

City of Bishop

Homebuyer Program Guidelines

CITY OF BISHOP GUIDELINES

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City of Bishop

HOMEBUYER PROGRAM GUIDELINES

1.0. GENERAL

The City of Bishop, hereinafter referred to as the City has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded homebuyer programs. Mammoth Lakes Housing, Inc. (MLH) will administer the Homebuyer Program described herein, for the City. The Homebuyer Program is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as “housing units”, located within the Homebuyer Program eligible area, as described in Section 3.1.A. The Homebuyer Program provides this assistance in the form of deferred payment “silent” second priority loans as “Gap” financing toward the purchase price and closing costs of affordable housing units that will be occupied by the homebuyers.

1.1. HOMEBUYER PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Homebuyer 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 this Homebuyer Program. The City and MLH will ensure that all persons, including those qualified individuals with handicaps have access to the Homebuyer Program.

- A. The Fair Housing Lender 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 Homebuyer Program eligible area compared to the ethnicity of the population served by the Homebuyer Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Homebuyer Program. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in Homebuyer Program-eligible areas and will be provided to any local social service agencies. MLH 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 Homebuyer Program.
- B. MLH Homebuyer Program staff will work closely with local real estate agents and primary lenders to explain Homebuyer Program requirements for eligible housing units and homebuyers, and to review Homebuyer Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Homebuyer Program.
- C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. MLH and the City should take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

1.2. APPLICATION PROCESS AND SELECTION

- A. Each applicant is asked to complete a MLH Homebuyer's Assistance Application, which asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for Program participation. Completed applications will be placed into a lottery for placement on a waiting list. After the initial application process applications are processed on a first-come-first-served basis. Applications are deemed complete only if all information is completed, the application is signed and dated, and a primary lender's pre-qualification letter is attached to the application. Incomplete applications are returned to the applicant and will not be date/time stamped until complete.
- B. Interested households must be able to obtain a secured loan and provide the following forms and documents to MLH completed by the lender:
- a. Income verification (W-2's, pay stubs, etc)
 - b. Employer verification
 - c. Flood-plain Notice (if applicable)
 - d. Copy of appraisal
 - e. Preliminary Title Report
 - f. Copy of purchase agreement between seller and buyer
 - g. Loan documents
 - h. Copy of escrow instructions from Title Company
 - i. Copy of the Mortgage Credit Analysis Worksheet (MCAW)
 - j. Copy of insurance
 - k. Copy of credit report
 - l. Fair lending notice
 - m. Proof of homebuyer counseling
 - n. Lead Based Paint Disclosures (Attachments E & F of Guidelines)
 - o. Disclosure to Seller with Voluntary, Arms Length Purchase Offer (2-page Attachment G of Guidelines)
 - p. Homebuyer Assistance Loan Servicing Policies and Procedures (4-page Attachment D of Guidelines)

All of the above mentioned documents are provided by and completed by the lender. A list of lenders may be obtained from the MLH Homebuyer Program staff, 587 Old Mammoth Rd., Suite 4, Sherwin Plaza 3, Mammoth Lakes, CA 93546.

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

1.3. THE HOME PURCHASE PROCESS

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

DEBT SERVICE		
FOR A FAMILY OF FOUR EARNING \$3,500 PER MONTH		
HOUSING PAYMENTS		TOTAL OVERALL PAYMENTS
Principle & Interest Payment	\$ 800	\$ 1050 Housing
Insurance	50	+350 <u>Other Debt Service</u>
Taxes	<u>200</u>	\$ 1,400 Total Debt Service
Total Housing Expense (PITI is 30% of \$3,500)	\$ 1050	(Overall debt service per month is 40% of \$3,500)
OTHER HOUSEHOLD DEBT SERVICE		
Car Payment	\$ 250	
Credit Card Payment	<u>100</u>	
Total Other Debt	\$ 350	

An \$800 per month loan payment equates to borrowing \$133,435 at 6% for a 30-year term.

SUBSIDY CALCULATION	
FOR A FAMILY OF FOUR EARNING \$2,500 PER MONTH	
Purchase Price of Property	\$ 200,000
Less Primary loan amount	133,435
Less down payment of 3%	<u>6,000</u>
Equals “GAP”	\$ 60,565
Plus estimated allowable settlement charges	<u>3,000</u>
Equals Total Subsidy	\$ 63,565*

***Subsidy amount determined by funds available and funding source used**

- B. Each Homebuyer will conduct the housing unit selection process. Prior to making an offer to purchase an eligible housing unit (see Section 3.0), homebuyer shall provide seller with a disclosure containing the following provisions: (Depending on the HCD Program)
- 1) Homebuyer has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and

- 2) Homebuyer's offer is an estimate of the fair market value of the housing unit, to be finally determined by a state licensed appraiser;
- 3) The housing unit will be subject to inspection and must meet all codes at the time of construction.
- 4) All housing units built prior to January 1, 1978 will require a lead paint disclosure to be signed by both the homebuyer and Seller (Attachment E);
- 5) Since the purchase would be voluntary, the seller would not be eligible for relocation payments or other relocation assistance;
- 6) The seller understands that the housing unit must be either: currently owner-occupied, newly constructed, a renter purchasing the unit, or vacant for three months prior to submission of the purchase offer.
- 7) If the seller is not provided with a statement of the above six provisions prior to the purchase offer, the seller may withdraw from the agreement after this information is provided.

These documents may be attained from Homebuyer Program personnel.

- C. Each Homebuyer submits an executed standard form purchase and sale agreement, primary lender prequalification letter, and all other documents listed in Section 1.2.A to MLH Homebuyer Program staff. The purchase and sale agreement will be contingent on the household and housing unit meeting Homebuyer Program eligibility requirements and receiving Homebuyer Program Loan approval. MLH Homebuyer Program staff verifies Homebuyer eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines. If eligible, the Homebuyer is deemed eligible, a Homebuyer Assistance Application is completed, and the Homebuyer becomes an Applicant.
- D. When Primary Lender requirements are met, Homebuyer Program funds are deposited into escrow, with required closing instructions and loan documents.
- E. At the time of escrow closing, the City shall be named as an additional loss payee on fire, flood, if required, and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit.

1.4. HOMEBUYER COSTS

- A. Eligible households must document that they have the funds necessary for down payment (1% of sale price) and closing costs as required by the Primary Lender and the Homebuyer Program. The Homebuyer Program down payment requirement (below) is necessary even if the Primary Lender has a lower down payment requirement.
- B. Homebuyer funds shall be used in the following order:
 - 1) Down payment – (excluding one percent (1%) required from homebuyer)
 - 2) To the extent possible after satisfying 1), above, appraisal fee; cost of credit report; the loan origination fee; discount points customary homebuyer closing costs; homebuyer's customary portion of the escrow fees; title insurance; and, the establishment of impound accounts for property taxes and insurance.
 - 3) After 1) and 2), above, are satisfied, any balance of homebuyer funds may be applied either to the purchase price or to reduce the interest rate of the primary

loan as necessary.

- C. If the items in B.2), above cannot be satisfied with homebuyer funds, the Homebuyer Program may provide loan assistance to cover the remaining balance.
- D. The Homebuyer Program may provide sufficient assistance, as loan principle, to reduce the monthly payments for PITI to an affordable level of household income. The subsidy will write down the cost of the primary lender's loan so that the payments of PITI are within approximately 30% of the gross household income. MLH Homebuyer Program staff will determine the level of subsidy and affordability during underwriting of the Homebuyer Program loan to make sure that it conforms to the requirements of the HCD funding Program.

1.5. HOMEBUYER EDUCATION

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

1.6. CONFLICT OF INTEREST REQUIREMENTS

When the Homebuyer Program contains Federal funds the following shall be addressed: in accordance with title 24, Section 570.611 of the Code of Federal Regulations, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of Homebuyer Program shall directly or indirectly be eligible for Homebuyer Program assistance. Exceptions to this policy can be made only after public disclosure and formal approval by the governing body of the locality.

1.7. NON-DISCRIMINATION REQUIREMENTS

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

2.0 APPLICANT QUALIFICATION

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

All applicants must certify that they meet the household income eligibility requirements for the applicable HCD program(s) and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants for funds of HCD programs (CDBG, HOME, CalHome) must have incomes at or below 80% AMI, adjusted for household size, as published by HCD each year.

2009 Income Limits for Inyo County – CDBG & HOME

<i>Number of Persons in Household</i>								
	1	2	3	4	5	6	7	8
80% of AMI	\$33,450	\$38,200	\$43,000	\$47,750	\$51,550	\$55,400	\$59,200	\$63,050

Household: means one or more persons who will occupy a housing unit.

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

2.2. INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. Income qualification criteria, as shown in the most recent HCD program-specific guidance, will be followed to independently determine and certify the household’s annual gross income. The determination will be made using the most recent pay stubs (30 days worth) and the most recent W-2’s. Any assets will be converted to income by multiplying the assets by two percent (2%). MLH will compare this annual gross income to the income the Primary Lender used when qualifying the household. The Primary Lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Homebuyer Program. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

A. HOUSEHOLD INCOME DEFINITION:

Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine Homebuyer Program eligibility. For those types of income counted, gross amounts (before any deductions have been taken) are used; and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household’s projected ability to pay must be used, rather than past earnings, when calculating income. For the HOME and CDBG program this information is included in the guidelines as Attachment A: 24 CFR Part 5 Annual Income Inclusions and Exclusions. The website for the HOME and CDBG Annual Income Inclusions and Exclusions is:

<http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/1780.pdf>

B. ASSETS:

There is no asset limitation for participation in the Homebuyer Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included

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

This information is included in the guidelines as Attachment B: Part 5 Annual Income Net Family Asset Inclusions and Exclusions. The website for Asset Inclusions and Exclusions is:

<http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/1780.pdf>

2.3. DEFINITION OF AN ELIGIBLE HOMEBUYER

An eligible homebuyer means an individual or individuals, or an individual and his or her spouse, who meets the income eligibility requirements and is/are not currently on title to real property. Persons may be on title of a manufactured home unit, who are planning to sell the unit as part of buying a home located on real property. Documentation of homebuyer status will be required for all homebuyers. A "first-time homebuyer" is defined from 8201 (k) Title 25 California Code of Regulations as:

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

1. a displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
2. a single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; and
3. an individual or individuals who owns or owned, as a principle residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is:
 - a. not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - b. 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.

2.4. BORROWER ELIGIBILITY

At least one member of the household must have worked the previous six months in the Greater Bishop Area (North of Klondike Lake to the Inyo County Line) for an average of 30 (thirty)

hours per week or have lived in the Greater Bishop Area for the previous six months. Preference, will be given to households who have at least one member of the household who has worked the previous six months in Bishop for an average of 30 (thirty) hours per week.

3.0. HOUSING UNIT ELIGIBILITY

3.1. LOCATION AND CHARACTERISTICS

- A. Housing units to be purchased must be located within the eligible area. The eligible area is described as follows: Within the City of Bishop.
- B. HOME, CDBG, BEGIN, and CalHome housing unit types eligible for the homebuyer are new or previously owned: single-family detached houses, half-plex, duplex, triplex or fourplex houses, condominiums, or manufactured homes in mobile home parks, in a common-interest development or on a single-family lot and placed on a permanent foundation system.
- C. All housing units must be in compliance with State and local codes and ordinances.
- D. Housing units located within a 100-year flood zone will be required to provide proof of flood insurance in order to close escrow.
- E. Housing must be “modest”, so it may not exceed three bedrooms and two bathrooms unless there are documented extenuating circumstances (e.g. it would create an overcrowding situation, there is not a reasonable inventory of homes of this size, etc.) and the Loan Committee approves the exception request.

3.2. CONDITION

- A. Construction Inspection and Determining Need for Repairs.

Once the participating homebuyer has executed a purchase agreement for a housing unit not requiring participation in a housing rehabilitation program, and prior to a commitment of Program funds, the following steps must be taken for the housing unit to be eligible for purchase under the Homebuyer Program:

- 1) The MLH construction inspector will walk through the housing unit, determine if it is structurally sound, and identify any code related and health and safety deficiencies that need to be corrected. A list of code related repair items will be given to the homebuyers and their Realtor to be negotiated with the seller.
- 2) When the City utilizes Federal funds and if the housing unit was constructed prior to 1978 then the lead-based paint requirements of Section 3.2.E will apply.
- 3) A clear pest inspection report will be required for each housing unit. Smoke detectors will be installed if there are none in place. MLH will encourage each homebuyer to secure a homeowner’s warranty policy as part of the purchase of a re-sale housing unit.
- 4) Upon completion of all work required by the construction inspector, a final inspection will be conducted prior to close of escrow. The inspector will sign off

on all required construction work assuring that each housing unit receiving Homebuyer Program assistance is in compliance with local codes and health and safety requirements at the time of purchase and prior to occupancy.

- B. After a home is purchased using Homebuyer Program assistance (unless a commitment is made to rehabilitate the home in conjunction with the purchase) such home shall not be eligible for a housing rehabilitation program, if any, for the relevant period of affordability.
- C. Housing unit size shall be sufficient to meet the needs of the homebuyer household, without overcrowding. Generally, this means not more than two persons per bedroom or living room.
- D. Lead Based Paint Hazards: All housing units built prior to 1978 for which HOME or CDBG funding is anticipated are subject to the requirements of this section 3.2.E. Such homes must undergo a visual assessment by a person who has taken HUD's online Visual Assessment course. Deteriorated paint must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a DHS certified LBP Risk Assessor/Inspector. CDBG general administrative and activity delivery funds may be used to pay for lead-based paint visual assessments, and if lead mitigation and clearance costs are incurred, these programs may incorporate the costs into the calculation of Homebuyer Program assistance.

The following requirements must be met:

- a. **Notification:** a) Prior to homebuyer's obligation to purchase a pre-1978 home, the Buyer will be given a copy of and asked to read the EPA pamphlet "*Protect Your family From Lead in Your Home*". (EPA 747-K-94-001, **September 2001**) A signed receipt of the pamphlet will be kept in the Sponsor's homebuyer file; b) A notice to residents is required following a risk assessment/inspection using form DHS 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) a notice to residents is required following lead-based paint mitigation work using Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction form, LBP – 1 (Attachment I).
- b. **Disclosure:** Prior to the homebuyer's obligation to purchase a pre-1978 housing unit, the HUD disclosure (Attachment E), "Seller's Lead-based Paint Disclosure" notice must be provided by the seller to the homebuyer.
- c. **Inspections:** The Inspector shall conduct a "Visual Assessment" of all the dwelling unit's painted surfaces in order to identify deteriorated paint. All deteriorated paint will be stabilized in accordance with CFR 35.1330 (a) and (b); and a Clearance shall be made in accordance with CFR 35.1340.
- d. **Mitigation:** If stabilization is required, the contractor performing the mitigation work must use appropriately trained workers. Prior to the contractor starting mitigation work MLH shall obtain copies of the contractor's and workers' appropriate proof of LBP training, as applicable to the job in order to assure that only qualified contractors and workers are allowed to perform the mitigation.
- e. **Purchase Contract Contingency Language:** Before a homebuyer is obligated under any contract to purchase a pre-1978 housing unit, the seller shall permit the homebuyer a 10-day period (unless the parties mutually agree, in writing, upon a different period of time) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards. (See Attachment F

for sample lead-based paint contract contingency language).

A homebuyer may waive the opportunity to conduct the risk assessment or inspection by so indicating in writing, such as in Attachment E, item (e)(ii). In this case the purchase contract contingency language is not required.

- F. MLH Homebuyer Program staff will: 1) confirm that the housing unit is within the eligible area, and 2) will review each proposed housing unit to ensure that it meets all eligibility criteria before funding.

3.3 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

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

A. Uniform Relocation Assistance (URA) and Real Property Acquisition Policies Act of 1970

The federal URA and Real Property Acquisition Policies, as amended by the URA Amendments of 1987, contains requirements for carrying out real property acquisition or the displacement of a person, regardless of income status, for a project or program for which HUD financial assistance (including CDBG and HOME) is provided. Requirements governing real property acquisition are described in Chapter VIII. The implementing regulations, 49 CFR Part 24, require developers and owners to take certain steps in regard to tenants of housing to be acquired, rehabbed or demolished, including tenants who will not be relocated even temporarily.

B. Section 104 (d) of the Housing and Community Development Act of 1974

Section 104 (d) requires each contractor (CHDO or State Recipient), as a condition of receiving assistance under HOME or CDBG, to certify that it is following a residential anti-displacement plan and relocation assistance plan. Section 104(d) also requires relocation benefits to be provided to low-income persons who are physically displaced or economically displaced as the result of a HOME or CDBG assisted project, and requires the replacement of low-income housing, which is demolished or converted. The implementing regulations for Section 104(d) can be found in 24 CFR Part 570(a).

Please note: for CalHome funded projects, the cost of relocation will be included in the CalHome Loan.

3.4. PROPER NOTIFICATION AND DISCLOSURES

- A. Upon selection of a housing unit, a qualified seller and homebuyer must be given the necessary disclosures for the Homebuyer Program. The homebuyer must have read and signed all Homebuyer Program disclosure forms. Any and all property disclosures must be reviewed and signed by the homebuyer and seller.
- B. All owners who wish to sell their housing units must receive an acquisition notice (Attachment G) prior to submission of the homebuyer's original offer. This notice will be included in the contract and must be signed by all owners on title. The disclosure

must contain the items listed in 1.3.B. (Required for federally funded Programs.

4.0. PURCHASE PRICE LIMITS

If CalHome, BEGIN, or CDBG funds are used, the purchase price limits, by number of units in the home, are as follows:

One-family: \$362,790.00

Maximum purchase price/after rehab value limits (as of April 9, 2008)

These limits shall be updated annually or as new limit updates are identified and approved by HUD. Please see Attachment J.

5.0. THE PRIMARY LOAN

Prior to obtaining a loan from the Homebuyer Program, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the “primary loan”). The primary loan must be a fixed rate loan for thirty years.

5.1. QUALIFYING RATIOS

Primary loans underwritten by FHA, USDA Rural Development, Fannie Mae, Freddie Mac, or CalHFA will be acceptable to establish creditworthiness, repayment ability, and dependability of income.

The front-end ratio shall be between 25% and 45% and is the percentage of a borrower’s gross monthly income (before deductions) that would cover the cost of PITI (loan principle and interest payment + property taxes + property insurance).

The back-end ratio shall be between 36% and 45% and is the percentage of a borrower’s gross monthly income that would cover the cost of PITI plus any other monthly debt payments like car or personal loans and credit card debt.

5.2. INTEREST RATE

The loan must be fully amortizing and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the NOFA. No temporary interest rate buy-downs are permitted.

5.3. LOAN TERM

The primary loan shall be fully amortized and have a term “all due and payable” in no fewer than 30 years. There shall not be a balloon payment due before the maturity date of the Homebuyer Program loan.

5.4. IMPOUND ACCOUNT

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

5.5. CO-OWNERSHIP AND CO-SIGNATURE

1. Co-ownership title to the property other than community property with rights of survivorship, joint tenancy or tenancy in common must be approved by MLH.
2. A person other than the applicant or a person on the application as a household member may be used to qualify for a mortgage.
3. A co-signer may be approved for ownership of a unit but shall not occupy the unit unless they qualify under MLH guidelines.

6.0. THE HOMEBUYER PROGRAM LOAN

6.1. MAXIMUM AMOUNT OF HOMEBUYER PROGRAM ASSISTANCE

The amount of Homebuyer Program assistance to a homebuyer toward purchase of a home shall not exceed \$150,000.

Any approved “grant” amount for lead-based paint evaluation and reduction activities or for closing costs shall be included in this amount.

6.2. NON-RECURRING CLOSING COSTS

Non-recurring costs such as credit report, escrow, closing and recording fees, and title report and title insurance, title updates, inspection fees, lead based paint inspection fees, translation fees, and/or related costs may be included in the Homebuyer Program Loan.

6.3. AFFORDABILITY PARAMETERS FOR BUYERS

The actual amount of a buyer’s Homebuyer Program subsidy shall be computed according to the housing ratio parameters specified in Section 5.1. Each borrower shall receive only the subsidy needed to allow them to become homeowners (“the Gap”) while keeping their housing costs affordable. The primary lender will use the “front-end ratio” of housing-expense-to-income to determine the amount of the primary loan and, ultimately, the Homebuyer Program subsidy amount required, bridging the gap between the purchase price (less down payment) and the amount of the primary loan.

6.4. RATE AND TERMS FOR HOMEBUYER PROGRAM LOANS

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

- A. Depending on the funding source used, the Homebuyer Program Loan’s term shall be for at least as long as the primary loan. The interest rate shall be 3%. Interest shall be applied when purchasing a market rate unit. All Homebuyer Program Loan payments shall be deferred because the borrowers will have their repayment ability fully utilized under the primary loan.

6.5. LOAN TO VALUE RATIO

The loan-to-value ratio for an approved Homebuyer Program Loan, when combined with all

other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to 5 percent of the sales price to cover actual closing costs.

7.0. HOMEBUYER PROGRAM LOAN REPAYMENT

7.1. PAYMENTS ARE VOLUNTARY

Borrowers may begin making voluntary payments at any time, upon notification to and approval of MLH.

7.2. RECEIVING LOAN PAYMENTS

A. Homebuyer Program Loan payments will be made to:

Mammoth Lakes Housing, Inc.
P.O. Box 260
587 Old Mammoth Road Suite # 5
Mammoth Lakes, CA 93546

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

7.3. DUE UPON SALE OR TRANSFER

A. Loans are due upon sale or transfer of title (unless assumable as in B below) or when borrower no longer occupies the home as his/her principle residence or upon the loan maturity date. The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment D on loan defaults for further information on property restrictions.

B. Homebuyer Program loans may or may not be assumable according to the HCD program and the loan documents.

7.4. LOAN SERVICING POLICIES AND PROCEDURES

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

7.5. LOAN MONITORING PROCEDURES

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

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

8.0. HOMEBUYER PROGRAM LOAN PROCESSING AND APPROVAL

A. Loan Processing

All homebuyers or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. They should submit a complete application packet with all the Homebuyer Program loan documents executed as well as all the information from the Primary Lender. The Primary Lender should submit: 1) accepted property sales contract with proper seller notification; 2) mortgage application with good faith estimates and first mortgage disclosures; 3) full mortgage credit report and rent verification; 4) current third party income verifications and verifications of assets; 5) homeownership education certificate, if applicable. staff will work with local lenders to ensure qualified participants receive only the assistance from the Homebuyer Program needed to purchase the housing unit and that leveraged funds will be used when possible, for example in many cases the Primary Lender will not require mortgage insurance with the Homebuyer Program second in place which will save on the homebuyer's monthly payment.

B. Credit worthiness

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

C. Documents from Primary Lender

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

D. Disclosure of Homebuyer Program and Loan Information to Homebuyers

The Homebuyer Program application and disclosure forms will contain a summary of the loan qualifications of the borrower with and without Homebuyer Program assistance. Housing ratios with and without Homebuyer Program assistance are also outlined in these guidelines. Information on the Homebuyer Program application will be documented with third party verifications in the file. For example, the sales contract will provide the final

purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The Homebuyer Program Loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The Primary Lender's approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the Primary Lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Homebuyer Program Loan. By reviewing and crosschecking all the Primary Lender information, the final Homebuyer Program Loan amount approved will fall within the affordability parameters of the Homebuyer Program.

8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF HOMEBUYER PROGRAM LOAN

Once the loan approval package has been completed, MLH Homebuyer Program staff will submit it to the City for approval. The City will review the request and may approve it with or without conditions. Upon approval, a final closing date for escrow is set and Homebuyer Program funds are accessed for the homebuyer.

8.2. PRIMARY AND HOMEBUYER PROGRAM LOAN DOCUMENT SIGNING

The homebuyer(s) sign both promissory notes, deeds of trust, and statutory lending notices (right of rescission, truth in lending, etc.); the deeds of trust are recorded with the County Clerk/Recorder at the same time, and the request(s) for copy of notice of default are also recorded with the County Clerk/Recorder.

8.3. ESCROW PROCEDURES

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

9.0. SUBORDINATE FINANCING

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

10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

10.1. DEFINITION OF EXCEPTION

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

10.2. PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES

- A. The **City** or MLH may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the City recommended course of action and any written or verbal information supplied by the applicant.
- B. The **City** shall make a determination of the exception based on the recommendation of Homebuyer Program personnel. The request can be presented to the City loan committee for a decision.

11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Homebuyer Program has the right to appeal. The appeal must be made in writing. **MLH** has 30 days to review the appeal, seek recommendations from the City loan committee, and respond in writing to the applicant.

Attachment A

24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

Part 5 Inclusions

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

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

Part 5 exclusions

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

General Category	(Last Modified: January 2005)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Income from a	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving

Disabled Member	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"> a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<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"> ▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977; ▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions); ▶ Payments received under the Alaskan Native Claims Settlement Act; ▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians; ▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes; ▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program. ▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721); ▶ The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands; ▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs; ▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program); ▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the <u>In Re Agent Orange</u> product liability litigation, M.D.L. No. 381 (E.D.N.Y.); ▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments; ▶ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990; ▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps). ▶ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation; ▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;

- ▶ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- ▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- ▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

Attachment B

PART 5 ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS

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

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

Inclusions

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

Exclusions

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

Attachment C

LOAN SERVICING POLICIES AND PROCEDURES

Mammoth Lakes Housing, Inc., on behalf of the City of Bishop, here after called “Lender” has adopted these policies and procedures in order to preserve its financial interest in properties, who’s “Borrowers” have been assisted with public funds. The Lender will to the greatest extent possible follow these policies and procedures but each loan will be evaluated and handled on a case-by-case basis. The Lender has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the following areas: 1) making required monthly payments or voluntary payments on a loan’s principle and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan.

1. Loan Repayments:

The Lender will collect monthly payments from those borrowers who are obligated to do so under Notes, which are amortized promissory notes. Late fees will be charged for payments received after the assigned monthly date.

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

Sponsor will use the Recapture method for all loans, except those associated with Community Land Trusts. If the property has another source of subsidy than HOME that impacts the period of affordability at the local level the Sponsor will request approval from the State HOME Program to utilize the Resale Agreement method of repayment.

2. Payment of Property Taxes and Insurance:

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

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

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

3. Required Request for Notice of Default:

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

4. Annual Occupancy Restrictions and Certifications:

On some owner occupant loans the Lender may require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. Other loans may have income and housing cost evaluations, which require a household to document that they are not able to make repayments, typically every five years. These loan terms are incorporated in the original note and deed of trust.

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

In all cases where there is a change in title or occupancy or use, the Borrower must notify the Lender in writing of any change. Lender and Borrower will work together to ensure the property is kept in compliance with the original MLH Homebuyer Program terms and conditions such that it remains available as an affordable home for moderate or low-income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction.

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

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

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

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. In some cases, Borrowers may request that the

Lender allow for a partial conversion where some of the residence is used for a business but the household still resides in the property. Partial conversions can be allowed if it is reviewed and approved by any and all agencies required by local statute. If the use of the property is converted to a fully non-residential use, the loan balance is due and payable.

6. Requests for Subordinations:

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

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

7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non payment; 2) lack of insurance or property tax payment; 3) violation of rent limitation agreement; 4) change in title or use without approval; 5) default on senior loans, the Lender will send out a letter to the Borrower notifying them of the default situation. If the default situation continues then the Lender may start a formal process of foreclosure.

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

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

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

eliminated due to insufficient sales proceeds.

Lender as Senior Lien holder

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

- 1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- 2) Can the Borrower refinance with a private lender and pay off the Lender?
- 3) Can the Borrower sell the property and pay off the Lender?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 5) Will the sales price of home "as is" cover the principle balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

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

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

Signature of Borrower

Date

Attachment D

SELLERS LEAD-BASED PAINT DISCLOSURE

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

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

Seller’s Disclosure

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

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

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

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

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

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

Purchaser’s Acknowledgment (initial)

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

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

(e) ___ Purchaser has (check (i) or (ii) below):

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

(ii) ___ waived the opportunity to conduct a risk assessment or inspection for the presence of Lead-based paint and/or lead-based paint hazards.

Agent’s Acknowledgment (initial)

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

Certification of Accuracy

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

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

Attachment E

Homebuyer Assistance Program

Lead-Based Paint Contract Contingency Language

This contract is contingent upon a risk assessment or inspection of the property for the presence of lead-based paint and/or lead-based paint hazards at the Purchaser’s expense until 9 p.m. on the tenth calendar-day after ratification. This ending date is: _____. [Insert date 10 days after contract ratification or a date mutually agreed upon]. (Intact lead-based paint that is in good condition is not necessarily a hazard. See the EPA pamphlet “Protect Your Family From Lead in Your Home” for more information.)

This contingency will terminate at the above predetermined deadline unless the Purchaser (or Purchaser’s agent) delivers to the Seller (or Seller’s agent) a written contract addendum listing the specific existing deficiencies and corrections needed, together with a copy of the inspection and/or risk assessment report.

The Seller may, at the Seller’s option, within 10 (ten) days after Delivery of the addendum, elect in writing whether to correct the condition(s) prior to settlement. If the Seller will correct the condition, the Seller shall furnish the Purchaser with certification from a risk assessor or inspector demonstrating that the condition has been remedied before the date of the settlement. If the Seller does not elect to make the repairs, or if the Seller makes a counteroffer, the Purchaser shall have _____ days to respond to the counter-offer or remove this contingency and take the property in “as is” condition or this contract shall become void. The Purchaser may remove this contingency at any time without cause.

Seller Name: _____ Date: _____

Purchaser: _____ Date: _____

Property Address: _____

Attachment F

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

DECLARATION

This is to inform you that (name of buyers) _____ would like to purchase the property, located at (address) _____, if a satisfactory agreement can be reached. We are prepared to pay \$_____ for a clear title to the property under conditions described in the attached proposed contract of sale.

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

1. The sale is voluntary. If you do not wish to sell, the buyer as named above, thru the City of Bishop or MLH, **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 City of Bishop nor MLH 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 (name of agent/estimator)_____, to be finally determined by a professional appraiser prior to close of escrow.

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

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

Mammoth Lakes Housing, Inc.
PO Box 260, 587 Old Mammoth Rd, Suit 4
Mammoth Lakes, CA 93546

If you have any questions about this matter, please contact Mammoth Lakes Housing, Inc. Homebuyer Program staff at 760-934-4740.

Sincerely,

Pam Hennarty
Executive Director

Buyer

Date

Buyer

Date

Form continues on next page with Seller's Acknowledgment

Disclosure to Seller with Voluntary, Arms Length Purchase Offer (Page 2)

Acknowledgement

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

As the Seller, I/we understand that under the City of Bishop/Mammoth Lakes Housing, Inc. Homebuyer Program, the property must be currently owner-occupied, vacant for four months at the time of submission of purchase offer, new (never occupied), or renter purchasing the unit. I/we hereby certify that the property is:

Vacant at least 4 months; Owner-occupied; New; or Being Purchased by Occupant

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

Seller

Date

Seller

Date

Attachment G

CITY OF BISHOP / MAMMOTH LAKES HOUSING, INC.

INSTRUCTIONS TO HOMEBUYER

- A. HOMEBUYER works with lender of choice to obtain primary lender's pre-qualification letter.
- B. HOMEBUYER works with real estate agent to select home. Homebuyer Program disclosures are reviewed with agent for presentation to seller. Preference will be given to vacant or owner occupied homes rather than tenant occupied. HOMEBUYER selects home and enters into a purchase contract (contingent upon receiving Homebuyer Program Loan approval). Homebuyer must come to MLH Homebuyer Program staff with a secured loan and the following forms and documents completed by the primary lender:
 - a. Income verification (W-2's, pay stubs, etc)
 - b. Employer verification
 - c. Flood-plain Notice (if applicable)
 - d. Copy of appraisal
 - e. Preliminary Title Report
 - f. Copy of purchase agreement between seller and buyer
 - g. Loan documents
 - h. Copy of escrow instructions from Title Company
 - i. Copy of the Mortgage Credit Analysis Worksheet (MCAW)
 - j. Copy of insurance
 - k. Copy of credit report
 - l. Fair lending notice
 - m. Proof of homebuyer counseling
 - n. Lead Based Paint Disclosures (Attachments E & F of Guidelines)
 - o. Disclosure to Seller with Voluntary, Arms Length Purchase Offer (2-page Attachment G of Guidelines)
 - p. Homebuyer Assistance Loan Servicing Policies and Procedures (4-page Attachment D of Guidelines)
- D. Homebuyer Program staff reviews paper work to determine program eligibility and financing affordability for participant etc.
- E. Homebuyer Program staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and home ownership responsibilities.
- F. Homebuyer Program staff have home inspected (if necessary) to meet HQS or code compliance (dependent upon the program). Notice of any deficiencies or needed corrections are given to participant's real estate agent, with recommended course of action.
- G. Homebuyer Program staff requests loan approval from City. Following loan approval, MLH prepares Deed of Trust, Promissory Note, Notice of Default, Grant Agreement, Owner Occupant Agreement, requests checks and deposits same into escrow.

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

Attachment H

LEAD-BASED PAINT

VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM (TO BE COMPLETED BY HOMEBUYER PROGRAM STAFF)

Section 1: Background Information			
Property Address:		No LBP found or LBP exempt <input type="checkbox"/>	
Select one:	Visual Assessment <input type="checkbox"/>	Presumption <input type="checkbox"/>	Hazard Reduction <input type="checkbox"/>

Section 2: Visual Assessment. Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.	
Visual Assessment Date:	Report Date:
Check if no deteriorated paint found <input type="checkbox"/>	
Attachment A: Summary where deteriorated paint was found. For multi-family housing, list at least the housing unit numbers and common areas and building components (including type of room or space, and the material underneath the paint).	

Section 3: Notice of Presumption. Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.	
Date of Presumption Notice:	
Lead-based paint is presumed to be present <input type="checkbox"/> and/or Lead-based paint <i>hazards</i> are presumed to be present <input type="checkbox"/>	
Attachment B: Summary of Presumption: For multi-family housing, list at least the housing unit numbers and common areas, bare soil locations, dust-lead location, and or building components (including type of room or space, and the materials underneath the paint) of lead-based paint and/or hazards presumed to be present.	

Section 4: Notice of Lead-Based Paint Hazard Reduction Activity. Fill out Sections 1, 4, 5, and 6. Provide to occupant w/in 15 days of after work completed.	
Date of Hazard Reduction Notice:	
Initial Hazard Reduction Notice? Yes <input type="checkbox"/> No <input type="checkbox"/>	Start & Completion Dates:
If "No", dates of previous Hazard Reduction Activity Notices:	
Attachment C: Activity locations and types. For multi-family housing, list at least the housing unit numbers and common areas (for multifamily housing), bare soil locations, dust-lead locations, and/or building components (including type of room or space, and the material underneath the paint), and the types of lead-based paint hazard reduction activities performed at the location listed.	
Attachment D: Location of building components with <u>lead-based paint remaining</u> in the rooms, spaces or areas where activities were conducted.	
Attachment E: Attach clearance report(s), using DHS form 8552 (and 8551 for abatement activities)	

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

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