RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM
LENDER'S MANUAL

This Manual provides the policies and procedures for the implementation of Riverside County's First Time Home Buyer Assistance Program, as established by Riverside County Board of Supervisors. In addition to these guidelines, the First Time Home Buyer Assistance Program will be administered according to the rules and regulations of the Federal HOME Investments Partnership Program, as published in 24 CFR Part 92. In the event of a conflict between this Manual and the HOME rules, the HOME rules shall take precedence. The policies and procedures contained within this Manual are intended to implement the First Time Home Buyer Assistance Program established by the Board of Supervisors.

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RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM

POLICIES AND PROCEDURES
HANDBOOK

Prepared by:

Riverside County
Economic Development Agency
951-343-5469

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Mailing Address:
Riverside County
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504

www.rchomelink.com
www.rivcoeda.org

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1) INTRODUCTION

a) **Purpose**

i) The Riverside County Economic Development Agency (EDA) is offering a First Time Home Buyer Down Payment Assistance Program (FTHB). The primary objective of the First Time Home Buyer Program is to provide housing inventory on a continuing basis, which will be available for purchase by first time homebuyers of low and very low income. The Program will be available to anyone who has not owned a home in the last three years and has an annual income that is no greater than 80% of the area median income as published by the U.S. Department of Housing and Urban Development (HUD).

ii) This Program will provide down payment assistance as a silent-second loan to lower income first time home buyers in the amount of up to twenty percent (20%) of the purchase price. 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 total of amount of down payment assistance cannot exceed $75,000. The first loan must be a fully amortized, fixed rate; thirty-year mortgage obtained through an FTHB participating lender and the EDA Assistance will be secured by a deed of trust recorded in second position to the first mortgage. The maximum DTI (back-end ratio) shall be no more than 45% of the borrower's gross monthly income.

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 no longer maintained as the principal residence of the buyer or is sold prior to the end of the Affordability Period, all County funds invested in the property must be repaid. Properties that remain affordable to program participants throughout the Affordability Period will have the Agency's investment converted to a grant. This program is available to homes being purchased within the unincorporated areas of Riverside County and the cooperating cities listed in Appendix B.

b) **HOME Program**

i) HOME is a federally funded, large scale grant program for housing. Funds are allocated by formula to participating State and local governments. The HOME program is designed as a partnership among the Federal government, state and local governments and those in the for-profit and non-profit sectors who build, own, manage, finance and support low income housing initiatives.

ii) Riverside County is a designated participating jurisdiction under the HOME Program. The County receives an annual formula allocation for use in the unincorporated county as well as cooperating cities listed in Appendix B. The FTHB Program is one of the activities that the County is funding with HOME funds. The County also issues periodic Notices of Funding Availability (NOFA's) to solicit applications under the HOME Program. Due to the use of HOME funds to operate the FTHB Program, a number of federal requirements apply to this program, as explained in this manual.

2) GENERAL ELIGIBILITY REQUIREMENTS

a) **Eligible Properties**

i) Location. The FTHB Program is only available within the County of Riverside and participating cities within Riverside County.

ii) Price Limits. To be eligible for the FTHB Program, the maximum property value shall not exceed the published maximum sales price limit for the current fiscal year. If any improvements are included in the purchase transaction, both the after-rehab value of the home and the actual purchase price cannot exceed this limit.

iii) Type of Home. The FTHB program may be used to purchase any new or resale single family home, condominium /town home or a new manufactured home that meets all of the following minimum criteria:

(1) Traditional or private party sales, Real Estate Owned (REO) or foreclosed properties and short sales are acceptable; however FTHB applications for short sales may only be submitted upon full approval from seller's lender(s).

(2) The home is permanently fixed to a permanent foundation system of supports that is capable of transferring all design loads to the ground, meets the Manufactured Home Construction and Safety Standards, connected to permanent utility hook-ups and located on land that is owned or leased and

(3) A manufactured home in a mobile home park, must meet the Riverside County permit standards, and the manufactured home has received an installation acceptance permit. The manufactured home has to be new (never occupied); and have a lease for a minimum term of the required affordability period

(4) The home has a minimum of two bedrooms; and

(5) The home is currently occupied by the Seller or vacant. **If a vacant property was previously occupied by tenants, the tenant must have been given 90 days written notice to vacate at least 90 days prior to the initial offer to purchase or the property is ineligible. Tenant occupied properties are always ineligible, unless the tenant is purchasing the unit in which they reside.**

(6) In addition, the following additional criteria apply to newly constructed homes:

(a) The value of a newly constructed home shall be established by an appraisal prepared by a qualified appraiser on Fannie Mae Form 1004. Whenever possible comparative properties should include homes located outside of the subject tract. Master Endorsements of Value will not be accepted.

(b) The home must be in sound condition and suitable for occupancy upon purchase as determined by EDA. The purchaser must reside in the home as his or her **principal** residence within sixty (60) days of purchase and the home shall not be used as a business, rental nor as a vacation (second) home.

(7) In-ground Pools and Spas. Single-Family homes with in-ground pools or spas shall be ineligible for the FTHB Program.

iv) 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 a FTHB application to EDA. The following procedures will be used to determine if the home meets these requirements:

(1) *Existing Homes*

(a) All purchasers 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 prior to the close of escrow. If the home inspection report indicates that the home has serious deficiencies, the EDA may inspect the home to determine if it is suitable for occupancy upon purchase based on health and safety standards All HOME assisted housing must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401. HOME assisted new construction or rehabilitation must meet, as applicable, one of the three model codes: Uniform

Building Code (ICBO), National Building Code (BOCA), Standard (Southern Building Code (SBCCI); or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) in 24 CFR 200.925 or 200.926. When FHA financing is involved in a HOME assisted property EDA can rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Any home, which does not meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances to ensure the home is decent, safe, and sanitary, will be disqualified from purchase under this program.

(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.

(c) Repair Requirements. EDA will review the Home Inspection Report and will prepare a list of required repairs. *A copy of the Home Inspection Report and list of required repairs is sent to the lender*. The lender and buyer need to ensure that the home meets their requirements *and that the repairs have been completed to their satisfaction.* EDA will only review the Inspection Report for safety and habitability concerns, not cosmetic items.

(d) Lender Certification. The Lender is required to certify that any EDA required repairs have been completed pursuant to the Home Inspection Report prior to close of escrow. The Lender is also responsible for ensuring that the repairs have been completed to the buyer's satisfaction. The Lender needs to satisfy itself that the repairs have been done before making this certification. In order to make this certification, the Lender will need to provide EDA with a signed letter from a licensed contractor or the original home inspector on company letterhead, itemizing repairs that have been done.

(2) *New Homes*

(a) All newly constructed homes shall receive a Certificate of Occupancy. Certificate of Occupancy must be submitted prior to the request for funding. In addition, the Seller must agree to have all operating systems and fixtures (plumbing, electricity, etc.), as well as floor coverings and similar items, installed and fully operational prior to the request for funding. Newly constructed homes shall be subject to an EDA inspection to confirm that they comply with building codes and standard building practices.

v) The EDA will perform inspections on all resale homes no earlier than 90 days before the commitment of HOME assistance to verify that homes purchased through the Program meet HQS and are in standard condition and suitable for occupancy.

vi) Occupancy Standard. One of the purposes of the FTHB Program is to address persistent conditions of housing overcrowding in the County. Therefore, the County is requiring that all homes have a minimum of two bedrooms in order to be eligible for this Program. In addition, The Housing Quality under 982.401 (1) states that "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 purchasers' annual income shall not exceed 80% of the area median income, as determined by HUD, adjusted for household 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 3 times the household's monthly gross income as determined by using HUD income guidelines for the HOME program. The income and assets of all persons residing 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 low income, as noted in 1 above, as well as appendices A and C. Non occupying co-signers are not permitted.

iii) Minimum Buyer Investment. FTHB requires no minimum buyer down payment out of pocket. 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 home buyer, the purchaser and purchaser's spouse cannot have had ownership interest in improved-upon, residential real property for the previous three years from the date of application to the FTHB Program nor have any mortgage or real estate related tax deductions. The purchaser and their spouse must attest that they have not had ownership interest in improved-upon, residential real property during the past 3 years nor filed any mortgage or real estate related tax deductions and provide last three years tax returns for review. If tax returns show evidence of mortgage or real estate related deductions, documentation must be provided evidencing that the deductions are not related to improved-upon residential real property and acceptable documentation must also be provided establishing the value of the property. Asset "income" from the property must be imputed using the HUD passbook rate and added into household's total qualifying income. Also, the household's total assets (including property) must be equal to or less than 3 times the household's monthly gross income as determined by using HUD income guidelines for the HOME program. If the total assets exceed the program's limit, the assets must be spent down accordingly. Assets (including property) disposed of for less than fair market value during the most recent 2 year period are counted as if the household still owned the asset. Displaced homemakers and single parents, as defined by Appendix D, must also meet the first time buyer requirement.

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) shall be not included in the three year requirement.

vi) All household members must be either a US Citizen or a qualified alien as per Section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). All household members must provide documentation of citizenship status as well as a valid social security number.

c) **Determination of Annual Gross Income**

i) The FTHB Program is limited to buyers with an annual income that is eighty percent (80%) 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 household members over the age of 18 years who is receiving income and will reside in the home 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. Current income is determined by examination of income source documents for the last two months (e.g., wage statement, interest statement, unemployment compensation statement). The annual income for purposes of qualifying for the FTHB Program includes all income and may be higher than the income amount utilized by the lender to underwrite the first mortgage. Non-taxable income, such as social security, should not be grossed up for the purposes of FTHB qualifying income.

ii) Annual income includes anticipated income from assets. Please see Appendix A 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**

i) 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 3 times the household's monthly gross income as determined by using HUD income guidelines for the HOME program. The homebuyer shall expend any amount that exceeds 3 times the household's monthly gross income for down payment or closing costs towards purchase of the home. See Appendix C for a detailed explanation of the items to be included and excluded from assets.

3) GENERAL LOAN REQUIREMENTS

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

a) **First Loan Requirements**

i) The purchaser 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 FHA 203(b), Fannie Mae, Freddie Mac, VA or USDA mortgage. The purchaser 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:

(1) 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 borrower 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 borrower has saved cash at home, the lender shall document these savings in accordance with standard underwriting practices.

(2) The first loan amount shall be the maximum amount for which the borrower can qualify, based on their income, debts, and current interest rates. The total monthly payment (PITI: principal, interest, taxes, insurance PMI, and HOA, if applicable) shall not be less than 25% nor more than 35% of the borrowers gross monthly income for a 30-year loan.

(3) The lender for the first loan must establish an impound account for the loan to pay property related expenses such as payment of property taxes and insurance.

(4) The maximum debt-to-income ratio shall be no more than 45 percent of the borrower's gross monthly income. Co-signed, deferred and secured loans shall be included in the determination of the debt-to-income ratio unless paid or refinanced by a joint responsible party prior to/or at close of escrow.

(5) Applicants are encouraged to submit an application for the Mortgage Credit Certificate (MCC) Program to the Riverside County Economic Development Agency. Award of down payment assistance based on the borrower's eligibility and qualifying property location is not contingent upon approval of MCC application.

ii) 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 FTHB

Program. No additional lender fees may be charged for processing of a loan in conjunction with the FTHB Program.

b) **Affordability Period**

i) In exchange for receiving funds to assist in the purchase of a home, the purchaser must sign FTHB loan documents, including a Promissory Note, Disclosure 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 FTHB Assistance is repaid to the EDA. After the Affordability Period, the EDA Assistance is converted to a grant and these obligations are forgiven.

c) **Home Buyer Education**

i) In order to be eligible for participation in the FTHB Program, prospective purchasers must complete the minimum requirements of 8 hour in-person education in a Community Home Buyer's Education Seminar by a HUD approved provider, 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. On-line homebuyer education is not acceptable and certificates expire after one (1) year.

d) **Types of Down Payment Assistance**

i) The FTHB financial assistance is provided as down payment assistance. 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 borrower to pay a minimum down payment and certain other costs. FTHB requires no minimum buyer down payment out of pocket and the maximum buyer down payment must not exceed the assistance amount requested.

ii) ADDI closing cost assistance is not currently available.

e) **Minimum and Maximum Assistance**

i) 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 down-payment assistance or 20% of the purchase price- the lesser of the two.

f) **Notifications**

i) The following notifications are required for participation in this program:

(1) *Homeownership Notice to Sellers and Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (FTHB-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 and Buyer shall complete and sign this notice. Compliance with this requirement shall be demonstrated by submission of a fully executed Form FTHB-3 at the time the Lender submits a request for reservation of funds. This Notice will be used to determine if the home is eligible for purchase under the FTHB Program. For properties constructed prior to 1979, this notice will also provide the Seller's disclosure and Buyer's acknowledgment of any possible Lead Based Paint Hazards.

(2) *Lead-Based Paint Hazard Notice.* The purchasers of all homes constructed prior to 1979 shall be provided with a Lead-Based Paint Hazard Notice and the publication "Protect Your Family from Lead in Your Home" (available at www.epa.gov/lead/pubs/leadprot.htm). The Notice shall be

provided to the purchasers' prior to close of escrow and shall be signed by the purchasers. A copy of this signed notice shall be provided to EDA with the closing package.

(3) *Disclosure Statement.* This notice discloses to the purchasers the terms of the FTHB Assistance. This form is to be signed and notarized at the settlement appointment and submitted to EDA with the closing package.

(4) *Voluntary Acquisition – Informational Notice (FTHB-6).* This notice shall be provided to the buyer at the time a purchase offer is initiated or at the earliest possible date following acceptance of the purchase offer. The Seller and Buyer shall complete and sign this notice. This form is provided as an informational notice to comply with the Uniform Relocation Act (URA).

g) **Confidentiality**

i) FTHB 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. FTHB 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.

h) **Resales**

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

i) **Subordination**

i) The FTHB Assistance shall be recorded in second position to the first mortgage on the property. The FTHB Assistance shall remain in second position and will not be subordinated to any additional debt. Notwithstanding the above, the FTHB assistance will subordinate to CalHFA financing or any other loans provided by the County of Riverside. In those instances, the FTHB shall be recorded in the third position. Under the Riverside County Subordination Program, refinancing for FTHB loans provided with HOME funds is only permitted with prior authorization of the EDA and only for purposes of reducing the monthly carrying costs to the borrower or to alleviate financial hardship due to medical condition, death of spouse, loss of employment, or natural disaster. EDA must be held in the same position as it held prior to subordination and the new first mortgage debt must include a minimum 1% reduction in the interest rate paid by the homeowner. EDA will not agree to subordinate the FTHB Assistance to any other indebtedness with the following exceptions: (1) the first mortgage obtained concurrently with the FTHB Assistance to purchase the home; and (2) limited refinancing.

4) **j) Payoff Demands**

i) Assistance to homebuyers is structured as silent second loans, with all payments of principal and interest deferred until sale, transfer or cash-out refinancing. If the housing is sold or otherwise transferred during the required affordability period, or if the property is no longer the assisted household's primary residence, the County will recapture HOME funds from the net proceeds of the sale of the property. The net proceeds of the sale shall be determined as the sales price minus senior loan repayment, closing costs and the actual value of any documented capital improvements. Recaptured funds will be recycled through the County's HOME Investment Partnership fund in order to assist other HOME eligible activities.

k) Refinancing

i) Subordination for refinancing is only permitted with the prior authorization of the Agency and for purposes of reducing the carrying costs of the borrower and a 1% or more reduction in the interest rate. The Agency 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.

l) Title Insurance

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

m) Property Maintenance Requirement

i. *Maintenance.* The borrower shall agree to maintain the home in standard condition for the term of the EDA assistance. To this end, the purchaser shall be required to obtain a one-year home warranty as part of the home purchase. 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.

ii) *Hazard Insurance*. The purchaser 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.

iii) *Flood Insurance.* Properties located in a flood hazard zone shall obtain flood insurance listing the County of Riverside as "additional-insured."

n) Loss Payee

i) The County shall be listed on the hazard insurance, flood insurance, and title insurance as the loss payee in the following manner:

County of Riverside, its successors and assignees
5555 Arlington Avenue, Riverside, CA 92504, Attn: FTHB Program

o) Auditing/Monitoring

i. 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.

ii. The County may conduct random audits of lender files to ascertain compliance with the FTHB 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 borrower.

iii. 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.

b. **Conflict of Interest**

i. FTHB 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 FTHB 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.

p) PARTICIPATING LENDERS

a) **Requirement**

i) The County will only accept FTHB Applications from approved Participating Lenders who have entered into a Lender Participation Agreement with the County for this Program and attended annual lender training.

b) **Selection**

i) The County shall establish minimum criteria for the selection of participating lenders for the FTHB 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 borrowers participating in the FTHB Program. The minimum lender criteria for the First Time Home Buyer 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 borrower. Application assistance shall be provided at a time and place convenient to the borrower. 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 FTHB Program. Participating Lenders may enter into arrangements with brokers to process FTHB 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 FTHB Program requirements.

d) **Removal**

i) The Economic Development Agency may suspend or remove participating lenders from the First Time Home Buyer 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 FTHB Program Guidelines, as described in this Manual and periodic Lender Bulletins.

(2) Failure to submit all outstanding documentation within ten (10) 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 FTHB Lender Training Session are authorized to sign all FTHB forms and to make submissions to the Program. EDA will maintain the list of Lender Training Participants indicating that they have completed the necessary training to participate in the FTHB Program.

ii) Staff that has <u>not</u> 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 are not authorized to sign the form or to make submissions to the Program.

q) PROCESSING PROCEDURES

FTHB Applications will be processed by the County on a first-come, first-served basis, in chronological order as received from participating lenders. The County will maintain a running balance of funds available, and once funds are exhausted, the County 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 FTHB applications.

The First Time Home Buyer (FTHB) program will not accept any forms with whiteout. This includes the required County FTHB forms and all subsequent items that are requested to fund the FTHB 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 County 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.

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 FTHB 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 minimum of $1,500 and an absolute maximum amount of $75,000 or 20% of purchase price, the lesser of the two;

2. the locations where the buyer may not purchase;

3. that the buyer shall provide a Homeownership Notice to the Sellers (Form FTHB-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

4. Any conditions imposed by the lender.

v. Buyer attends an EDA-approved 8 hour Home Buyer Education seminar by a HUD approved provider 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 for the Request for Funding Phase (Phase II).

vi. Buyer locates a home and enters into a purchase agreement. Buyer provides Homeownership Notice to Sellers (FTHB-3) as an addendum to the purchase contract for the Seller to sign at acceptance of purchase offer.

b. Reservation Phase

i) Lender submits a request for reservation of funds to the Agency. 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 *(see Forms Section of the FTHB website for complete checklist).*

1) Cover Letter indicating mortgage company name and address, contact person, phone and fax numbers, email address, name of applicant, location (address) of home and any other information regarding the loan terms and/or homebuyers.
2) First Time Home Buyer Assistance Reservation (FTHB-1) with wet signature(s)
3) Certification of Applicant (FTHB-2) with wet signature(s)
4) Homeownership Notice to Sellers and Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (FTHB-3) with borrower's wet initials (copy of seller's signature is acceptable)
5) FTHB Program Financing Worksheet (FTHB-4) with wet signature(s)
6) Income Affidavit (FTHB-5) – (if applicable) with wet signature(s)
7) Copy of income source documents for the last two months (e.g., wage statement, interest statement, unemployment compensation statement) for all household members
8) Copy of 1008 or FLUTS (FHA Loan Underwriting Transmittal Summary) signed and dated by the underwriter
9) Copy of Signed Sales Agreement, including all counter offers and Transfer Disclosure Statements *(do not submit FTHB file on short sale until seller's lender has fully accepted the offer)*
10) Copy of Escrow Instructions Including Vesting Amendment
11) Copy of Complete Preliminary Report less than 90 days old Including Plat Map
12) Copy of Completed Loan Application signed by lender and borrower
13) Copy of Home Inspection for existing homes *(Home Inspector must be a member of either the California Real Estate Inspectors Association, the American Society of Home Inspectors or the International Conference of Building Officials)*
14) Copy of the Loan Estimate (including TIL itemization) Signed by Borrower(s)

15) Copy of Standard Flood Hazard Determination (FEMA Form 81-93) or copy of FEMA website determination.
16) Last three (3) years of federal tax returns (all pages and schedules)
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 applicant's wet signature next to the statement.

ii) Agency will review the Reservation and within **ten (10) county working days** will issue or reject the reservation. Reservation review period of 10 days is waived if property is greater than 50 (fifty) years old in which case the minimum review period is 20 days. Reservation requests will be processed on a first come, first served basis. The reservation may be rejected for the following reasons:

(1) Buyer or home does not meet the Program Requirements.

(2) Reservation package is incomplete; or

(3) The Agency does not have sufficient funds to provide the requested amount of assistance.

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

(1) Transaction must be completed within sixty (60) 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. The Agency will evaluate the request for reasonableness and will approve or deny the extension in writing.

(2) For existing homes, a copy of the home inspection shall be submitted as soon as it is available, and shall demonstrate that the home will be ready for occupancy upon closing.

(3) Written proof that any items listed in the Home Inspection or purchase agreement that were to be completed prior to occupancy has been completed.

(4) Appraisal establishing property value (not purchase price). Property value shall be at least the purchase price and if any improvements are included in the purchase transaction, property after-rehab value shall be no more than the program limit.

(5) Any other items needed to verify applicant or property eligibility for the Program.

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

c) 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) Cover Letter
2) Voluntary Acquisition – Informational Notice (FTHB-6)
3) Copy of Appraisal establishing property value
4) Outstanding items noted in written Funding Reservation letter
5) Copy of Certificate of Completion of 8 hour Home Buyer Education Class from HUD approved

homebuyer Education Provider *(On-Line classes are not acceptable and certificates expire after 1 year)*

6) Written Proof that items listed on the EDA repair request letter have been repaired or replaced as requested *(This must be in the form of a signed letter by a licensed contractor or the original inspector, itemizing the items which were repaired)*

7) Written request from the escrow officer for deposit of FTHB funds in a font size 10 or larger. **The County requires a minimum of ten (10) county working days, excluding holidays, to process a claim and wire funds to escrow**. This time period begins when the Confirmation letter is issued.

To process the funding request, the wire instructions must include <u>all</u> of the following:

1. bank name
2. bank address
3. ABA/routing number
4. account number
5. escrow number
6. title number
7. EDA assistance amount
8. client vesting (or a copy of the Vesting Amendment)

8) Certificate of Occupancy for new homes

9) HCD form 433 (a) for manufactured homes

10) Lead based paint inspection report for homes built prior to 1978 with wet signature(s)

ii) The Riverside County Economic Development Agency reviews these items within **five (5) working days**. If all items have been satisfied, the Agency 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 borrower(s).

d) 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) First Time Home Buyer Assistance Program Disclosure Statement.

(2) Promissory Note.

(3) Subordinate Deed of Trust.

(4) Itemization of Amount Financed

(5) Escrow Officer Checklist (signed by the Escrow Officer)

ii) Escrow submits the signed First Time Home Buyer Assistance Program Disclosure Statement (Form FTHB-7), Promissory Note, and Escrow Officer Checklist and proof of property insurance to EDA as soon as they are executed.

iii) Escrow submits a copy of the Estimated <u>Closing</u> Statement with signed loan documents.

iv) Escrow submits evidence of insurance referencing the FTHB loan number and listing Riverside County Economic Development Agency as additional insured

v) EDA reviews Estimated Closing Statement and executed loan documents and issues funding approval via fax to Escrow.

vi) Loans are funded and home purchase closes.

vii) Escrow submits a copy of the Final Closing Disclosure Statement

viii) Title Company provides EDA with a copy of the Title Insurance Policy insuring the County's interest in the property.

ix) FAILURE TO SUBMIT CLOSING DOCUMENTS WITHIN THIRTY (30) DAYS OF CLOSING WILL RESULT IN SUSPENSION OF LENDER, INCLUDING ALL BRANCHES, FROM THE FTHB PROGRAM. CLOSING DOCUMENTS INCLUDE, FINAL HUD-1, TITLE POLICY, AND THE EDA LOAN DOCS. THE AGENCY WILL NOT ACCEPT FUNDING RESERVATION REQUESTS FROM SUSPENDED LENDERS.

x) Escrow/Title Company closes out the FTHB File and records a Request for Notice.

e) Resubmission of Denied Applications.

The County 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.

f) **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. In order to change the home being purchased, the following shall be completed listing the new address and re-submitted to the County.

(2) Change After Reservation and Before Request for Funding

(a) Cover letter from Lender describing change and why it occurred;

(b) New Reservation (Form FTHB-1), completed in full and listing new address and relevant information;

(c) New Homeownership Notice to Sellers (Form FTHB-3) completed and fully signed;

(d) Copy of New Signed Sales Agreement or equivalent; and

(e) Copy of New Escrow Instructions.

(f) New Financing Worksheet (Form FTHB-4), fully completed and signed;

(g) Copy of new Home Inspection Report;

(h) Written proof that items listed in the Home Inspection that affect habitability of the unit have been corrected; and

(i) Copy of new appraisal.

(3) The County will evaluate these materials and determine if the property and buyer meet all of the Program Requirements. This determination of approval or denial of the change will be provided to the Lender in writing. Denial may occur if the home is not located in a participating location, if the

home value exceeds the program limit, if the home is determined to not be in standard condition, if the home is occupied by a tenant or has been vacant for less than 60 days, if there is an increase in the amount of assistance required and this amount exceeds the program limits or if the County has insufficient funds to increase the amount of assistance, or if there are any other changes which affect eligibility of the buyer or property.

(4) 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 Applicant (Form FTHB-2) and a copy of current income source documents for the last two months (if applicable).

(5) 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 Applicant (Form FTHB-2), three years tax returns, as well as income source documents for the last two months 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.

(6) Homeownership Interest. If the applicants or their spouse acquire an ownership interest in improved-upon residential real property at any time prior to closing escrow, 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.

(7) Increase in Price. If the price of the home increases, or the amount of assistance needed changes, the County must be notified immediately. Revised forms noting the changes shall be submitted as soon as possible. The home may become ineligible if the home value as established by the appraisal exceeds the maximum value limitation. In addition, any increase in the amount of assistance needed must comply with the maximum assistance amounts and is dependent upon availability of sufficient Program funds.

(8) Decrease in Price. If the price of the home decreases, the amount of County 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.

APPENDICES

A. INCOME AND PROPERTY VALUE LIMITS

B. PARTICIPATING JURISDICTIONS

C. CALCULATING ANNUAL INCOME

D. FIRST TIME HOME BUYER PROGRAM DEFINITIONS

APPENDIX A
INCOME AND PROPERTY VALUE LIMITS

Maximum Annual Household Income Adjusted for Family Size Effective June 1, 2018	
Household Size	**Maximum Annual Income**
1	**$37,750**
2	**$43,150**
3	**$48,550**
4	**$53,900**
5	**$58,250**
6	**$62,550**
7	**$66,850**
8	**$71,150**

MAXIMUM PROPERTY VALUE

The HOME affordable homeownership limits are provided by HUD for new and existing homes. If any improvements are included in the purchase transaction, the purchase price and estimated after-rehab value established by the appraisal shall not exceed the current fiscal year's FTHB maximum purchase price limit. The FTHB maximum purchase price limits:

New Construction Single-Family Residence	$345,800
Existing Single-Family Residence	$345,800
New/Existing Condominium or Townhouse	$275,500
New Manufactured Home	$218,500

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 3 times the household's monthly gross income as determined by using HUD income guidelines for the HOME program. For example, a family of four shall have a maximum of $12,900 in assets, excluding personal property (such as automobiles and furniture), funds in restricted retirement accounts, and funds to be used in the home purchase. This is calculated by taking the income limit for a household of four, $51,600, dividing by 12 months, then multiplying by 3. See Appendix C for a detailed explanation of how to calculate income and the items to be included and excluded from assets.

APPENDIX B
PARTICIPATING JURISDICTIONS

The Riverside County First Time Home Buyer Assistance Program may be utilized to purchase a home in the following locations:

All Unincorporated Areas of Riverside County
(see below for a discussion of unincorporated areas)
and within the City limits of the following jurisdictions:

Banning	Indian Wells
Beaumont	La Quinta
Blythe	Murrieta
Canyon Lake	Norco
Coachella	San Jacinto
Desert Hot Springs	Wildomar
Eastvale	

Please note that the following cities are **not eligible** for the FTHB Program and assistance **cannot** be given to purchasers of homes located within the City Limits of these cities:

Calimesa	Moreno Valley
Cathedral City	Palm Desert
Corona	Palm Springs
Hemet	Perris
Indio	Rancho Mirage
Jurupa Valley	Riverside
Lake Elsinore	Temecula
Menifee	

Unincorporated Areas

These are areas that are outside of the city limits of an incorporated city. Unincorporated areas are under the political jurisdiction of the County of Riverside. Unincorporated areas frequently have mailing addresses of the nearest city; however this does not indicate that they are within the boundaries of that city. In general, the County will rely on the Transportation and Land Management Agency (TLMA) mapping tool in determining if a property is within the boundaries of a city. If there is a dispute concerning a specific property, the County will contact the nearest city for the precise city boundaries. All unincorporated areas are eligible for the FTHB Program.

Please note that unincorporated communities frequently have community names. Occasionally, a city will annex part of an unincorporated community and the community will continue to use its common name.

APPENDIX C
CALCULATING ANNUAL INCOME

1) Annual income is the gross amount of income anticipated to be received by all persons residing in the home following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next 12 months. Current income is determined by examination of income source documents for the last two months (e.g., wage statement, interest statement, unemployment compensation statement). 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 age 18 or older, 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, not improved-upon residential real property, etc.)	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.
Income from a business	Generally, this is gross income less expenses.
Insurance settlements, inheritances, proceeds from sale of personal 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.

2) The following income is to be <u>included</u> 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 applicant (1) documents 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 <u>excluded</u> 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) Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household or spouse).

n) Adoption assistance payments in excess of $480 per adopted child.

o) Lump sum payments of SSI and Social Security benefits; or

p) 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. Asset income is counted if assets are more than $5,000 by using 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 applicant.
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 applicant'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

FIRST TIME HOME BUYER 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, 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 persons residing in the home 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 D 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. An estimate of property value prepared in accordance with accepted practices and standards by an independent appraiser who is licensed by the State of California. The appraiser inspects the house and the neighborhood, and considers sales prices of comparable houses and other factors in determining the value. The appraisal report may contain photos and other information of value to you. It will provide the factual data upon which the appraiser based the appraised value.

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. At this time ADDI closing cost assistance is not available.

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.

Deed. A legal document conveying title to a property.

Displaced homemaker. An individual who, (1) is an adult; (2) has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and (3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. Displaced homemakers are no longer exceptions to the first time buyer requirement.

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 property to be used as the buyers' principal residence which is located in a participating location and has an appraised property value that does not exceed the property value limit established by the FTHB Program.

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.

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 had ownership interest improved-upon residential real property nor claimed any mortgage or real estate related tax deductions 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 mobile home which is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations.

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 real estate. 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.

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 2-4 unit property, a condominium, 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.

Property Value. The total value of a property as established in an appraisal by a qualified appraiser. The purchase price of eligible FTHB homes shall not exceed the current fiscal year's purchase price limit for that type of housing. If any improvements are included in the purchase transaction, both the after-rehab value of the home and the actual purchase price cannot exceed the purchase price limit.

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.

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. Single parents are no longer exceptions to the first time buyer requirement.

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.