Loan shall be deferred (meaning not subject to monthly payments) for the entire length of the loan term.

**4. Security**

The City loan will be secured by a Deed of Trust and shall be subordinate only to the first Deed of Trust to the primary lender.

**5. Assumption of the Program Loan**

The program loan is not assumable.

**6. Subordination**

Any request to subordinate to a lower position will be considered on a case-by-case basis. Acceptable considerations for subordination are limited to lowering the interest rate and/or lowering the monthly payment.

The City of Lemoore **will not** consider subordination where the following is the case:

- a. City of Lemoore lowers to THIRD position;
- b. The borrower receives cash out on the loan;
- c. Combined financing exceeds the current appraised value;
- d. An adjustable rate is being offered;
- e. Loan funds will be used for consolidation of consumer debt;
- f. An impound account for payment of taxes and insurance can not be established; and/or
- g. The borrower's loan history with the City is unsatisfactory (may apply to payments or correspondences related to the loan).

The following items are needed in order to review a request for subordination:

- a. A summary, which includes the existing and proposed loan amount and terms, any fees and a detailed description of what the loan will be used for.
- b. A Good Faith Estimate.
- c. A current appraisal of subject property.
- d. A current Preliminary Title Report.

**7. Repayment**

All City loans will have deferred payments for the length of the first mortgage loan.

There is no prepayment penalty. Homeowners may apply payment at any time during the term of the loan.

All principal and accrued interest is due and payable upon sale or transfer of the property, or at the time the homeowner ceases to occupy the property as their principal place of residence or at the time the property is refinanced. In the case of refinancing, an exception may be made if the property is being refinanced to lower the interest rate and/or lower the monthly payment only.

If the owner of the property dies, and the heir to the property meets income requirements, the First-Time Homebuyer definition, and intends to occupy the home as a principal residence, the heir may be permitted, upon approval of the City, to assume the loan at the rate and terms the heir qualifies for under the current participation guidelines. If the property owner dies and the heir does not meet eligibility requirements, the loan is due and payable.

**8. Resale/Recapture Restrictions**

At the time of resale of the HOME assisted unit, the City of Lemoore shall utilize the recapture method which means that the entire balance of principal and interest of the City loan shall become due and payable when the borrower(s) cease(s) to occupy the property as his/her/their principal place of residence and/or sell the property. The recaptured funds shall be utilized to assist another low-income household.

**9. Period of Affordability**

Each unit assisted with HOME funding will meet the minimum affordability periods:

**Homeownership Affordability Periods**

<b>Amount of HOME Assistance Per Unit</b>	<b><u>Minimum Period of Affordability in Years</u></b>
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

After a home is purchased utilizing program funds, no additional HOME assistance may be provided during the period starting one year following the filing of the Project Completion Report through end of the relevant period of affordability.

**10. Residency Requirement/Notification Required for Change in Home Owner Status**

- a. Throughout the term of the loan:
  - i) The home purchased shall be used as the principal place of residence.
  - ii) The homeowner must maintain fire insurance on the home.
  - iii) The homeowner must maintain the property taxes.

b. The homeowner shall be required to complete a Verification of Occupancy form on an annual basis for the duration of the loan. In completing the form, the homeowner is certifying the following:

- i) That they occupy the home as their primary residence;
- ii) That the property taxes are current;
- iii) That the fire insurance is current;
- iv) That the home is being maintained properly;

It is the responsibility of the homebuyer to notify the City of Lemoore prior to sale of the house, transfer of title, or prior to vacating the house as a principal place of residence during the term of the City loan.

## ***11. Insurance***

The owner shall maintain fire insurance on the property for the duration of the First-Time HOMEbuyer Loan. This insurance must be an adequate amount to cover all encumbrances on the property. The insurer must identify the City as a Loss Payee for the amount of the City's loan. A current insurance binder shall be provided to the City annually and be maintained in the purchaser's file.

Housing units located within a 100-year flood zone will be required to provide proof of flood insurance in order to close escrow. This insurance must be an adequate amount to cover all encumbrances on the property. The insurer must identify the City as a Loss Payee for the amount of the City's loan. A current insurance binder shall be provided to the City annually and be maintained in the purchaser's file.

## ***F. Acquisition Notice***

It is a requirement that an acquisition notice containing the items listed below be provided to the seller prior to making the purchase offer:

1. The purchaser has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and
2. An estimate of the fair market value of the property; and
3. That the property is owner occupied, is being purchased by an existing tenant, or has been vacant for at least three (3) months; and
4. If an acquisition notice will not be provided prior to the purchase offer, a provision that the seller may withdraw from the agreement after this information is provided.

It is also a requirement that a "Disclosure to Seller with Voluntary Arm's Length Purchase Offer" (Exhibit "D") is executed by and between the Seller and the Buyer, at the time a purchase offer is made. The disclosure form is provided to all lenders and realtors inquiring about the City's First-Time HOMEbuyer Program and is part of an "informational package" that the City provides. The completed disclosure form is required and due at the time of submitting a loan package for approval. By executing this document, the seller understands and agrees that the sale of his/her/their property is voluntary; that they would not be eligible for relocation assistance; and that the offer is made on the condition that no tenant will be permitted to occupy the property before the sale is completed. If the disclosure form is provided after the purchase offer is executed, the notice shall give the seller the opportunity to withdraw from the agreement.

**G. Homebuyer Education**

All buyers participating in the First-Time HOMEbuyer Program must complete an approved homebuyer education course. This course is designed to inform first-time homebuyers of the various aspects of purchasing and maintaining a home and guide them through the home buying process.

The City of Lemoore may sponsor workshops throughout the year. The workshop curriculum is more particularly described in Exhibit E. For more information regarding dates and times, contact the City's Housing Specialist at (559) 924-6702. In addition, other HUD-Approved Homebuyer Education Classes are available. Upon successful completion of the homebuyer education, participants shall be issued a certificate and a copy of said certificate shall be maintained in the loan file.

<b>III. PROCEDURES</b>
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**A. Interest List**

The City of Lemoore will maintain an interest list for potential participants. When funds become available, persons on the interest list along with the public will be notified of the availability of funding.

**B. Household Selection**

Applications will be accepted on a first-come, first-served basis when funds are available. The applicant will be required to submit proof of prequalification for primary financing at the time of submitting an application.

**C. Determining Initial Eligibility**

1. Applicant Screening

The Housing Specialist will screen applications in the order that they are received. Initial screening will include verifying the following:

- a. That applicants are United States citizens or legal residents of the United States.
- b. That the household's income is within the income limits allowed by the program (at or less than 80% of median income as outlined in this manual);
- c. That the applicant is a first-time homebuyer;
- d. That the applicant agrees to use the home as their principal place of residence;

2. Verifying Income

Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third party verification of employment forms sent to the employers. All documentation shall be dated within six months of loan closing and will be kept in the applicant file and held in strict confidence. Income qualification criteria, as shown in the most recent HCD program-specific guidance, will be followed to independently determine and certify the household's gross income. The program operator shall compare this annual gross income to the income determined by the primary lender used when qualifying the household. The primary lender is usually underwriting to

CalHFA, FHA or conventional guidelines and may not calculate the household income or assets in the same manner, as required by the First-Time HOMEbuyer Program. To determine the amount of assistance, the City's calculation of household income will be used.

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. For those types of income counted, gross amounts (before any deductions have been taken) are used. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

For the purpose of this program, "Household" means all persons in the residence including children in joint custody agreements who are present in the household at least 50% of the time, unborn children of pregnant women, temporary absent family members and full-time students living away from home; and "Annual Income" means the gross amount of countable income of all household members that is anticipated to be received during the coming 12-month period.

To help verify income, the applicant must attach the following documentation to the application:

- a. W2's and IRS 1040 forms for the past 3 years;
- b. Check/Pay stubs for the most recent 2-month period;
- c. Bank statement for the most recent 6-month period;
- d. Recent statements from SSI, SSA, TANF or any other applicable agency or source from which reoccurring income is received.

#### ***D. Application Process***

The following is the suggested order for obtaining City financing:

1. Homebuyer seeks primary financing.
2. Homebuyer/Primary Lender determines that there is a need for City assistance.
3. Homebuyer completes City application. The application can be obtained at City of Lemoore, Redevelopment Division, 119 Fox Street, Lemoore, CA 93245 or at the city's website at [www.lemoore.com](http://www.lemoore.com) under Housing Programs..
4. Lender submits a loan package to the City and advises staff of preliminary loan approval and the applicant's need for assistance. The City of Lemoore's Housing Specialist determines an amount of assistance consistent with the policies set forth in this document and HOME Program regulations. Completed loan application packages submitted via the primary lender, will be reviewed, approved and funded on a first-come, first-served basis (provided the applicant and house to be purchased have met all program criteria and program funds are available).

If the applicant does not have an accepted purchase offer at the time of application submittal, the applicant is given 30 days in order to find a qualified home. If during the 30-day time frame, the applicant is unable to obtain a signed purchase agreement on a qualified home, the reservation of funds expires. The applicant can continue to search for a home; however, a new reservation of funds will be made on a first-come, first-served basis according to the time and date the fully executed purchase agreement is received by the City.

In addition, if there are substantial changes to the original loan package (i.e. borrowers find a new house or changes primary lenders), a revised application must be resubmitted and the priority will be reassigned. City staff will determine what qualifies as substantial changes.

5. The housing unit is inspected by staff to insure compliance as outlined in this manual.
6. The application loan package is considered by Loan Review Committee for funding.

***E. Loan Approval***

1. The City of Lemoore's Loan Review Committee will review the loan application packages in the order received from the primary lender. The Committee includes the Housing Specialist and the Redevelopment Project Manager or their designated representatives. The Committee has the authority to approve a loan subject to applicant's compliance with the eligibility criteria set forth on this document and in compliance with HOME program regulations.
2. All program criteria must be met prior to an application being approved. The City reserves the right to accept or deny program applications.
  - a. Upon approval of a loan request, notification will be sent to both the homebuyer and the primary lender.
  - b. Should the application be denied, notification will be sent to both the homebuyer and primary lender stating the reason for denial. If the applicant wishes to appeal the decision of the Loan Review Committee to the City Manager, they may do so in writing within ten days of notification.

***F. Loan Closing***

1. The applicant shall meet all primary lender conditions and requirements.
2. After the application is approved, the primary lender shall notify the City's Housing Specialist at least two weeks in advance of the close of escrow and forward the escrow instructions to the City's Housing Specialist.
3. The Housing Specialist will prepare the Truth-in-Lending Disclosure Statement, Loan Agreement, Promissory Note, Fair Lending Notice and Deed of Trust for signature(s). City loan documents will be signed at the Redevelopment Division Office. Once signed, copies of the loan documents, the original Deed of Trust, along with a check for the approved loan amount and City escrow instructions will be forwarded to the Title Company.
4. City loan documents will record concurrently with the loan documents from the primary lender.
5. Escrows are required to close within ninety (90) days from the date of city loan approval, however, the need for an extension will be handled on a case-by-case basis.
6. The Title Company shall ensure that a copy of the Joint Lenders Insurance Policy, the Homeowner's Fire Insurance Policy, the City's original recorded Deed of Trust and a Closing Statement are provided to the City's Housing Specialist.

**G. *Loan Servicing***

1. The City's Housing Specialist, through an annual mail survey, will perform annual monitoring to confirm program compliance.
2. All recaptured City loan funds shall be deposited in the City's HOME Account for reuse to benefit future low-income first-time homebuyers.

**H. *Complaint and Appeal Procedures***

Any applicant denied assistance from the Program has the right to appeal. Complaints concerning the Program should be made to the Housing Specialist first. If unresolved in this manner, the complaint or appeal must be made in writing and filed with the Redevelopment Project Manager. The Redevelopment Project Manager will then schedule a meeting with the applicant and the Housing Specialist to discuss the matter. A written response will be made within thirty (30) working days. If the applicant is not satisfied with the decision, a request for an appeal may be filed with the City Manager and, if necessary, the City Council. Final appeal must be filed in writing with HCD within one year after denial.

## EXHIBIT A

### 2011 INCOME LIMITS FOR KINGS COUNTY\*

(Last Revised 7/13/11)

<i>Number of Persons in Household</i>								
<b>80% of AMI</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
	\$32,050	\$36,600	\$41,200	\$45,750	\$49,450	\$53,100	\$56,750	\$60,400

### MAXIMUM PURCHASE PRICE/AFTER-REHABILITATION VALUE LIMIT\*

(Last Revised 1/1/11)

<b>COUNTY NAME</b>	<b>One-family</b>			
Kings	\$237,360			

### HOME PROGRAM SUBSIDY LIMITS PER UNIT – SECTION 221(d) (3)\*

(Effective 10/1/10)

<b>COUNTY NAME</b>	<b>O-BDR</b>	<b>1-BDR</b>	<b>2-BDR</b>	<b>3-BDR</b>	<b>4-BDR</b>
Kings	\$113,859	\$130,521	\$158,713	\$205,323	\$225,382

\*The limits on this page will be updated as HCD provides new information.

## EXHIBIT B

### INCOME INCLUSIONS AND EXCLUSIONS

#### 24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

##### Part 5 Inclusions

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

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

## EXHIBIT B, continued

### Part 5 exclusions

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

General Category	(Last Modified: January 2005)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Income from a Disabled Member	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> <li>a. Amounts received under training programs funded by HUD.</li> <li>b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).</li> <li>c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.</li> <li>d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</li> <li>e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.</li> </ul>
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<p>Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:</p> <ul style="list-style-type: none"> <li>▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;</li> <li>▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);</li> <li>▶ Payments received under the Alaskan Native Claims Settlement Act;</li> <li>▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;</li> <li>▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;</li> <li>▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.</li> <li>▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);</li> </ul>

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

## **EXHIBIT B, continued**

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

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

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

#### **Inclusions**

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

#### **Exclusions**

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

## EXHIBIT C

### SUBSIDY LAYERING ANALYSIS\*

Total gross monthly household income	
Multiply gross monthly income by 25%**	<b>.25</b>
Equals the maximum monthly housing cost (including PITI, MIP and HOA dues)	
Interest rate of primary loan	
Loan term	
Purchase price	
Plus estimated settlement costs	
Equals the total home cost	
Less borrower down payment (\$1,000 minimum)	
Less any additional down payment assistance	
Equals total amount to be financed	
Estimated monthly mortgage payment considering amount to be financed at interest rate and for loan term specified	
Plus estimated property insurance	
Plus estimated property taxes	
Plus any other monthly costs, such as MIP or HOA dues	
Equals total required monthly housing cost	
Less maximum monthly housing cost	
Equals monthly payment subsidy needed	
FTHB assistance needed based on the present value of the monthly subsidy needed at the interest rate and loan term specified	
<b>Is the amount of assistance needed greater than \$75,000?</b>	
<b>Is the amount of assistance needed greater than 49% of the purchase price?</b>	
<b>Is the total debt ratio greater than 35%?</b>	
<b>You must answer “NO” to all three questions to be eligible.</b>	

\*This form is also available in an excel format to allow for easier calculation.

\*\*The maximum housing debt ratio range is 25% to 30%

**EXHIBIT D**

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

Dear \_\_\_\_\_ (Name of Owners):

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

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

1. The sale is voluntary. If you do not wish to sell, the buyer, thru the agency (City of Lemoore), will not acquire your property. The buyer does not have the power of eminent domain to acquire your property by condemnation (i.e., eminent domain) and the agency/sponsor (City of Lemoore), will not use the power of eminent domain to acquire the property.
2. The estimated fair market value of the property is \$ \_\_\_\_\_ and was estimated by \_\_\_\_\_, to be finally determined by a professional appraiser prior to close of escrow.
3. Since the purchase would be a voluntary, arm's length transaction, you would not be eligible for relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), or any other law or regulation. Also, as indicated in the contract of sale, this offer is made on the condition that no tenant will be permitted to occupy the property before the sale is completed.

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

If you have any questions about this matter, please contact the City of Lemoore's Housing Specialist at (559) 924-6702.

Sincerely,

\_\_\_\_\_  
Buyer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Buyer

\_\_\_\_\_  
Date

**Disclosures to Seller with Voluntary, Arm' Length Purchase Offer**

**Acknowledgement**

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

As the seller, I/we understand that under the City of Lemoore's First-Time HOMEbuyer Program, the property must be currently owner-occupied, vacant for at least 90 days at time of submission of purchase offer, new (never occupied), or renter is purchasing the unit. I/we hereby certify that the property is:

**Vacant at least 90 days;**  **Owner-occupied;**  **New;**  **Being purchased by occupant**

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

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

NOTE: If property is not one of the following: (1) currently owner-occupied, (2) vacant for 90 days at time of submission of purchase offer, (3) new (never occupied), or (4) renter is purchasing the unit, then it is not eligible for this program, as relocation expenses would be required.

## EXHIBIT E

### Homebuyer Program Lead Compliance Document Checklist

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

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

## **EXHIBIT F**

### **HOMEBUYER EDUCATION PLAN**

All recipients of a First-Time HOMEbuyer Program loan must participate in a qualifying homebuyer education course. The City of Lemoore sponsors an informative educational course designed to guide potential buyers through the process of purchasing and maintaining their first home. The goal is to educate the buyer and address their concerns, thus alleviating some of the stress associated with buying a home.

The City of Lemoore collaborates with local companies (lenders, realtors and title and escrow companies) to provide an effective educational course. The educational course topics are as follows:

#### **Preparing for Homeownership**

This portion of the course will provide an overview of the course's agenda and discuss the advantages to obtaining the education. The following topics are also discussed during this portion of the course:

- Pros and cons of homeownership
- How to find the right house based on family size, location and schools
- Lemoore's current housing market (including but not limited to the availability of housing and current house prices)
- City of Lemoore housing programs

This portion of the course may also include a presentation from a local realtor that helps the homebuyer understand the realtor's role in helping find the right house.

#### **Financing and Credit Analysis**

This portion of the course provides an overview on financing and credit. We will discuss the popular types of loans available, as well as how to shop for a mortgage loan. Other topics include the following:

- Analyzing current income and expenses
- Budgeting
- Ratios and how they affect one's qualifying for a loan
- The (primary lender) loan application and related documents (i.e., the 1003 and Good Faith Estimate)
- Loan fees and the other costs associated with obtaining a mortgage loan
- Pre-qualifying vs. pre-approval
- Appraisals and home inspections
- Credit (sample credit reports are handed out for review. We will discuss good credit vs. bad credit vs. no credit, credit scores and how they affect the type of loan being offered)

This portion may also include a presentation from a local lender that helps the homebuyer understand the lender's role and walks them through the financing process.

## **Loan Closing/Homeowner Responsibilities**

Loan closing is the final phase of the home buying and mortgage process. During this portion of the course, we will cover the following:

- Title & Escrow (explain their role in the home buying process)
- Closing Costs
- Obtaining and maintaining fire insurance
- Maintaining property taxes; supplemental taxes
- Maintaining a household budget
- Credit Control
- Loan Documents (i.e. Deed of Trust, Promissory Note, etc.)
- Making Preparations to Move
- Final Walk through inspections

This portion may also include a presentation from a local escrow company that helps the homebuyer understand the escrow company's role in the home buying process.

## **Maintaining the Home**

There are new responsibilities with homeownership. This portion of the education course discusses the following:

- Exterior Conditions
- Home Repairs
- Being a Good Neighbor
- Review of city ordinances with regards to home maintenance
- Revitalization programs offered by the city

This portion may also include a presentation from a City Code Enforcement Officer that helps the homebuyer understand their property maintenance obligations as a homeowner.

## **Loan Servicing**

This portion of the educational course will outline loan servicing. Topics to be discussed are as follows:

- Making timely payments
- Defaults
- Owner occupancy requirements
- Refinancing and Subordinations

## **Certificate of Completion**

All participants of a Homebuyer Education Course will receive a certificate of participation. A copy of the certificate shall be maintained in the recipient's loan file.