

**RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY  
NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM  
Program Guidelines**



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## I) INTRODUCTION

### a) Purpose

- i) The Riverside County Economic Development Agency (EDA) is offering a Neighborhood Stabilization Homeownership Program (NSHP hereinafter called "Program"). The primary objective of the Neighborhood Stabilization Homeownership Program is to stabilize neighborhoods affected by large number of foreclosed homes. The Program addresses the problem of abandoned and foreclosed homes in Targeted areas within Riverside County, which will be available for purchase by first-time homebuyers of low and moderate income. The Program will be available to anyone who has not owned a home in the last three years, has an annual income that is not greater than 120% of the area median income as published by the U.S. Department of Housing and Urban Development (HUD), and is purchasing **a vacant foreclosed home** in the **designated Target areas** in the County of Riverside. The maximum household income limit is shown in the attached **Appendix A**.
- ii) This Program will provide purchase price assistance as a silent-second loan to low and moderate income first-time homebuyers in the amount of twenty percent (20%) of the purchase price of the home. The maximum amount of assistance is the gap financing limit such that the housing payment to income ratio is between the range of twenty-five percent (25%) and thirty-five percent (35%). The program will also provide Home Repair Assistance to all foreclosed homes within the program to stabilize the neighborhoods by incorporating energy-efficient improvements for long-term affordability and increased sustainability to housing and neighborhoods. Activities in the EDA home repair component will include items such as curb appeal and landscaping after the close of escrow. However, all home repair items will be identified prior to closing. If repair assistance is utilized, the minimum amount of repair assistance shall be \$1,500. The total combined amount of purchase price assistance and home repair assistance cannot exceed \$75,000. The first loan must be a fully amortized, fixed rate, thirty-year mortgage and the EDA Assistance will be secured by deed of trust recorded in subordinate position to the first mortgage. Closing cost assistance is not eligible under this Program.
- iii) All buyers participating in this Program shall agree to the terms and conditions of an Affordability Period. The Affordability Period provides that if the property is re-sold within fifteen (15) years, it will be offered or otherwise be made available for purchase by qualified low and moderate income families. If the property is no longer maintained as the principal residence of the buyer or is sold prior to the end of the Affordability Period, and the homebuyer is not eligible for this Program, all NSHP funds invested in the property must be repaid. Properties that remain affordable to program participants throughout the Affordability Period will have the EDA's investment converted to a grant. This program is available to homes being purchased within the **Target Areas Map** listed in **Appendix B**.
- iv) All foreclosed homes participating in this program must meet **Current Market Appraised Value**. The Current Market Appraised Value means the value of a foreclosed upon home that is established through an appraisal made in conformity with appraisal requirements of the Uniform Relocation Assistance Real Property Acquisition Policies Act of 1970 (URA) at 49 CFR 24.103 and **completed within sixty (60) days prior to a final offer** made for the property by individual homebuyer. Any purchase of a foreclosed home under this Program shall be at a discount from the current market appraised value, taking into account its current condition, and such discount shall ensure that homebuyers are paying below-market value for the home. Properties must be purchased at a minimum discount rate of one percent (1%) below the current market appraised value.

## II) GENERAL ELIGIBILITY REQUIREMENTS

### a) Eligible Properties

- i) Location. The Program will be offered in Targeted areas of Riverside County that have been identified to have the greatest need. The Targeted areas include **portion of** fifteen (15) cities and nine (9) unincorporated areas, which are listed below:

#### Cities

Banning, Beaumont, Blythe, Canyon Lake, Cathedral City, Desert Hot Springs, Indio, Lake Elsinore, Menifee, Murrieta, Norco, Perris, San Jacinto, Temecula, and Wildomar

#### Unincorporated Areas

East Hemet, Eastvale, French Valley, Highgrove, Home Gardens, Lakeland Village, Rubidoux, Temescal Canyon, and Thousand Palms.

**Note: Not all areas inside the city boundary and the Unincorporated Areas mentioned above are Target Areas. Please check the Target Areas Map listed in Appendix B and the EDA website.**

- ii) Program Price Limits. To be eligible for the Program, the maximum property value shall not exceed the actual 95 percent of the area median sales price published and updated regularly by U.S. Department of Housing and Urban Development. The maximum purchase price limit is shown in the attached **Appendix A**.
- iii) Price Limits. The purchase price of the home **must be at least one percent (1%) below the Current Market Appraised Value** of the home. Appraisal must be completed within sixty (60) days of the final purchase offer. The Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) and its implementing regulations at 49 CFR Part 24 set forth the minimum requirements for real property acquisitions appraisals for federally-assisted programs. The appraisal will be done through an independent fee contract appraiser hired by EDA. The appraisal must meet the requirements of the URA at 49 CFR 24.103 for each property that submits an application for NSHP funds. The contract fee appraiser contracted by EDA must be State licensed or certified in accordance with title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (12 U.S.C. 3331 et seq.). The cost of the appraisal will be part of the purchase price assistance if the application is successful. All purchase price at the time of application of NSHP funds is received will be considered as initial offer. EDA will determine the appraisal value of the house. The final purchase offer must be at least 1% below the appraised value. EDA will strive to obtain the appraisal value within five (5) days of the application received. If the initial sales price meets the 1% discount, seller and buyer is required to submit final NSHP-6 form. However, if the purchase price falls short of the 1% discount, the homebuyer will be required to negotiate a minimum of 1% discount. If the seller and homebuyer could not reach an amicable agreement for the purchase price of the property meeting the 1% discount, the application will be denied and the cost of the appraisal will be borne by EDA. The final offer meeting the 1% discount must be received by EDA within thirty days of the completed EDA appraisal or the application will be denied.
- iv) Type of Home. The Program may be used to purchase any foreclosed single family home, condominium /town home that meets all of the following minimum criteria:
- 1) The home is permanently fixed to a permanent foundation; and
  - 2) The home is currently vacant and no tenant lived in the property at the time of foreclosure; or the home is currently vacant and any tenant was given 90 day's notice prior to being asked to vacate. For properties that were tenant occupied at time of foreclosure, the selling bank must supply documentation that the tenant was given 90 days written notice to vacate as well as a copy of the tenant's lease. Under no circumstances may a lease be terminated for a Section 8 tenant on transactions utilizing the NSHP program.
  - 3) The home must be built after 1978 and not be listed on, or eligible for listing on the National Register of Historic Places.

- 4) In-ground Pools and Spas. Single-Family home with in-ground pools or spas **are** eligible for the Program.
  
- v) Home Condition. A home shall not be eligible for purchase under this program unless it is in standard condition and suitable for occupancy upon purchase. Under no circumstances shall a home be modified or altered to qualify a home that is otherwise an ineligible property after submittal of an application to EDA. The following procedures will be used to determine if the home meets these requirements:
  - 1) *Foreclosed Homes*
    - A. All homebuyers of existing homes must obtain a home inspection report prepared according to industry standards. Any deficient items affecting habitability of the home noted in the home inspection and the purchase agreement shall be corrected at the close of escrow by seller's contractor. If the home inspection report indicates that the home has serious deficiencies, the EDA may inspect the home to determine if it meets the Housing Quality Standard (HQS). The Housing Quality Standard (HQS) is a basic standard of livability based on health and safety standards. The HQS Checklist is attached in **Appendix E**.
    - B. Inspection Process. Home Inspections are to be performed by qualified Home Inspection Professionals in accordance with industry standards. Home Inspectors who are members of the California Real Estate Inspectors Association, the American Society of Home Inspectors or the International Conference of Building Officials will be presumed to be qualified. Typically, Home Inspections are 7 to 15 pages in length, and utilize a checklist with explanations of any items that need work or are not in standard condition. It is strongly advised that the home buyer accompany the Home Inspector during the inspection. The Home Inspector will provide guidance on maintenance requirements, and will explain any items that need work. No Termite inspection will be required unless there are signs of active infestation or the appraiser notes the requirement for one on the appraisal report. All termite clearance must be done by the Seller prior to close of escrow.
    - C. Repair Requirements. EDA will review the Home Inspection Report and will prepare a list of required repairs to be completed by seller. A copy of the Home Inspection Report and list of required repairs is sent to the buyers. The buyer also needs to ensure that the home meets their requirements and that the repairs have been completed to their satisfaction. EDA will review the Inspection Report for safety, habitability concerns, and cosmetic items. Certain repairs that will not affect the homebuyer from moving in after the close of escrow and deem beyond the scope of the lender habitability standard can be included as part of the additional repair assistance that can be provided by EDA. All repair that affects the move-in and habitability standard must be corrected and completed prior to close of escrow as a condition of NSHP purchase price assistance requirements.
    - D. Lender Certification. Lender will certify that the required repairs have been completed prior to the close of escrow. Lender will provide a letter from a licensed contractor or inspector to ascertain that the work has been done.
    - E. In addition to the purchase price assistance, EDA also provide repair assistance to homebuyers to include home improvements to increase the energy efficiency or conservation of the home for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods. This repair will be limited to the items identified by EDA staff prior to close of escrow and completed through EDA approved contractors after the close of escrow. The total combined assistance including purchase price assistance can not exceed \$75,000. The repair portion of the loan will be recorded as a separate deed of trust and will have the same affordability and term as the purchase price assistance. Any repair works that are identified that would prevent the homebuyer from moving in after the close of escrow **will not be eligible.**
  
- vi) Occupancy Standard. One of the purposes of the Program is to address persistent conditions of housing overcrowding in the County. Therefore, EDA is requiring that all homebuyers must meet the

occupancy standard as defined in the Housing Quality Act under 982.401 that states “The dwelling unit must have at least one bedroom or living / sleeping room for each two persons.” Children of opposite sex, other than very young children, may not be required to occupy the same bedroom or living / sleeping room.

**b) Characteristics of the Home Buyer**

- i) **Income Limits.** In order to be eligible for this program, the homebuyers’ annual income shall not exceed 120% of the area median income, as determined by HUD, adjusted for family size. In addition, family assets, excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase, shall not exceed a 12 month reserve based on the maximum income for the family size. The income and assets of all persons age 18 and older who will reside in the home must be included in the calculation to determine income eligibility. The current income limits are shown in **Appendix A**. See item c below for instructions on calculating annual income.
- ii) **Co-owners.** Co-owners are only permitted if they will occupy the home as their principal residence and qualify as first time buyers. The income of all co-owners will be included in determining if the household qualifies as moderate income, as noted in 1 above, as well as appendices A and C. Co-signers are not permitted.
- iii) **Minimum Buyer Investment.** The buyer shall provide from their own funds a minimum investment of the amount required by the first mortgage. The buyers’ contribution may be used toward the down payment or closing costs, at their discretion and in accordance with the requirements of the first mortgage.
- iv) **Prior Home Ownership Criteria.** In order to qualify as a first-time homebuyer, the homebuyer cannot have owned a home for the previous three years from the date of application to the Program. The homebuyer must sign a sworn application attesting that they have not owned a home, in addition the last three years tax returns will be reviewed to ascertain that no mortgage interest or real estate tax deductions have been claimed.
- v) For the purposes of determining home ownership, a dwelling unit that was not permanently affixed to a permanent foundation (i.e. a mobile home), or a dwelling unit that is substandard and cannot be brought into standard condition for less than the cost of constructing a permanent structure, shall be not included in the three year requirement.
- vi) **Buyer’s Citizenship.** All applicants must be either a US Citizen or a qualified alien as per Section 431 of PRWORA.

**c) Determination of Adjusted Gross Income**

- i) The Program is limited to buyers with an annual income that is one-hundred twenty percent (120%) or less of the area median income, as determined by HUD. Annual income is the gross amount of income anticipated to be received by all adults in a family during the twelve months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next twelve months. The annual income for purposes of qualifying for the Program includes all income and may be higher or lower than the income amount utilized by the lender to underwrite the first mortgage.
- ii) Annual income includes anticipated income from assets. Please see below for an explanation of how to determine income from assets. The current passbook rate established by HUD is 3.50%.
- iii) For a detailed explanation of how to calculate various types of income, please see **Appendix C**.

**d) Assets**

In addition to income, family assets (excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase) shall not exceed a 12 month reserve based on the maximum income for the family size. See **Appendix A** for maximum income limit. See **Appendix C** for a detailed explanation of the items to be included and excluded from assets.

e) **Other Requirements**

Program can not be combined with EDA's Redevelopment Homeownership Program or FTHB Program. However, this Program can be combined with Mortgage Credit Certificate Program.

### III) GENERAL LOAN REQUIREMENTS

The following minimum requirements shall apply to all purchases receiving assistance through the Program.

a) **First Loan Requirements**

- i) The homebuyer shall apply for a first mortgage from a participating lender and provide a minimum investment of the amount required by the applicable federal state. The first mortgage must be a fully amortized, fixed rate, thirty-year term mortgage. The homebuyer must accept the highest first mortgage amount (principal amount at going interest rate) for which they can qualify. Lenders should provide buyers with the best possible interest rate available at the time their loan rate is locked. In general, the participating lender shall be responsible for determining the buyers' creditworthiness and qualifications for obtaining the first mortgage. However, the following minimum criteria must be satisfied:
- ii) The buyer shall provide a minimum investment of the amount required by the first mortgage. This minimum investment may be applied to the down payment and/or closing costs, at the discretion of the homebuyer and in accordance with the requirements of the first mortgage. The lender shall verify that the buyer has sufficient funds to meet this requirement. In cases where a homebuyer has saved cash at home, the lender shall document these savings in accordance with standard underwriting practices.
- iii) The first loan amount shall be the maximum amount for which the homebuyer can qualify, based on their income, debts, and current interest rates. The total monthly housing payment (principal, interest, taxes, insurance, private mortgage insurance, flood insurance and home owner association, if applicable) shall not be less than 25% or more than 35% of the homebuyer's gross monthly income for a 30-year fully amortized fixed rate loan.
- iv) The participating lender may only assess those usual and customary fees and charges that would be assessed for a buyer with the same type of first mortgage who is not participating in the Program. No additional lender fees may be charged for processing of a loan in conjunction with this Program.

b) **NHSP Loan Requirements**

i) **Affordability Period**

In exchange for receiving funds to assist in the purchase of a home, the homebuyer must sign NSHP loan documents, including a Promissory Note, Disclosure Notice, Request for Notice, and Subordinate Deed of Trust, which will provide that, upon sale, transfer, lease or any other disposition, including refinancing or incurring of additional debt secured by the home, within 15 years of purchase, the principal amount of the NSHP Assistance is repaid to the EDA. After the Affordability Period, the NSHP Assistance is converted to a grant and these obligations are forgiven. If the homebuyer is also getting a repair assistance identified prior to close of escrow, then that assistance will be in a form of loan with the same terms and conditions as the purchase price assistance loan.

ii) **Home Buyer Education**

In order to be eligible for participation in the Program, prospective homebuyers must complete the minimum requirements of 8 hour education in a Community Home Buyer's Seminar, as approved by the EDA. Buyers should complete this requirement as soon as possible in the purchase process. Participating lenders may contact EDA for the names of agencies offering approved Community Home Buyer's Seminars.

iii) **Types of Assistance**

The NSHP financial assistance can be provided as purchase price assistance and repair assistance associated with home purchase. The NSHP Assistance cannot be used to pay the homebuyer's prepaid costs (also known as recurring costs). Buyer must make a minimum contribution necessary to comply with any applicable federal or state requirements. In addition, the buyer needs to satisfy the requirements of the first mortgage, which may require the homebuyer to pay a minimum down payment and certain other costs.

- 1) **Home Repair Assistance.** In general, NSHP funds shall be used primarily for purchase price assistance. Home Repair Assistance is available to all eligible properties who qualify for NSHP. The maximum amount of assistance for home repair is the remaining balance of \$75,000 once the purchase price assistance has been identified for the property. For example: NSHP purchase price assistance is \$40,000; the remaining balance is \$35,000 of which the Home Repair Assistance can not exceed. The maximum amount of assistance for each property is \$75,000.
- 2) The Home Repair Assistance is contributed in the form of a silent subordinate loan that will sit behind the NSHP purchase price assistance. The loan will stay as a lien on the home for fifteen (15) years which is identified as the Affordability Period. If the property is no longer maintained as the principal residence of the buyer or is sold prior to the end of the fifteen (15) year period (Affordability Period), and the homebuyer is not eligible for this Program, all NSHP funds invested in the property must be repaid. Properties that remain the principal residence of the buyer throughout the Affordability Period will have the EDA's investment converted to a grant.
- 3) **Preliminary Repair Assessment –** EDA staff will make an on-site visit to the home to do a preliminary assessment of the house within three (3) working days of the receipt of NSHP funding application. After confirmation of the purchase price discount and tentative approval of the purchase price assistance and receipt of the inspection report, EDA staff will prepare a scope of work in consultation and approval with the homebuyer. Based on the approved scope, EDA will solicit bids from EDA approved contractor lists. A pre-bid walk through date where contractors will be invited to review the scope of work will be set up in coordination with the seller. After closing of the bid and review of bids received, EDA staff will select the contractor. EDA will determine maximum repair assistance to be provided to the homebuyer. At no point in time the \$75,000 threshold including the purchase price assistance can be exceeded. EDA staff has the discretion to lower the threshold to allow for any contingency and complexity of the repair. All the repair work will be started after the close of escrow and completed within 30 days from the close of escrow.

iv) **Minimum and Maximum Assistance**

The minimum amount of assistance that may be provided is \$1,500 per home purchase. The maximum amount of assistance is the gap financing limit such that the housing payment to income ratio is between the range of twenty-five percent (25%) and thirty-five percent (35%) with an absolute maximum amount of \$75,000 for purchase price assistance (20% of the purchase price) and home repair assistance.

v) **Notifications**

The following notifications are required for participation in this program:

- 1) *Homeownership Notice to Sellers (NSHP-3).* This notice shall be provided to the Sellers at the time a purchase offer is initiated or at the earliest possible date following acceptance of the purchase offer. The Seller shall complete and sign this notice. Compliance with this requirement shall be demonstrated by submission of a fully executed Form NSHP-3 at the time the Lender submits an application. This Notice will be used to determine if the home is eligible for purchase under the NSHP Program (Home must be vacant for at least 90-days).
- 2) *Disclosure Statement.* This notice discloses to the homebuyers the terms of the NSHP Assistance. This form is to be signed and notarized at the settlement appointment and submitted to EDA with the closing package.



- 3) *Voluntary Acquisition of Foreclosed Property (NSHP-6)*. This notice shall be provided to the Sellers at the time the purchase and sale agreement is initiated. The initial form will be used at the time the application is submitted indicating the initial offer. Once the Appraisal has been determined by EDA, a final form will have to be signed by both seller and homebuyer indicating the final agreed purchase price. This notice will identify the purchase price EDA is willing to accept on behalf of the homebuyer for the Program. The final form must be returned to EDA with accompanying purchase and sale agreement with the final sales price within sixty days of the appraisal date.

vi) **Confidentiality**

NSHP Applications are subject to confidentiality requirements and will only be discussed with representatives of the buyer including their lender, real estate agent, escrow agent, and home inspector. NSHP applications will not be discussed with seller representatives or other outside interests. Items containing confidential information (i.e. tax returns, pay stubs, employment verification) should not be faxed.

vii) **Resales**

Sale, transfer and/or conveyance of the property during the Affordability Period shall trigger repayment of the NSHP Assistance, as detailed in the loan documents.

viii) **Subordination**

The NSHP Assistance shall be recorded in second position to the first mortgage on the property. The NSHP Assistance shall remain in second position and will not be subordinated to any additional debt. Notwithstanding the above, the NSHP assistance will subordinate to CalHFA financing or any other loans provided by the County of Riverside. In those instances, the NSHP shall be recorded in the third position.

The Home Repair Assistance is contributed in the form of a silent subordinate loan behind the NSHP purchase price assistance. The loan will stay as a lien on the home for fifteen (15) years which is identified as the Affordability Period. EDA will not agree to subordinate the NSHP Assistance to any other indebtedness with the following exceptions: (1) the first mortgage obtained concurrently with the NSHP Assistance to purchase the home; and (2) limited refinancing as detailed in the following section.

ix) **Refinancing**

Subordination for refinancing is only permitted with the prior authorization of the EDA and for purposes of reducing the carrying costs of the homebuyer. The EDA shall not authorize refinancing for any of the following purposes: (1) to remove equity from the property; (2) to consolidate debts; (3) to consolidate the first mortgage with any junior liens or obligations; and/or (4) to increase the principal indebtedness amount of the first mortgage (except for the amount of the reasonable and usual costs associated with the refinancing).

x) **Title Insurance**

The lender will order the title insurance for the property, listing the County of Riverside as "additional insured".

xi) **Property Maintenance Requirement**

- 1) *Maintenance*. The homebuyer shall agree to maintain the home in standard condition for the term of the NSHP assistance. To this end, the homebuyer shall be required to obtain a one-year home warranty as part of the home purchase. The costs of the home warranty are eligible for financial assistance under the NSHP program. For newly constructed homes, the builder shall warranty the home for a minimum of one year from date of purchase. In the absence of a written warranty from the builder, the buyer shall obtain a one year home warranty from an independent company.

- 2) *Hazard Insurance.* The homebuyer shall obtain and maintain, for the term of the County's assistance, a hazard insurance policy for the property, listing the County of Riverside as "additional insured." The hazard insurance policy shall be of a sufficient amount to cover the County's interest in the home. Full insurance for the amount of the first and second loans, or a Guaranteed Replacement Cost policy, is acceptable.
- 3) *Flood Insurance.* Properties located in a flood hazard zone shall obtain flood insurance listing the County of Riverside as "additional insured".

xii) **Loss Payee**

- 1) The County shall be listed on the hazard insurance, flood insurance, and title insurance as the loss payee in the following manner:
  - A. County of Riverside, its successors and assignees
  - B. 1325 Spruce Street, Ste. 400, Riverside, CA 92507, Attn: EDA Housing

xiii) **Auditing/Monitoring**

- 1) All participating lenders shall maintain complete files for each Program participant for at least seven (7) years. The County will maintain records for each Program participant for the term of Affordability, plus three (3) years.
- 2) The County may conduct random audits of lender files to ascertain compliance with the Program. This may include review of participant files, and review of lender information to document compliance with all lender requirements. In addition to participant files, participating lenders shall maintain records of affirmative marketing efforts, Community Reinvestment Act (CRA) compliance, bi-lingual (Spanish speaking) staffing, and efforts to provide assistance with minimal inconvenience to the homebuyer.
- 3) The County may also conduct surveys of program participants to obtain their input on the program, the processing of their application, and their level of satisfaction with the results. The results of any such surveys will be shared with the Participating Lenders. Complaints about particular individuals or lenders will be investigated and, if necessary, corrective action may be taken.

xiv) **Conflict of Interest**

- 1) NSHP assistance shall not be provided to any person or the immediate family of any person who is in a decision-making position relative to any aspect of the NSHP Program or the associated first mortgage. This includes, but is not limited to, employees and immediate family members of employees of the Riverside County Economic Development Agency and participating lenders.

## **IV) PARTICIPATING LENDERS**

### **a) Requirements**

- i) The County will only accept NSHP Applications from approved Participating Lenders who have entered into a Lender Participation Agreement with the County for this Program.

### **b) Selection Process**

- i) The County shall establish minimum criteria for the selection of participating lenders for the NSHP Program. All selected lenders shall enter into a lender participation agreement with the County and shall agree to abide by the County's procedures for all homebuyers participating in the NSHP Program.

The minimum lender criteria for the Neighborhood Stabilization Homeownership Program are as follows:

- 1) Participating lenders be direct lenders with the ability to originate and service loans. **Loan brokers are not eligible for approval as a participating lender.**
- 2) Participating lenders are encouraged to provide staff personnel with the ability to communicate in Spanish.
- 3) Participating lenders shall provide application assistance with minimal inconvenience to the homebuyer. Application assistance shall be provided at a time and place convenient to the homebuyer. This may include evenings and weekends and travel throughout the County.
- 4) Participating lenders shall demonstrate a commitment to Community Reinvestment Act (CRA) and affirmative marketing requirements, and outreach to minority and low income communities. Lenders shall agree to proactively market the Program to low income and minority people. All advertising to the general public shall be complimented with advertising targeted to these groups, including, but not limited to, minority newspaper, television and radio advertisements. The County will monitor all marketing efforts and will require periodic updates on the marketing efforts of participating lenders.
- 5) Participating lenders shall have demonstrable experience in first time homebuyer program.
- 6) The selection of participating lenders shall be at the sole discretion of the County of Riverside. The County reserves the right to limit the number of approved participating lenders.

**c) Brokers**

- i) Mortgage Brokers are not eligible for designation as participating lenders in the Program. Participating Lenders may enter into arrangements with brokers to process NSHP Applications. However, the Participating Lender shall remain responsible for all submittals to the County and for verifying that all aspects of the purchase meet the Program requirements.

**d) Removal**

- i) EDA may suspend or remove participating lenders from the Neighborhood Stabilization Homeownership Program in accordance with the terms of the Lender Participation Agreement. Lenders may be suspended or removed from the Program based on, but not limited to, the following violations:
  - 1) Failure to follow the Program Guidelines, as described in this Manual and periodic Lender Bulletins.
  - 2) Failure to submit all outstanding documentation within thirty (30) days of loan closing.
  - 3) Withholding information that would result in applicant or property disqualification from the program.
  - 4) Negligent or fraudulent misstatements or actions in regard to the Program.
  - 5) Failure to conduct reasonable verification of applicant qualifications for the Program.
  - 6) Failure to maintain complete applicant records for minimum of (7) years after loan closing.

**e) Authorized Lender Staff**

- i) Staff members of participating lenders that have completed the annual NSHP Lender Training Session are authorized to sign all NSHP forms and to make submissions to the Program. EDA will provide all

Lender Training Participants with a Certificate indicating that they have completed the necessary training to participate in the Program.

- ii) Staff that has not completed the training may only participate in the Program under the supervision of a staff member who has attended the lender training. Staff that has not completed the training is not authorized to sign the form or to make submissions to the Program.

## V) PROCESSING PROCEDURES

NSHP Applications will be processed by EDA on a first-come, first-served basis, in chronological order as received from participating lenders. EDA will maintain a running balance of funds available, and once funds are exhausted, EDA will stop accepting applications and notify the participating lenders that the Program is out of funds. It is the participating lender's responsibility to verify the availability of funds prior to loan application submitted. The following procedures are to be followed for NSHP applications.

The Neighborhood Stabilization Homeownership Program (NSHP) will not accept any forms with whiteout. This includes the required EDA NSHP forms and all subsequent items that are requested to fund the NSHP loan. If any changes need to be made to forms please lineout and initial the change.

Please note any document submitted during the Reservation Phase that is incomplete or contains whiteout will cause the file to be returned back to the lender without being processed. This procedure is in place to maintain the validity of all documents submitted to the EDA and allow other homebuyers with complete paperwork to move into the Reservation Phase.

### a) **Pre-Qualification Phase**

- i) Potential buyer contacts participating lender.
- ii) Participating lender screens the buyer for program eligibility (income & first-time buyer status).
- iii) Participating lender takes a loan application and pre-qualifies buyer for the maximum first loan that they can afford given their income, debts and prevailing interest rates. First loan must be a thirty-year, fully amortized, fixed rate loan.
- iv) Lender provides buyer with a pre-qualification letter that states:
  - 1) the maximum home price that the buyer can afford, based on the maximum first loan amount plus the maximum NSHP Program assistance (a maximum gap finance limit such that the housing payment to income ratio is between the range of twenty-five percent (25%) and thirty-five percent (35%) with an absolute maximum amount of \$75,000 for both purchase price assistance {20% of purchase price} and home repair assistance;
  - 2) the locations where the buyer may purchase;
  - 3) the home must be a foreclosed or a REO property built after 1978;
  - 4) that the buyer shall provide a Homeownership Notice to the Sellers (Form NSHP-3) by attaching this form to the Purchase Offer as an Addendum and request that the Seller(s) sign this form when they accept the purchase offer or at the earliest possible date following acceptance of the purchase offer; and
  - 5) Any conditions imposed by the lender.
  - 6) Buyer attends an EDA-approved 8 hour Home Buyer Education seminar and receives a Certificate of Completion. The buyer is encouraged to complete this requirement as soon as possible in the home purchase process. A copy of the Certificate of Completion certifying that the buyer has completed this requirement is needed prior to the Request for Funding Phase.
  - 7) Buyer locates a home and enters into a purchase agreement. Buyer provides Homeownership Notice to Sellers (NSHP-3) as an addendum to the purchase contract for the Seller to sign at acceptance of purchase offer.

b) **Application Phase**

- i) Lender submits a request for reservation of funds to the EDA. Incomplete applications will not be accepted. All items must be included in initial submittal - faxes will not be accepted for the Reservation Phase. Reservations that are missing any required items will not be processed and will be returned to the Lender. Request must include all of the following:
- 1) Neighborhood Stabilization Homeownership Program Application Form (Form NSHP-1).
  - 2) Signed Certification of Homebuyer Form (Form NSHP-2).
  - 3) Copy of the signed Sales Agreement, or equivalent, including all counter offers and the Real Estate Transfer Disclosure Statement.
  - 4) Homeownership Notice to Sellers (Form NSHP-3) fully signed and dated.
  - 5) Copy of the Escrow Instructions.
  - 6) Copy of the complete Preliminary Report of Title.
  - 7) Completed NSHP Program Financing Worksheet (Form NSHP-4) and **Signed** Good Faith Estimate of Closing Costs.
  - 8) Copy of fully completed and signed Loan Application.
  - 9) Copy of last three years federal tax returns or Income Tax Affidavit (Form NSHP-5 if applicable). **PLEASE NOTE:** The applicant must sign the tax returns stating that "This is a true and exact copy of the returns submitted to the IRS."
  - 10) Copy of the Standard Flood Hazard Determination (FEMA Form 81-93).
  - 11) For existing homes, a copy of the home inspection.
  - 12) Initial Signed Voluntary Acquisition of Foreclosed Property (Form NSHP-6) and Final Signed Voluntary Acquisition of Foreclosed Property with the amended sales agreement showing the discount requirements have been met.
  - 13) Attached map showing location of property and eligibility of the property in the Target Area. Go to EDA website and print out a copy of the property eligibility.
  - 14) Copy of Certificate of Occupancy (for new homes only) and HCD Form 433(a) (for manufactured homes only).
  - 15) Proof that property has been vacant for 90 days.

NOTE: The Home Inspection Report should be submitted to EDA as soon as it is available. Based on an evaluation of this Report, EDA may require repairs to be completed prior to close of escrow. EDA will mail a copy of this Report to the homebuyers, for their information.

- ii) An independent contract fee appraiser contracted by EDA will conduct the required appraisal meeting the requirements of the URA at 49 CFR 24.103 for each property that submits an application for NSHP funds. Upon preliminary review that the property and homebuyer's income meet the requirement of the Program, EDA will order an appraisal. The appraisal will be completed within **seven (7)** working days of receipt of application. It is imperative that access to the house is available and can be established. Delay in getting access will delay the completion of the appraisal work. The final purchase offer must be at least one percent (1%) below the appraised value established by the appraisal obtained through EDA. EDA will provide final *NSP Voluntary Acquisition Of Foreclosed Property Form*

NSHP-6 which will identify the purchase price EDA is willing to accept on behalf of the homebuyer for the NSHP program. The Seller's final offer must be at or below the established amount identified on this form. If sellers of the foreclosed homes do not agree to the required purchase price of one percent (1%) or below the appraised value then the application will be denied.

iii) Agency will review the Application and within **ten (10) working days** will issue an Acceptance letter or request that the final offer meeting the 1% discount be obtained within 30 days of the appraisal report or reject the application. Application requests will be processed on a first come, first served basis. The application may be rejected for the following reasons:

- 1) Buyer or home does not meet the Program Requirements.
- 2) Application package is incomplete; or
- 3) EDA does not have sufficient funds to provide the requested amount of assistance.

c. **Reservation Phase**

i) A written Funding Reservation will be issued within **ten (10) working days** of receipt of the Reservation Request. The Funding Reservation will be conditioned upon certain items, as follows:

- 1) Transaction must be completed within forty-five (45) days of the Funding Reservation. Requests for extensions of time shall be submitted in writing at least ten working days prior to expiration of the Funding Reservation and shall include the reason for the extension. EDA will evaluate the request for reasonableness and will approve or deny the extension in writing.
- 2) Any other items needed to verify applicant or property eligibility for the Program.
- 3) Copy of a new signed sales agreement (if applicable)
- 4) Any outstanding items noted in the written Application Acceptance letter issued by EDA.

ii) The EDA will establish the scope of work for all home repair items required for the home such as curb appeal and landscaping. The buyer will be required to accompany EDA staff during the inspection of the home and agree to all items and their costs identified as needing repair.

iii) Lender processes first loan and establishes a closing date.

d) **Request for Funding Phase**

i) Unless specifically requested by EDA, faxes will not be accepted for the Request for Funding Phase documents. Upon final loan approval, **at least fifteen (15) working days prior to scheduled funding**, Lender submits the following:

- 1) A true and correct copy of the FNMA Summary Form 1008 or a true and correct copy of the FHA Mortgage Credit Analysis Worksheet, Form 92900-WS, as appropriate.
- 2) Copy of Certificate indicating buyer's completion of the Home Buyer Education class.
- 3) Any outstanding items noted in the written Funding Reservation letter issued by EDA.
- 4) Written request from escrow officer for NSHP funds to be deposited into escrow, including instructions for wire transfer, if applicable. Wire instructions are to be submitted legible with a minimum 10 point font size and include the bank name, bank address, ABA number, account number, escrow/title number, and client vesting. **EDA requires a minimum of ten (10) working days, excluding holidays, to process a claim and wire funds to escrow.** This time period begins when the Confirmation letter is issued.

ii) The Riverside County Economic Development Agency reviews these items within **five (5) working days**. If all items have been satisfied, EDA will issue a confirmation letter to the Lender and Escrow

Company approving the Agency Assistance and designating the date that funds will be deposited into escrow. The Agency will also prepare the loan documents and forward them to escrow to be signed by the homebuyer(s).

e) **Closing Phase**

- i) Buyer(s) attend settlement appointment and sign all loan closing documents including all legal documents prepared by EDA. EDA documents to be signed at closing are as follows:
  - 1) Neighborhood Stabilization Homeownership Assistance Program Disclosure Statement.
  - 2) Promissory Note.
  - 3) Subordinate Deed of Trust.
  - 4) Itemization of Amount Financed
  - 5) Escrow Officer Checklist (to be initialed and signed by the Escrow Officer)
- ii) Escrow submits the signed Neighborhood Stabilization Homeownership Assistance Program Disclosure Statement (Form NSHP-7), Promissory Note, Escrow Officer Checklist and proof of property insurance to EDA as soon as they are executed.
- iii) Escrow submits a copy of the Estimated HUD-1 Statement with signed loan documents.
- iv) EDA reviews Estimated HUD-1 Statement and executed loan documents and issues funding approval via fax to Escrow.
- v) Loans are funded and home purchase closes.
- vi) Lender notifies EDA of the closing and Escrow submits a copy of the Final HUD-1 Statement
- vii) Title Company provides EDA with a copy of the Title Insurance Policy insuring the County's interest in the property.
- viii) **FAILURE TO SUBMIT CLOSING DOCUMENTS WITHIN THIRTY (30) DAYS OF CLOSING MAY RESULT IN SUSPENSION OF LENDER FROM THE NSHP PROGRAM. CLOSING DOCUMENTS INCLUDE, THE PROOF OF PROPERTY INSURANCE, FINAL HUD-1, TITLE POLICY, AND THE EDA LOAN DOCS. EDA WILL NOT ACCEPT FUNDING RESERVATION REQUESTS FROM SUSPENDED LENDERS.**
- ix) Escrow/Title Company closes out the NSHP File and records a Request for Notice.

f) **Resubmission of Denied Applications**

- i) EDA will only process resubmissions of denied applications if it can be demonstrated that the reasons for denial were based on inaccurate or missing information. Back-up documentation to support all such resubmissions shall be submitted, and the Application will be processed as indicated above. For example, if an application was denied for not being a first-time home buyer, the resubmission shall include evidence that the buyer did not have any ownership interest in their principal residence. Examples of such evidence may include, but are not limited to, a chain of title, copies of deeds, copies of divorce papers or other legal documents showing ownership of property.

g) **Changes in Information**

- i) In some cases there may be changes in information between the date the Reservation Request is submitted and the date of the closing. All such changes shall be handled in the following manner:

- 1) Change in Home Being Purchased. No changes are allowed. The application will be rejected and EDA must be notified immediately. Failure to notify EDA within three days may result in suspension of Lender to participate in this Program. Homebuyer may resubmit up to two additional chances under this Program in one year if Buyer and Seller can not agree on the final purchase price discount of 1%.
- 2) Changes in Income. The initial income determination is valid for six months. A re-verification of income will be required if more than six months elapse from date of income determination. Any changes in income that increase the household income must be re-submitted for an eligibility determination. This includes the addition of additional household members age 18 and older, or increases in the income of any household member. Changes in income shall be immediately reported by submitting a new, fully signed, Certification of Homebuyer (Form NSHP-2).
- 3) Marriage and/or the Addition of New Adult Household Members. The addition of any new adults to the household shall be immediately reported by submitting a new, fully signed, Certification of Homebuyer (Form NSHP-2), as well as the last three years tax returns for the new family members. All new adult household members must meet the first time home buyer requirement, and the income of all adult household members shall be included in determining income eligibility.
- 4) Homeownership Interest. If the homebuyers acquire an ownership interest in their principal residence at any time prior to closing, the household no longer meets the first time buyer requirement and is ineligible for the Program. The Application and Reservation are automatically denied if this should occur.
- 5) Increase in Price. No changes are allowed. The application will be rejected and EDA must be notified immediately. Failure to notify EDA within three days may result in suspension of Lender to participate in this Program.
- 6) Decrease in Price. If the price of the home decreases, the amount of NSHP assistance will decrease. The EDA shall be notified no later than the Request for Funding. The Lender shall note the decrease on the Request for Funding Cover Sheet and shall include the new price in the Lender's Certification.

## **VI) HOME REPAIR COMPONENT**

### **a) REQUIREMENTS**

#### **i) Minimum eligibility requirements include:**

- 1) The Home Repair Assistance is in conjunction with the purchase price assistance received by the home buyer in purchasing the foreclosed home. No Home Repair Assistance will be provided as a stand alone activity. All scope of work is pre-identified and agreed on by the homebuyer prior to close of escrow.
- 2) All repair work will not be initiated until after close of escrow is complete.
- 3) EDA staff will make certain allowances to include items not identified prior to close of escrow but essential and incidental to the repair work.
- 4) The homebuyer will be required to sign a Deed of Trust and Note covering the portion of the repair assistance identified. All the terms and conditions will be the same as the purchase price assistance provided by EDA under this Program.
- 5) All homebuyers shall indemnify and hold the County of Riverside and their elected officials, directors, officers, agents, employees and independent contractors free and harmless from any liability whatsoever, based or asserted upon any act or omission of the homebuyers and guarantors, its officers, agents, employees, contractors, subcontractors and independent contractors for property damage, bodily injury, or death or any other element of damage of any kind or nature, relating to or in anyway connected with or arising from its used and responsibilities in connection therewith of the property or the condition thereof, and all homebuyers and guarantors shall defend, at its expense, including attorney fees, the County of Riverside and their elected officials, officers,



agents, employees, and independent contractors in any legal action based upon such alleged acts or omission.

#### **b) APPLICATION SUBMISSION**

- i) Applications are accepted, reviewed, and awards made on a first-come, first-served basis.
- ii) In order to request financial assistance for home repair, the homebuyer shall:
  - 1) Indicate in the purchase price assistance program application their intention to apply for home repair assistance.
  - 2) Provide EDA with access to all contact information, prior to close of escrow, for the purpose of doing an on-site assessment of the property to determine repair needs.
- iii) Program activities will be coordinated between EDA, contractor, and homebuyer throughout the initial assessment, home buying and home repair construction process.
- iv) The EDA staff will review findings on the property Home Inspection Report identified during escrow. EDA will issue repair letters to be done prior to the close of escrow meeting the requirements of purchase price assistance standards. This repair work needs to be corrected by seller to the satisfaction of EDA. In addition, EDA will identify additional repairs needed to meet habitability, and energy-efficient improvements for long-term affordability. These repairs will be identified with the approval of homebuyer and the work will be done after the close of escrow. All home repairs are subject to final approval by EDA management. The funding will be determined based on the amount left after the purchase price assistance for the purchase of the home and subject to the availability of funds for home repair

#### **c) PROPERTY REPAIR ASSESSMENT**

- i) EDA will make a preliminary on-site cursory inspection of the property within **three (3)** working days of the purchase price assistance program application is received to verify the occupancy of the unit and to assess preliminary general condition of the home. A preliminary statement of work will be prepared.
- ii) Once eligibility has been determined, home inspection report received, correction letter issued, if applicable, EDA will schedule an initial on-site inspection of the property to include the homeowner.
- iii) EDA staff will inspect the property and ensure the homeowner is informed of all program requirements, terms of program participation, processes, and work write up in cooperation with the homeowner. Certain improvements are subject to specific requirements and limitations. Any rehabilitation work shall be to the extent necessary to comply with Housing Quality Standards meeting the U.S. Department of Housing and Urban Development (HUD). All work shall comply with applicable laws, codes, and other requirements to housing safety, quality, and habitability. EDA reserves the right to disallow certain improvements.

#### **d) BID PROCESS**

- i) EDA will finalize the statement of work, prepare bid package and solicit bids from EDA established list of qualified contractors.
- ii) A pre-bid walk thru will be set up by EDA and closing bids will be established.
- iii) EDA will review all bids received and select the lowest responsive bids in accordance to HUD procurement requirements. The bids will be reviewed for cost-reasonableness, consistency and accuracy with respect to the requested repairs.
- iv) Once the amount of repair assistance has been determined, a deed of trust and note for that amount will be prepared, approved and signed by homebuyer. A contract agreement between EDA and the contractor and a contract agreement between EDA and homebuyer will also be prepared and executed. Contractor will be notified however no work will initiate until after the close of escrow. The deed of trust will not be recorded until after the completion of the repair work and the final payment of the work.
- v) EDA will schedule a Pre-Construction Conference to review the home repair work order with the homeowner and the selected contractor. The conference will be used to go over the scope of work,

- time line, disbursement of funds process, and completion and close out of work. Contractor is expected to provide sample products and color selection for approval by homebuyer.
- vi) A Notice to proceed will be issued at the end of the pre-construction conference. All work must be completed within thirty days.
  - vii) EDA will require the contractor to provide warranty statements directly to the homebuyer

## **VII) CONSTRUCTION AND CHANGE ORDERS**

### **a) CONSTRUCTION PHASE**

- 1) EDA staff will schedule site visits inspection as needed during construction to ensure satisfactory work and progress. Periodic phone calls to the contractor or homeowner will also be done.
- 2) EDA staff will inspect the property at least once during the construction phase.
- 3) Upon receipt of notice from the contractor that the repairs have been completed, EDA staff will complete a final on-site property inspection in cooperation with the homeowner to verify all repairs are complete to their satisfaction.
- 4) Upon completion of all work, EDA staff will photograph the house and yard.

### **b) CHANGE ORDERS**

In the event certain repair works were not identified prior to close of escrow and deemed necessary as part of the repair work, EDA staff will make assessment to the change order and provide recommendation. A change order shall be approved only if the additional work is a direct result of the scope of work and not caused by fault of the contractor. Under no circumstances can the total repair assistance including change order and purchase price assistance exceed \$75,000. A revised deed of trust and note will be prepared together with the approved change order.

The engaged contractor must submit a request for change order to the EDA staff. Requests may be made verbally for field changes but need to be followed by a written request that provides justification for the change. Written request from engaged contractor must be submitted on contractor's company letterhead prior to performing repairs.

## **VIII) PROJECT COMPLETION AND CONTRACTOR PAYMENT**

Upon receipt of notice from the contractor that the repairs have been completed, EDA staff will complete a final on-site property inspection in cooperation with the homeowner to verify all repairs are complete to their satisfaction. EDA will ensure that all billings are submitted and processed in a timely manner. All work including punch list must be completed before any final payment can be issued. No progress or advance payment can be made. However, EDA reserves the right to release the payment to the contractor if EDA determined that all repairs has been completed in accordance to the scope of work established and homeowner has been unreasonably withholding final inspection sign off. The final deed of trust for the home repair assistance will then be recorded and become a lien to the property.

## **APPENDICES**

- A. INCOME AND PROPERTY PURCHASE LIMITS
- B. NEIGHBORHOOD STABILIZATION PROGRAM TARGET AREAS
- C. CALCULATING ANNUAL INCOME
- D. NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM DEFINITIONS
- E. HOUSING QUALITY STANDARD CHECKLIST
- F. NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM APPLICATION CHECKLIST
- G. NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM APPLICATION PHASE FORMS
- H. NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM REQUEST FOR FUNDING FORMS
- I. NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM CLOSING PHASE FORMS

**APPENDIX A**

**NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM  
INCOME AND PROPERTY VALUE LIMITS**

<b>Maximum Annual Household Income Adjusted for Family Size Effective February 10, 2009</b>	
<b>Household Size</b>	<b>Maximum Annual Income</b>
<b>1</b>	<b>\$ 55,950</b>
<b>2</b>	<b>\$ 63,950</b>
<b>3</b>	<b>\$71,950</b>
<b>4</b>	<b>\$79,900</b>
<b>5</b>	<b>\$ 86,300</b>
<b>6</b>	<b>\$ 92,700</b>
<b>7</b>	<b>\$ 99,100</b>
<b>8</b>	<b>\$105,500</b>

**MAXIMUM PROGRAM PURCHASE PRICE LIMIT**

The maximum property purchase shall be established by an appraisal prepared according to 49 CFR Part 24. This Neighborhood Stabilization Homeownership Program purchase price limit can not exceed the actual 95 percent of the area median sales price for the Riverside County published by U.S. Department of Housing and Urban Development. The maximum program purchase price for the property limit should not exceed **\$292,686**.

**APPENDIX B**

**NEIGHBORHOOD STABILIZATION PROGRAM  
TARGET AREAS**

<b>TARGET AREA NAME</b>	<b>DISTRICT</b>	<b>HUD RISK SCORES</b>	<b>NSP MAP NUMBER</b>
Lakeland Village/Wildomar	1	8,9	I - 1
Lake Elsinore	1	7,8,9	I - 2
Temescal Canyon	1	8	I - 3
Eastvale	2	8	II - 1
Home Gardens	1,2	8,9,10	II - 2
Norco	2	7,8	II - 3
Rubidoux	2	7,8,9	II - 4
Canyon Lake	3	8,9	III - 1
East Hemet	3	8,9	III - 2
French Valley	3	8	III - 3
Menifee	3	8,9	III - 4
Murrieta	3	7,8	III - 5
San Jacinto	3	8,9	III - 6
Temecula	3	7,8	III - 7
Blythe	4	9	IV - 1
Cathedral City	4	7,8,9	IV - 2
Indio	4	7,8,9	IV - 3
Thousand Palms	4	9,10	IV - 4
Banning	5	8,9,10	V - 1
Beaumont	5	8,9	V - 2
Desert Hot Springs	5	10	V - 3
Highgrove	5	9	V - 4
Perris	5	8,9	V - 5

Please note that the designated areas listed do not cover all of the city or unincorporated areas. Please refer to the Target Area Maps in the EDA website [www.rivcoeda.org](http://www.rivcoeda.org)

## APPENDIX C

### CALCULATING ANNUAL INCOME

- 1) Annual income is the gross amount of income anticipated to be received by all adults in a family during the 12 months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next 12 months. Annual income includes anticipated income from assets. The following chart generally describes how to calculate various types of income. A more detailed explanation is provided in the subsequent paragraphs.

Source of Income	Guidance for Calculation
Earned Income	Use current circumstances to anticipate future earnings. Include all family members over age 18, including income of a temporarily absent spouse or other usual family member. Make sure to use annual figures. If wages are paid hourly, assume 2080 hours for full time employment.
Income from Assets (interest earning bank accounts, stocks and bonds, CDs, IRAs, Keogh accounts, etc.)	If under \$5,000, use the actual income. If over \$5,000, use the greater of the actual or the imputed income based on the passbook rate established by HUD. Assets disposed of for less than fair market value are counted for two years. The current HUD Passbook rate is 3.5%.
Contributions and gifts	Include as income if contributions are made on a regular basis.
Alimony and child support	Include if the support is actually being provided.
Income from a business	Generally, this is gross income less expenses.
Insurance settlements, inheritances, proceeds from sale of property and other lump sum payments	Generally, these are assets and not income.
Income from welfare assistance	Count the basic welfare grant, and in states with separate "welfare rents", the maximum allowed for shelter and utilities.

Periodic payments, such as social security, pensions, etc.	Make sure to calculate the annual value of periodic payments. Lump sum payments are treated as assets.
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- 2) The following income is to be included when calculating annual income:
- a) All wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services (before any payroll deductions);
  - b) Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, 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 is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Family;
  - c) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b) of this section. 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 includes the greater of the actual income derived from Net Family Assets or a percentage of the value based on the current passbook savings rate, as determined by HUD;
  - d) All gross periodic payments 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 payment for the delayed start of a periodic payment (except social security);
  - e) Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay (but see paragraph (3c) under Income Exclusions);
  - f) Welfare Assistance. 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 consist of:
    - i) The amount of the allowance or grant exclusive of the amount specially designated for shelter or utilities; plus
    - ii) The maximum amount that the Welfare Assistance agency could in fact allow the Family for shelter and utilities. If the Family's Welfare Assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph is the amount resulting from one application of the percentage;
  - g) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling. Alimony and child support amounts awarded as part of a divorce or separation agreement are included as income unless the homebuyer (1) certifies that the income is not being provided, and (2) takes all reasonable legal actions to collect amounts due; and
  - h) All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the Family, spouse, of other person whose dependents are residing in the unit (but see paragraph (g) under Income Exclusions);
- 3) The following income is to be excluded when calculating income:
- a) Income from employment of children (including foster children) under the age of 18 years;
  - b) Payments received for the care of foster children;

- c) 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 (but see paragraph (e) of Income Inclusion);
- d) Amounts received by the Family that are specifically for, or in reimbursement of, the cost of Medical Expenses for any Family member;
- e) Income of a live-in aide;
- f) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student. Any amount of such scholarships or payments to a veteran not used for the above purchases that is available for subsistence are to be included in income;
- g) The special pay to a Family member serving in the Armed Forces who is exposed to hostile fire;
- h) Amounts received under training programs funded by HUD;
- i) Amounts received by a Disabled person 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); or
- j) 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, child care, etc.) and that are made solely to allow participation in a specific program;
- k) Temporary, non-recurring, or sporadic income (including gifts);
- l) Reparation payments from foreign governments in connection with the Holocaust;
- m) Lump sum payments of SSI and Social Security benefits; or
- n) Amounts specifically excluded by other Federal Statute for consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the 1937 Act, including:
  - i) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
  - ii) Payments to volunteers under the Domestic Volunteer Act of 1973 (employment through VISTA Retired Senior Volunteer Program, Foster Grandparents Program, youthful offenders incarceration alternatives, and senior companions);
  - iii) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626 (a));
  - iv) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
  - v) Payments of allowances made under the Department of Health and Human Services' Low Income Home Energy Assistance Program (42 U.S.C. 8624 (f));
  - vi) Payments received under programs funded in whole or in part under the Workforce Investment Act;
  - vii) Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
  - viii) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission, or the Court of Claims (25 U.S.C. 1407-1408), or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);



- ix) 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 (20 U.S.C. 1087 uu);
  - x) Payments received from program funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056 (f));
  - xi) Any earned income tax credit;
  - xii) Payments received after January 1, 1989 from the Agent Orange Settlement Funds or any other funds established pursuant to the settlement in Re Agent Orange product liability litigation, MDL No. 381 (E.D.N.Y.);
  - xiii) 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 (42 USC 9858q); and
  - xiv) Payments received under the Maine Indian Claims Settlement Act of 1980.
- 4) Income from assets is to be included when determining total income. The income to be counted is: (a) the actual income from assets if total assets are \$5,000 or less; or (b) if assets are more than \$5,000, the greater of the actual income from assets, or the total assets times the passbook rate.
- 5) Assets include the following items:
- a) Amounts in savings and checking accounts.
  - b) Stocks, bonds, savings certificates, money market funds and other investment accounts.
  - c) Equity in real property or other capital investments. Equity is the estimated current market value of the assets less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.
  - d) The cash value of trusts that are available to the household.
  - e) IRA, Keogh and similar retirement savings accounts, even though withdrawal will result in a penalty.
  - f) Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
  - g) Assets which, although owned by more than one person, allow unrestricted access by the homebuyer.
  - h) Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
  - i) Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
  - j) Cash value of insurance policies.
  - k) Assets disposed of for less than fair market value during two years preceding the income determination.
- 6) Assets do not include the following items:
- a) Necessary personal property, except as noted in 5. i. above.
  - b) Interest in Indian trust lands.

- c) Assets that are part of an active business or farming operation. Note: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the homebuyer's main occupation.
- d) Assets not accessible to the family and which provide any income to the family.
- e) Vehicles especially equipped for the handicapped.
- f) Equity in owner-occupied cooperatives and manufactured homes in which the family lives.

## APPENDIX D

### NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM DEFINITIONS

**Abstract or Title Search, Title Examination, Title Insurance Binder.** These charges cover the costs of the search and examination of records of previous ownership, transfers, etc., to determine whether the seller can convey clear title to the property, and to disclose any matters on record that could adversely affect the buyer or the lender. Examples of title problems are unpaid mortgages, judgment or tax liens, and conveyances of mineral rights, leases, and power line easements or road right-of-ways that could limit use and enjoyment of the real estate. In some areas, a title insurance binder is called a commitment to insure.

**Additional Settlement Charges.** The lender or the title insurance company may require that a surveyor conduct a property survey to determine the exact location of the home and the lot line, as well as easements and rights of way. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fees, but sometimes this may be handled by the seller.

**Amortization.** The gradual repayment of a mortgage with equal monthly payments over the life of the loan.

**Annual Assessments - Recurring.** This reserve item covers assessments that may be imposed by subdivisions or municipalities for special improvements (such as sidewalks, sewers or paving) or fees (such as homeowners' association fees).

**Annual Income.** Gross amount of income anticipated to be received by all adults in a household during the 12 months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next 12 months. See **Appendix C** for income to be included and excluded from the annual income calculation.

**Appraisal Fee.** The fee charged for the preparation of an appraisal of property value.

**Appraisal.** The value of a foreclosed upon home completed within 60 days of the offer made for the property. The appraisal must meet the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) and its implementing regulations at 49 CFR Part 24 for real property acquisition appraisals for federally assisted programs.

**Assumption Fee.** This fee is charged for processing papers for cases in which the buyer takes over the payments on the prior loan of the seller.

**Attorney's Fees.** You may be required to pay for legal services provided to the lender in connection with the settlement, such as examination of the title binder or sales contract. Occasionally this fee can be shared with the seller, if so stipulated in the sales contract. If a lawyer's involvement is required by the lender, the fee will appear on this part of the form. The buyer and seller may each retain an attorney to check the various documents and to represent them at all stages of the transaction, including settlement. Where this service is not required and is paid for outside of closing, the person conducting settlement is not obligated to record the fee on the settlement form.

**California Housing Finance Agency (CalHFA).** California Housing Finance Agency (CalHFA) assists first-time homebuyers by providing financing and programs that create safe, decent and affordable housing opportunities for individuals within specified income ranges. CalHFA was chartered as the State's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. A completely self-supporting State agency, bonds are repaid by revenues generated through mortgage loans, not taxpayer dollars.

**City/County Property Taxes - Recurring.** The lender may require a regular monthly payment to the reserve account for property taxes.

**Closing Costs.** Fees and expenses, in addition to the down payment, that are required to complete a real estate transaction. Closing costs may be non-recurring or recurring. Non-recurring costs are only paid once and include, but are not limited to items such as loan origination fees, points, title fees, recording fees, transfer taxes. Recurring costs are paid at closing and will be incurred again after purchase. Examples of recurring costs are property taxes, hazard insurance, interest, mortgage insurance and mortgage insurance premiums, and annual assessments. Closing costs are not eligible for payment by the Program.

**Closing.** The final step in transferring ownership of a property from seller to buyer.

**Credit Report Fee.** This fee covers the cost of the credit report, which shows how you have handled other credit transactions. The lender uses this report in conjunction with information you submitted with the application regarding your income, outstanding bills, and employment, to determine whether you are an acceptable credit risk and to help determine how much money to lend you. When credit reporting problems are encountered, you have protection under the Fair Credit Laws.

**Current Market Appraised Value.** The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by homebuyer.

**Deed.** A legal document conveying title to a property.

**Discount.** Any purchase of a foreclosed upon home under this Program shall be at a discount from the current market appraised value of the home, taking into account its current condition, and such discount shall ensure that homebuyers are paying below-market value for the home. Properties must be purchased at a minimum discount rate of one percent (1%) below the current market appraised value.

**Document Preparation.** There may be a separate document fee that covers preparation of final legal papers, such as a mortgage, deed of trust, note, or deed. You should check with the settlement agent to see that these services, if charged for, are not also covered under some other service fees.

**Eligible Property.** A foreclosed vacant property to be used as the buyers' principal residence which is located in a Target Area and has an appraised property value that does not exceed the property value limit established by the Program and meeting the discount value established.

**Equity.** The owner's value or interest in a property. Equity is computed as the difference between the market value of a property and the owner's indebtedness incurred against the property.

**Escrow.** The placement of money or documents with a third party for safekeeping pending the fulfillment or performance of a specific act or condition.

**Existing Home.** Any residence that has been previously occupied for residential purposes.

**Foreclosed home.** A property or home has been foreclosed upon at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

**FHA Mortgage.** A mortgage loan insured by the Federal Housing Administration.

**Fannie Mae.** A nickname for the Federal National Mortgage Association (FNMA), a tax paying corporation created by Congress to support the secondary mortgage insured by FHA or guaranteed by VA, as well as conventional home mortgages.

**First Mortgage.** A mortgage, the proceeds of which are used to purchase the property, issued by a participating lender and recorded in first position on the deed.

**First-Time Home Buyer.** An individual or an individual and his or her spouse who have not owned their principal residence during the three-year period before the purchase of a home with HOME assistance, except that the following persons shall not be excluded from consideration as a first-time Home Buyer:

A person who owns or owned a principal residence during the three year period which is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations.

**Foreclosure:** a legal process in which mortgaged property is sold to pay the loan of the defaulting borrower. Foreclosure laws are based on the statutes of each state.

**Freddie Mac.** A nickname for the Federal Home Loan Mortgage Corporation (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market. Freddie Mac purchases and sells conventional home mortgages.

**Government Recording and Transfer Charges.** These fees may be paid either by borrower or seller, depending upon your contract when you buy the home or accept the loan commitment. The borrower usually pays the fees for legally recording the new deed and mortgage. These fees collected when property changes hands or when a mortgage loan is made, may be quite large and are set by State and/or local governments. City, county and/or State tax stamps may have to be purchased as well.

**Hazard Insurance Premium - Recurring.** This premium prepayment is for insurance protection for you and the lender against loss due to fire, windstorm, and natural hazards. This coverage may be included in a homeowner's policy which insures against additional risks which may include personal liability and theft. Lenders often require payment of the first year's premium at settlement. Hazard insurance or homeowner's policy may not protect you against loss caused by flooding. If your mortgage is federally insured and your property is within a special flood hazard area identified by FEMA, you may be required by Federal law to carry flood insurance on your home. Such insurance may be purchased in participating communities under the National Flood Insurance Act.

**Hazard Insurance - Recurring.** The lender determines the amount of money that must be placed in the reserve in order to pay the next insurance premium when due.

**Home.** A one-unit dwelling, including a single family home, condominium or manufactured home on a permanent foundation that will be the buyers' permanent residence.

**HOA.** A **homeowners' association** (abbrev. **HOA**) is the legal entity created by a real estate developer for the purpose of developing, managing and selling a community of homes. It is given the authority to enforce the **covenants, conditions, and restrictions** (CC&Rs) and to manage the common amenities of the development. It allows the developer to legally exit responsibility of the community typically by transferring ownership of the association to the homeowners after selling off a predetermined number of lots. Most homeowners' associations are **non-profit corporations**, and are subject to state statutes that govern non-profit corporations and homeowners' associations.

**Home Buyer Education.** A course or class designed to prepare persons for homeownership. Topic covered include the home buying process, obtaining a loan, and responsibilities associated with homeownership, including, but not limited to, maintenance and payment obligations.

**Home Inspection Report.** A pre-purchase inspection prepared by a qualified home inspector which documents the condition and working order of the home and all fixtures included in the home purchase agreement. The inspection and report shall be prepared in accordance with industry standards. The report shall list any and all conditions which impair the habitability of the unit. The Home Inspection Report is used to determine that the home is in standard condition and will comply with Housing Quality Standards upon occupancy.

**Home Warranty.** A warranty provided by an independent company that provides for the repair of specified items in a home during the warranty period, usually for a small deductible.

**Homeownership.** Ownership in fee simple title or a 99 year leasehold interest in a one- to four-unit dwelling or in a condominium unit, or ownership or membership in a cooperative. The ownership interest may be subject only to mortgages, deeds of trust, or other liens or instruments securing debt on the property; resale restrictions imposed through this Program; or any other restrictions or encumbrances that so not impair the good and marketable nature of title to the ownership interest.

**Household.** One or more persons occupying a housing unit.

**Housing Quality Standard.** A minimum standard of habitability established by the Public Housing Authority.

**HUD.** The United States Department of Housing and Urban Development, a federal governmental agency established to implement certain federal housing and community development programs.

**Impound Account.** That portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other recurring items, as they become due. Also referred to as an escrow payment.

**Interest - Recurring.** Lenders usually require that borrowers pay at settlement the interest that accrues on the mortgage from the date of settlement to the beginning of the period covered by the first monthly payment. For example, suppose your settlement takes place on April 16 and your first regular monthly payment will be due June 1 to cover interest charges for the month of May. On the settlement date, the lender will collect interest for the period from April 16 to May 1. If you borrowed \$60,000 at 12 percent interest, the interest item would be \$303.30.

**Items Required by Lender To Be Paid In Advance.** You may be required to prepay certain items, such as interest, mortgage insurance premium and hazard insurance premium, at the time of settlement.

**Lender's Inspection Fee.** This charge covers inspections, often of newly-constructed housing made by personnel of the lending institution or an outside inspector.

**Lender's Title Insurance.** A one-time premium may be charged at settlement for a lender's title policy which protects the lender against loss due to problems or defects in connection with the title. The insurance is usually written for the amount of the mortgage loan and covers losses due to defects or problems not identified by title search and examination. The borrower may pay all, a part of, or none of this cost depending on the terms of the sales contract or local custom.

**Lien.** A legal claim against a property that must be paid when property is sold.

**Loan Origination Fee.** The charge assessed by a lender for processing a mortgage.

**Loan-to-Value Ratio.** The ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price).

**Mortgage.** A lien on real estate given by the buyer as security for money borrowed from a lender.

**Mortgagee.** The lender of money or the receiver of the mortgage document.

**Mortgagor.** The borrower of money of the giver of a mortgage document.

**Mortgage Insurance Premium - Recurring.** Mortgage insurance protects the lender from loss due to payment default by the borrower. The lender may require you to pay your first premium or a lump sum premium covering the life of the loan in advance, on the day of settlement. The premium may cover a specific number of months, a year in advance or the total amount. With this insurance protection, the lender is willing to make a larger loan, thus reducing your down payment requirements. This type of insurance should not be confused with mortgage life, credit life, or disability insurance designed to pay off a mortgage in the event of physical disability or death of the borrower.

**Mortgage Insurance - Recurring.** The lender may require that part of the total annual premium be placed in the reserve account at settlement. The portion to be placed in reserve may be negotiable.

**Mortgage Insurer Application Fee.** This fee covers processing the application for private mortgage insurance which may be required on certain loans. It may cover both the appraisal and application fee.

**New Home.** A residence that has received a certificate of occupancy but has never been previously occupied for residential purposes by any person. Also referred to as newly constructed.

**Non-recurring Closing Costs.** One-time fees and expenses paid at the time of closing. Non-recurring costs are paid in full at the time of closing.

**Notary Fee.** This fee is charged for the cost of having a licensed person affix his or her name and seal to various documents authenticating the execution of these documents by the parties.

**Note.** A written promise to pay a certain amount of money.

**Owner's Title Insurance.** This charge is for owner's title insurance protection and protects you against losses due to title defects. In some areas it is customary for the seller to provide the buyer with an owner's policy and for the seller to pay for this policy. In other areas, if the buyer desires an owner's policy he or she must pay for it.

**Pest and Other Inspections.** This fee is to cover inspections for termite or other pest infestation of the home. This may be important if the sales contract included a promise by the seller to transfer the property free from pests or pest-caused damage. Be sure that the inspection shows that the property complies with the sales contract before you complete the settlement. If it does not, you may wish to require a bond or other financial assurance that the work will be completed. This fee can be paid either by the borrower or seller depending upon the terms of the sales contract. Lenders vary in their requirements as to such an inspection.

**Purchase Discount.** See definition under Discount.

**Point.** One percent of the loan amount.

**Principal and Interest Payment (P&I).** - A periodic (usually monthly) payment that includes the interest charges for the period plus an amount applied to amortization of principal balance.

**Principal, Interest, Taxes, and Insurance Payment (PITI).** The periodic payment that includes a principal and interest payment plus a contribution to the escrow account set up by the lender to pay insurance premiums and property taxes on the mortgage property.

**Principal Residence.** The primary dwelling unit in which a family resides. The residence can be a single family property, a condominium unit, a manufactured home on a permanent foundation or a cooperative unit.

**Professional Property Inspection.** A pre-purchase inspection that is conducted to determine the condition of a property prior to purchase. See also Home Inspection Report.

**Purchase Price.** The total purchase of a property as established in an appraisal by a qualified appraiser. The purchase price shall not exceed 95% of the area median purchase price for that type of housing, as annually determined by the United States Department of Housing and Urban Development (HUD).

**REO – Real Estate Owned Properties** are properties that had been foreclosed upon and owned by a bank, lender, or other financial institution or third party due to a foreclosure-related proceeding. When a borrower avoids foreclosure by moving out and turning over the property's deed to the bank or loan servicer (a process known as a "deed in lieu"), the property also becomes part of the servicer's REO inventory.

**Reserves Deposited With Lenders.** Reserves (sometimes called "escrow" or "impound" accounts) are funds held in an account by the lender to assure future payment for such recurring items as real estate taxes and hazard insurance.

**Settlement or Closing Fee.** This fee is paid to the settlement agent. Responsibility for payment of this fee should be negotiated between the seller and buyer at the time the sales contract is signed.

**Short Sale.** Short sales are typically used to prevent foreclosure. Owners use the proceeds of short sales to settle outstanding obligations with lenders. As such, the title to the property remains in the hands of the homeowner until

the sale is executed. Accordingly, a short sale property would not meet the definition of a foreclosed upon property funded under this Program.

**Single parent.** An individual who is (1) unmarried or legally separated from a spouse and (2) has one or minor children for whom the individual has custody or joint custody, or (3) is pregnant.

**Survey.** The lender or the title insurance company may require that a surveyor conduct a property survey to determine the exact location of the home and the lot line, as well as easements and rights of way. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fees, but sometimes this may be handled by the seller.

**Title.** The accumulation of all rights in a property, often used interchangeably with the word ownership. Also refers to the document that is evidence of ownership.

**Title Charges.** Title charges may cover a variety of services performed by title companies and others and include fees directly related to the transfer of title (title examination, title search, document preparation) and fees for title insurance, legal charges, which include fees for lenders, seller's or buyer's attorney or the attorney preparing title work and fees for settlement agents and notaries. Due to the great diversity in practice from area to area, your particular settlement may not include all of these items or may include others not listed. Ask your settlement agent to explain how these fees relate to services performed on your behalf.

**Title Insurance.** The total cost of owner's and lender's title insurance is shown here. The borrower may pay all, a part or none of this cost depending on the terms of the sales contract or local custom.

**Title Search.** A check of title records to identify liens, encumbrances and ownership rights to the property.

**VA Mortgage.** A mortgage loan guaranteed by the Veterans Administration, an agency of the federal government that provides services for eligible veterans.

## **APPENDIX E**

### **HOUSING QUALITY STANDARD CHECKLIST**

The following checklist will be utilized by the EDA to determine a minimum level of habitability for all homes purchased through the Neighborhood Stabilization Homeownership Program.

Home inspectors should not use this form - it is provided here for informational purposes only. Home inspectors should prepare their reports in accordance with industry standards for that profession, and should use forms and methods in accordance with those standards.



## Housing Quality Standards (HQS) Inspection Form

### A. General Information

Date of Inspection: \_\_\_\_\_  
 Address of Inspected Unit: Street: \_\_\_\_\_  
 City: \_\_\_\_\_ County: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Name of Family: \_\_\_\_\_  
 Current Address of Family: Street: \_\_\_\_\_  
 City: \_\_\_\_\_ County: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Current Telephone of Family: \_\_\_\_\_

### B. How to Fill Out This Checklist

Proceed through the inspection as follows:

Area	Checklist Category
Room by Room	1. Living Room 2. Kitchen 3. Bathroom 4. All Other Rooms Used for Living 5. All Secondary Rooms Not Used for Living
Outside	6. Building Exterior
Basement or Utility Room	7. Heating and Plumbing
Overall	8. General Health and Safety

Each part of the checklist will be accompanied by an explanation of the item to be inspected.

Important: For each item numbered on the checklist, check one box only (e.g., check one box only for item 1.4 "Security," in the Living Room).

In the space to the right of the description of the item, if the decision on the item is "Fail," write what repairs are necessary.

Also, if "Pass" but there are additional code items or items not consistent with rehab standards or area codes, write these in the space to the right.

#### 1. LIVING ROOM

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>1.1</b>	<b>LIVING ROOM PRESENT</b> Is there a living room?			
<b>1.2</b>	<b>ELECTRICITY</b> Are there at least two working outlets or one working outlet and one working light fixture?			
<b>1.3</b>	<b>ELECTRICAL HAZARDS</b> Is the room free from electrical hazards?			

**1. LIVING ROOM**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>1.4</b>	<b>SECURITY</b> Are all windows and doors that are accessible from the outside lockable?			
<b>1.5</b>	<b>WINDOW CONDITION</b> Is there at least one window, and are all windows free of signs of severe deterioration or missing or broken out panes?			
<b>1.6</b>	<b>CEILING CONDITION</b> Is the ceiling sound and free from hazardous defects?			
<b>1.7</b>	<b>WALL CONDITION</b> Are the walls sound and free from hazardous defects?			
<b>1.8</b>	<b>FLOOR CONDITION</b> Is the floor sound and free from hazardous defects?			
<b>1.9</b>	<b>LEAD PAINT</b> Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
<b>1.10</b>	<b>WEATHER STRIPPING</b> Is weather stripping present and in good condition on all windows and exterior doors?			
<b>1.11</b>	<b>OTHER</b>			
<b>1.12</b>	<b>OTHER</b>			

**2. KITCHEN**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>2.1</b>	<b>KITCHEN AREA PRESENT</b> Is there a kitchen?			
<b>2.2</b>	<b>ELECTRICITY</b> Is there at least <i>one</i> working electric outlet and <i>one</i> working, permanently installed light fixture?			
<b>2.3</b>	<b>ELECTRICAL HAZARDS</b> Is the kitchen free from electrical hazards?			

**2. KITCHEN**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>2.4</b>	<b>SECURITY</b> Are <i>all</i> windows and doors that are accessible from the outside lockable?			
<b>2.5</b>	<b>WINDOW CONDITION</b> Are all windows free of signs of deterioration or missing or broken out panes?			
<b>2.6</b>	<b>CEILING CONDITION</b> Is the ceiling sound and free from hazardous defects?			
<b>2.7</b>	<b>WALL CONDITION</b> Are the walls sound and free from hazardous defects?			
<b>2.8</b>	<b>FLOOR CONDITION</b> Is the floor sound and free from hazardous defects?			
<b>2.9</b>	<b>LEAD PAINT</b> Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
<b>2.10</b>	<b>STOVE OR RANGE WITH OVEN</b> Is there a working oven and a stove (or range) with top burners that work?			
<b>2.11</b>	<b>REFRIGERATOR</b> Is there a refrigerator that works and maintains a temperature low enough so that food does not spoil over a reasonable period of time?			
<b>2.12</b>	<b>SINK</b> Is there a kitchen sink that works with hot and cold running water?			
<b>2.13</b>	<b>SPACE FOR STORAGE AND PREPARATION OF FOOD</b> Is there space to store and prepare food?			
<b>2.14</b>	<b>WEATHER STRIPPING</b> Is weather stripping present and in good condition on all windows and exterior doors?			
<b>2.15</b>	<b>OTHER</b>			
<b>2.16</b>	<b>OTHER</b>			

**3. BATHROOM**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
3.1	<b>BATHROOM (see description)</b> Is there a bathroom?			
3.2	<b>ELECTRICITY</b> Is there at least <i>one</i> permanently installed light fixture?			
3.3	<b>ELECTRICAL HAZARDS</b> Is the bathroom free from electrical hazards?			
3.4	<b>SECURITY</b> Are <i>all</i> windows and doors that are accessible from the outside lockable?			
3.5	<b>WINDOW CONDITION</b> Are all windows free of signs of deterioration or missing or broken out panes?			
3.6	<b>CEILING CONDITION</b> Is the ceiling sound and free from hazardous defects?			
3.7	<b>WALL CONDITION</b> Are the walls sound and free from hazardous defects?			
3.8	<b>FLOOR CONDITION</b> Is the floor sound and free from hazardous defects?			
3.9	<b>LEAD PAINT</b> Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
3.10	<b>FLUSH TOILET IN ENCLOSED ROOM IN UNIT</b> Is there a working toilet in the unit for exclusive private use of the tenant?			
3.11	<b>FIXED WASH BASIN OR LAVATORY IN UNIT</b> Is there a working, permanently installed wash basin with hot and cold running water in the unit?			
3.12	<b>TUB OR SHOWER IN UNIT</b> Is there a working tub or shower with hot and cold running water in the unit?			
3.13	<b>VENTILATION</b> Are there operable windows or a working vent system?			
3.14	<b>WEATHER STRIPPING</b> Is weather stripping present and in good condition on all windows and exterior doors?			

**3. BATHROOM**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
3.15	<b>OTHER</b>			
3.16	<b>OTHER</b>			

**4. OTHER ROOMS USED FOR LIVING AND HALLS**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
4.1	<p><b>ROOM CODE and ROOM LOCATION:</b></p> <p>right/left _____</p> <p>front/rear _____</p> <p>floor level _____</p>	<p><b>ROOM CODES</b></p> <p>1 = Bedroom or any other room used for sleeping (regardless of type of room)</p> <p>2 = Dining Room, or Dining Area</p> <p>3 = Second Living Room, Family Room, Den, Playroom, TV Room</p> <p>4 = Entrance Halls, Corridors, Halls, Staircases</p> <p>5 = Additional Bathroom</p> <p>6 = Other</p>		
4.2	<p><b>ELECTRICITY</b></p> <p>If Room Code = 1, are there at least two working outlets or one working outlet and one working, permanently installed light fixture? If Room Code does not = 1, is there a means of illumination?</p>			
4.3	<p><b>ELECTRICAL HAZARDS</b></p> <p>Is the room free from electrical hazards?</p>			
4.4	<p><b>SECURITY</b></p> <p>Are <i>all</i> windows and doors that are accessible from the outside lockable?</p>			
4.5	<p><b>WINDOW CONDITION</b></p> <p>If Room Code = 1, is there at least one window? And, regardless of Room Code, are all windows free of signs of severe deterioration or missing or broken out panes?</p>			
4.6	<p><b>CEILING CONDITION</b></p> <p>Is the ceiling sound and free from hazardous defects?</p>			
4.7	<p><b>WALL CONDITION</b></p> <p>Are the walls sound and free from hazardous defects?</p>			
4.8	<p><b>FLOOR CONDITION</b></p> <p>Is the floor sound and free from hazardous defects?</p>			

**4. OTHER ROOMS USED FOR LIVING AND HALLS**

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>4.9</b>	<b>LEAD PAINT</b> Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
<b>4.10</b>	<b>WEATHERSTRIPPING</b> Is weather stripping present and in good condition on all windows and exterior doors?			
<b>4.11</b>	<b>OTHER</b>			
<b>4.12</b>	<b>OTHER</b>			

**5. ALL SECONDARY ROOMS NOT USED FOR LIVING**

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>5.1</b>	<b>NONE. GO TO PART 6</b>			
<b>5.2</b>	<b>SECURITY</b> Are <i>all</i> windows and doors that are accessible from the outside lockable in each room?			
<b>5.3</b>	<b>ELECTRICAL HAZARDS</b> Are all these rooms free from electrical hazards?			
<b>5.4</b>	<b>OTHER POTENTIALLY HAZARDOUS FEATURES IN ANY OF THESE ROOMS</b> Are all of these rooms free of any other potentially hazardous features? For each room with an "other potentially hazardous feature" explain hazard and means of control of interior access to room.			
<b>5.5</b>	<b>OTHER</b>			
<b>5.6</b>	<b>OTHER</b>			

**6. BUILDING EXTERIOR**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>6.1</b>	<b>CONDITION OF FOUNDATION</b> Is the foundation sound and free from hazards?			
<b>6.2</b>	<b>CONDITION OF STAIRS, RAILS, AND PORCHES</b> Are all the exterior stairs, rails and porches sound and free from hazards?			
<b>6.3</b>	<b>CONDITION OF ROOF AND GUTTERS</b> Are the roof, gutters and downspouts sound and free from hazards?			
<b>6.4</b>	<b>CONDITION OF EXTERIOR SURFACES</b> Are exterior surfaces sound and free from hazards?			
<b>6.5</b>	<b>CONDITION OF CHIMNEY</b> Is the chimney sound and free from hazards?			
<b>6.6</b>	<b>LEAD PAINT: EXTERIOR SURFACES</b> Are all exterior surfaces which are accessible to children under seven years of age <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated or covered</i> to prevent exposure of such children to lead based paint hazards?			
<b>6.7</b>	<b>MOBILE HOMES: TIE DOWNS</b> If the unit is a mobile home, it is properly placed and tied down? If not a mobile home, check "Not Applicable."			
<b>6.8</b>	<b>MOBILE HOMES: SMOKE DETECTORS</b> If unit is a mobile home, does it have at least one smoke detector in working condition? If not a mobile home, check "Not Applicable."			
<b>6.9</b>	<b>CAULKING</b> Are all fixed joints including frames around doors and windows, areas around all holes for pipes, ducts, water faucets or electric conduits, and other areas, which may allow unwanted air flow appropriately caulked.			
<b>6.10</b>	<b>OTHER</b>			
<b>6.11</b>	<b>OTHER</b>			

**7. HEATING, PLUMBING AND INSULATION**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>7.1</b>	<b>ADEQUACY OF HEATING EQUIPMENT</b> a. Is the heating equipment capable of providing adequate heat (either directly or indirectly) to all rooms used for living? b. Is the heating equipment oversized by more than 15%? c. Are pipes and ducts located in unconditioned space insulated?			
<b>7.2</b>	<b>SAFETY OF HEATING EQUIPMENT</b> Is the unit free from unvented fuel burning space heaters, or any other types of unsafe heating conditions?			
<b>7.3</b>	<b>VENTILATION AND ADEQUACY OF COOLING</b> Does this unit have adequate ventilation and cooling by means of operable windows or a working cooling system?			
<b>7.4</b>	<b>HOT WATER HEATER</b> Is hot water heater located, equipped, and installed in a safe manner?			
<b>7.5</b>	<b>WATER SUPPLY</b> Is the unit served by an approvable public or private sanitary water supply?			
<b>7.6</b>	<b>PLUMBING</b> Is plumbing free from major leaks or corrosion that causes serious and persistent levels of rust or contamination of the drinking water?			
<b>7.7</b>	<b>SEWER CONNECTION</b> Is plumbing connected to an approvable public or private disposal system, and is it free from sewer back up?			
<b>7.8</b>	<b>INSULATION</b> Are the attic and walls appropriately insulated for regional conditions?			
<b>7.9</b>	<b>OTHER</b>			
<b>7.10</b>	<b>OTHER</b>			



**8. GENERAL HEALTH AND SAFETY**

**For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>8.1</b>	<b>ACCESS TO UNIT</b> Can the unit be entered without having to go through another unit?			
<b>8.2</b>	<b>EXITS</b> Is there an acceptable fire exit from this building that is not blocked?			
<b>8.3</b>	<b>EVIDENCE OF INFESTATION</b> Is the unit free from rats or severe infestation by mice or vermin?			
<b>8.4</b>	<b>GARBAGE AND DEBRIS</b> Is the unit free from heavy accumulation of garbage or debris inside and outside?			
<b>8.5</b>	<b>REFUSE DISPOSAL</b> Are there adequate covered facilities for temporary storage and disposal of food wastes, and are they approved by a local agency?			
<b>8.6</b>	<b>INTERIOR STAIRS AND COMMON HALLS</b> Are interior stairs and common halls free from hazards to the occupant because of loose, broken or missing steps on stairways, absent or insecure railings; inadequate lighting, or other hazards?			
<b>8.7</b>	<b>OTHER INTERIOR HAZARDS</b> Is the interior of the unit free from any other hazards not specifically identified previously?			
<b>8.8</b>	<b>ELEVATORS</b> Where local practice requires, do all elevators have a current inspection certificate? If local practice does not require this, are they working and safe?			
<b>8.9</b>	<b>INTERIOR AIR QUALITY</b> Is the unit free from abnormally high levels of air pollution from vehicular exhaust, sewer gas, fuel gas, dust, or other pollutants?			
<b>8.10</b>	<b>SITE AND NEIGHBORHOOD CONDITIONS</b> Are the site and immediate neighborhood free from conditions, which would seriously and continuously endanger the health or safety of the residents?			
<b>8.11</b>	<b>LEAD PAINT: OWNER CERTIFICATION</b> If the owner of the unit is required to treat or cover any interior or exterior surfaces, has the certification of compliance been obtained? If the owner was not required to treat surfaces, check "Not Applicable."			

**8. GENERAL HEALTH AND SAFETY****For each item numbered, check one box only.**

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
<b>8.12</b>	<b>OTHER</b>			
<b>8.13</b>	<b>OTHER</b>			

## APPENDIX F

### NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM (NSHP) APPLICATION CHECKLIST

All applications must be typed or printed neatly. All forms should be filled out completely. Make sure applications are signed, and notarized, where required. **Incomplete applications will not be accepted.** All items must be included in initial submittal - faxes will not be accepted for the Reservation Phase. Applications that are missing any required items or contain white-out will not be processed and will be returned to the Lender.

The Program uses a four-phase process: application, reservation, request for funding, and closing.

**NSHP Application.** The following items are required in order to accept an application for a specific homebuyer. NSHP Reservations are accepted on a first come, first served basis. Economic Development Agency (EDA) will accept a maximum of two applications per lender branch, per day. EDA will review the following items according to the NSHP Manual guidelines and respond to any application acceptance request within ten (10) working days.

- Cover Letter
- Neighborhood Stabilization Homeownership Program Application (NSHP-1)
- Certification of Homebuyer (NSHP-2)
- Homeownership Notice to Sellers and Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (NSHP-3)
- NSHP Program Financing Worksheet (NSHP-4)
- Income Affidavit (NSHP-5) – (if applicable)
- Voluntary Acquisition of Foreclosed Property (NSHP-6) – Initial and Final Form

**In addition to these forms, please submit these non-EDA forms:**

- Copy of Signed Sales Agreement, including all counter offers and Transfer Disclosure Statements
- Copy of Escrow Instructions
- Attached Map showing location of the house inside NSHP Target Area
- Copy of Complete Preliminary Report
- Copy of Certificate of Occupancy (for new homes only)
- Copy of HCD Form 433 (a) (for manufactured homes only)
- Copy of Fully Completed and Signed Loan Application
- Copy of Home Inspection for existing homes. (This can be submitted after Final NSHP-6 is signed and completed establishing the final value)
- Copy of the Signed Good Faith Estimate closing form
- Copy of Standard Flood Hazard Determination (FEMA Form 81-93) or copy of FEMA website determination.
- Last three (3) years of federal tax returns  
**PLEASE NOTE: For each year of tax returns submitted the statement “This is a true and exact copy of the tax returns submitted to the IRS” must be added to each tax return with the homebuyer’s wet signature next to the statement.**

**APPENDIX G**  
**RIVERSIDE COUNTY**  
**NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM (NSHP)**  
**APPLICATION PHASE**

(Application is on separate attachment)

## APPENDIX H

### NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM REQUEST FOR FUNDING FORMS

- Cover Letter
- True and Correct copy of FNMA Summary Form 1008, **OR** True and Correct copy of FHA Mortgage Credit Analysis Worksheet, Form 92900-WS
- Copy of Certificate of Completion of Home Buyer Education Class
- Written Proof of items listed in Home Inspection or Purchase Agreement completed prior to occupancy have been completed
- Written request from escrow officer for deposit of NSHP funds (wire instructions must be submitted in a font size 10 or larger and include the bank name, bank address, ABA/routing number, account number, escrow/title number, and client vesting)

**NOTE:** These documents will be drawn by EDA and delivered to escrow for the homebuyer to sign.

Disclosure Statement

Promissory Note for the Purchase Price Assistance

Subordinate Deed of Trust for Purchase Price Assistance

Subordinate Deed of Trust for Home Repair Assistance (outside of escrow)

Promissory Note for the Home Repair Assistance (outside of escrow)

Itemization of Amount Financed

Escrow Officer Checklist  
(to be initialed and signed by Escrow Officer)

**APPENDIX I**

**NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM  
CLOSING PHASE FORMS**

Escrow to submit the following:

NSHP Disclosure Statement.

NSHP Promissory Note.

NSHP Subordinate Deed of Trust. (certified copy)

Request for Notice (certified copy)

NSHP Itemization of Amount Financed

Escrow Officer Checklist (to be initialed and signed by the Escrow Officer)

Proof of Property Insurance

Estimated HUD-1

**NOTE:**

Escrow submits a copy of the Final HUD-1 statement within ten (10) working days after closing.

Title Company provides EDA with a copy of the Title Insurance Policy insuring the County's Interest in the property